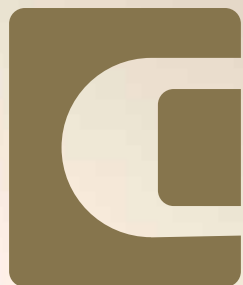


China Investment Corporation



Annual Report 2012

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**CHINA INVESTMENT CORPORATION
2012 ANNUAL REPORT**

CONTENTS

Message from the Chairman and CEO	2
Corporate Review	8
Overview	9
Culture and Core Values	11
Corporate Governance	13
Investment and Management Review	26
Investment Strategy and Management	27
Risk Management	38
Human Resources	42
Global Outreach	46
2012 Financials	48

**Message from
the Chairman
and CEO**





MESSAGE FROM THE CHAIRMAN AND CEO

2012 marked the fifth anniversary of China Investment Corporation (CIC), five years of great strides and important progress. In a complex and volatile global market environment, we stayed true to our core values, pursued long-term investments based on commercial considerations and achieved good returns for our shareholder through effective risk management and active adjustment of our asset allocation and portfolio structure. I am pleased to share with you the 2012 Annual Report.

In 2012, global financial markets remained in thrall to continued high risks, low yields and high volatility, hallmarks of the post-crisis era. In the first half of 2012, fiscal retrenchment in the United States and deepening crisis in Europe posed strong headwinds, slowing the global economic recovery and prolonging turbulence in financial markets. In the third quarter, the new round of Quantitative Easing launched by the US Federal Reserve, and the Outright Monetary Transactions undertaken by the European Central Bank, helped bolster the global recovery, mitigate tail risks and lift asset prices. Thanks to intensified market research and timely adjustment to optimize our portfolio mix, we promptly seized the window of opportunity on the back of a market turnaround in the second half of the year. By year-end 2012, we had achieved an annualized return of 10.60% for overseas investments and a cumulative annualized return of 5.02% since the inception of CIC.

In 2011, CIC's Board of Directors extended our investment horizon to 10 years and adopted rolling annualized return as an important benchmark to evaluate our performance. In early 2012, the Board of Directors reviewed and approved the 2012–2016 Strategic Plan of Development, which outlines the guidelines to grow CIC's investment overseas.

In 2012, we studied the asset allocation models of major institutional investors over the past five years and decided to maintain the Endowment Model as a basis for our asset allocation. We also developed a policy portfolio to better align and balance our strategic asset allocation and tactical asset allocation, and thus contribute to overall portfolio integrity as well as to shore up disciplined and prudent management. We continued to conduct research under the asset allocation



Ding Xuedong
Chairman and CEO

MESSAGE FROM THE CHAIRMAN AND CEO

framework and consolidated our research capacity to enhance analysis of macro-economic dynamics. Risk control and management remained central to our daily work. In addition to monitoring and managing exposure to market and credit risks, we enhanced operational risk management and internal controls at the company level in a bid to strengthen comprehensive risk management.

As a long-term investor, we invested in assets such as infrastructure, energy, mining, and private equity. We also redoubled our efforts to strengthen post-investment management and optimize the portfolio structure in a bid to improve our in-house investment capacity.

In 2012, CIC International (Hong Kong) set up an investment review mechanism and a risk control system as part of an ongoing effort to ensure smooth operation. CIC Representative Office in Toronto maintained close and effective communication with stakeholders in the region and helped CIC International expand its local presence as well.

High-caliber talent is central to our sustained success. With this in mind, we continued to strengthen our investment and management skills by enhancing the professional competence of our investment staff and recruiting top professionals. The 2012–2016 Human Resource Strategic Plan has been formulated to guide human resources development, and we introduced the concept of incentive compatibility to modernize human resource management.

On the front of global engagement, CIC remained a committed member of the International Forum of Sovereign Wealth Funds. We continued to uphold the Santiago Principles and worked to promote free, open and orderly capital flows and cross-border investments. In 2012, we engaged in international discussions on the global investment and regulatory environment in the post-crisis era, and on how to fend off protectionism and create an open, fair and non-discriminatory environment.

Over the past five years, we at CIC have been working relentlessly to improve all aspects of corporate governance. Progress has been remarkable in strategic research, investment decision-making, risk management, operational support, capacity building, global engagement and corporate social responsibility. CIC has lived up to its mandate of preserving and enhancing the value of the foreign reserves under its management and contributing to the sustainable economic prosperity of its recipient countries.

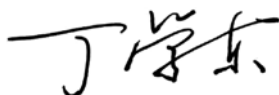
On behalf of the Board of Directors, I would like to express our heartiest appreciation to the former Chairman of CIC, Mr. Lou Jiwei, and to all CIC staff.

MESSAGE FROM THE CHAIRMAN AND CEO

Going forward, the subdued global economic recovery, compounded by rising protectionism, will cast a prolonged shadow over the outlooks of global financial markets. And as major developed economies embark on tapering their Quantitative Easing programs, volatility of global financial markets will be further increased, creating new challenges for institutional investors.

No matter the coming challenges and uncertainties, we will stay firm and prove stronger as we endeavor to fulfill our mission and mandate. I have every confidence that the solid groundwork laid in our first five years will see us through the next five and beyond. We have weathered this difficult time, but we must equip ourselves to embrace new challenges as we go forward. It is a privilege to serve as Chairman and CEO of CIC, and I am determined to lead the company to greater achievements and to grow it into a world-class sovereign wealth fund.

I look forward to working with our shareholder, business partners and dedicated staff.

A handwritten signature in black ink, consisting of stylized Chinese characters '丁学东' (Ding Xuedong).

Ding Xuedong
Chairman and CEO



MESSAGE FROM THE FORMER CHAIRMAN AND CEO



Lou Jiwei

Chairman and CEO (September 2007 to March 2013)

CIC was established in September 2007, with the mandate to diversify the investment of China's foreign reserves. As a young company, we have come a long way over the past five years—we endeavored to build our institution, develop investment platform and cultivate in-house investment capacity. That enabled us to acquire a sound grasp of market trends and evolving dynamics and to seize investment opportunities in global capital markets. At the same time, we abided by prudent and disciplined investment principles, built a good global track record and explored new ways and channels to preserve and enhance the value of China's foreign reserves.

I was privileged to serve as the founding Chairman of CIC, working alongside the company's dedicated staff. My 2,000 days at CIC took me through a wide spectrum of feelings—the joy of achievement, the distress of setbacks and the pride of seeing the company grow, thrive and aspire to greater success. I will hold these memories dear to my heart. For a young company like CIC, it is a pioneering effort to build a diversified investment platform and a global multi-asset portfolio. I would like to share some of my experience and reflections.

First, since its inception, mindful of its long investment horizon, CIC made a point of drawing on the experiences of key global institutional investors and basing our investments on in-depth research within the asset allocation framework. We employed diversified investment methods to develop a balanced mix in our portfolio, which cover public market equities, fixed income, absolute return and long-term assets. CIC makes a meaningful effort to diversify China's foreign reserve investment by seeking higher returns for its long-term investments, going beyond the more conventional foreign reserve management approach that stresses liquidity and safety.

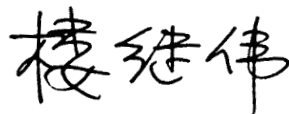
Second, risk control is a core competency of CIC. We have established a comprehensive risk control system that strengthens our ability to identify, evaluate, monitor and control risks. We believe an institutional investor's duty is not to avoid risks outright but to effectively control and manage risks in order to seek risk premium.

MESSAGE FROM THE FORMER CHAIRMAN AND CEO

Third, we strictly abide by applicable domestic and prevailing international accounting principles to accurately calculate and evaluate CIC's investments. For public market investments, we calculate our positions mark-to-market; for nonpublic market investments, we commission independent third-party entities to value our market positions. The valuation methods we adopt are transparent and acknowledged by external auditors. Understandably, mark-to-market valuation exposes annual returns to market volatilities, and more often than not, the results cannot be correctly comprehended and interpreted in an evolving context. That is a constant source of pressure for CIC's management. But it reinforces the accuracy and reliability of results published since the company was established. We have stood the test of the market, and the facts will speak for themselves.

As China's young sovereign wealth fund, we set sail in turbulent times and navigated uncharted waters with courage and competence. Like a ship emerging from a storm, we will usher in a bright future with renewed confidence. I believe that CIC will grow from strength to strength under the able leadership of Chairman Ding Xuedong.

I would like to thank the Board members and business partners of CIC for their unfailing support during the past five years. In particular, I want to express my appreciation to the company's dedicated management and staff, whose commitment, creativity and professionalism have impressed me immensely. It has been my privilege to work with you, and I wish you every success in your future endeavors. A bright future beckons.



Lou Jiwei
Former Chairman and CEO

Corporate Review



 **OVERVIEW**

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

Two subsidiaries of CIC—China Investment Corporation International Co., Ltd. (CIC International) and Central Huijin Investment Ltd. (Central Huijin)—were incorporated separately and function as two distinct entities. There is a strict operational firewall between the business activities of CIC International and those of Central Huijin.

CIC International was established in September 2011 in accord with China's Company Law, with a mandate to invest and manage overseas assets. It took over the entire overseas investment portfolio and mandate from CIC, and it continues to pursue CIC's investment principles and approaches of independent decision-making grounded in market conditions. Since CIC International was established, an additional \$49 billion has been provided to the company.

Central Huijin, a wholly owned subsidiary of CIC, holds controlling stakes in key state-owned financial institutions in China. It also recapitalized selected domestic financial institutions. Though Central Huijin is not involved in the operations of the companies it invests in, it exercises its shareholder rights and performs its obligations to improve governance, and preserve and enhance the value of state-owned financial assets.

As a long-term financial investor, CIC invests across diversified asset classes based on commercial and financial considerations to seek maximum return for its shareholder within acceptable risk tolerance. For this purpose, CIC pursues a diversified portfolio mix by allocating assets in open market financial products and long-term investments. CIC's portfolio comprises cash, equities, fixed-income, absolute return and long-term investments.

To explore investment opportunities and expand its global presence, CIC sets up subsidiaries and offices overseas. In November 2010, CIC opened its first subsidiary in Hong Kong. CIC International (Hong Kong) Co., Ltd. is now fully operational, with investment teams in place. In January 2011, CIC opened its first representative office in Toronto, Canada. CIC International (Hong Kong) and the CIC Representative Office in Toronto are incorporated under CIC International.

CIC'S LANDMARKS SINCE INCEPTION (2007-2012)

- Operation and Corporate Governance
- Investment Management and Activities
- International Cooperation

2007

- In September, CIC established in Beijing, China, and convened its first Board of Directors, Board of Supervisors and Executive Committee.
- In December, invested \$5.6 billion in Morgan Stanley.

2008

- In January, set up the Investment Committee and the Risk Management Committee.
- In April-October, became a member of the International Working Group of Sovereign Wealth Funds and co-drafted and signed the Santiago Principles.

2009

- In July, invested \$1.5 billion in Teck Resources.
- In July, inaugurated the International Advisory Council.

2010

- In March, invested \$1.6 billion in AES.
- In November, opened CIC International (Hong Kong) Co., Ltd.

2011

- In January, extended the investment horizon to 10 years.
- In January, opened the CIC Representative Office in Toronto.
- In May, hosted the 3rd annual meeting of the International Forum of Sovereign Wealth Funds.
- In September, established CIC International.
- In December, invested \$3.15 billion in GDF Suez Exploration & Production International SA and \$850 million in Atlantic LNG Company of Trinidad and Tobago.

2012

- In February, approved the 2012-2016 Strategic Plan of Development.
- In June, set up the Russia-China Investment Fund with the Russia Direct Investment Fund.
- In July, launched the CIC Culture Consensus as part of its culture-building scheme.



CULTURE AND CORE VALUES

Corporate culture nourishes CIC's vitality and core competitiveness and sustains its growth and viability going forward.

Cultivating a corporate culture that captures the company's vision and values has always been at the forefront of our endeavors, reinforced in the CIC Culture Consensus released in 2012.

The CIC Culture Consensus embodies our hard work, innovation and steady progress in the five years since our inception. It speaks to the aspirations of CIC as an institution and of all our staff, whose professional commitment, diverse ideas and desire to make a difference foster our culture and values. A systematic expression of CIC's mission, vision and core values, the CIC Culture Consensus will be a guide to enhancing the cohesion, work ethics and moral integrity of our staff as we go forward.

MISSION: CIC operates with a clear mandate to diversify China's foreign exchange investments and to seek 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: We have identified four core values: responsibility, synergy, professionalism and aspiration.

- *Responsibility:* We are committed to fulfilling our mandate with a strong sense of responsibility. Fundamental to our responsibilities is to effectively manage assets and make every investment a success. We fulfill these responsibilities conscientiously, observe strict work ethics, uphold integrity and honesty, abide by applicable laws and regulations in recipient countries and seek maximum returns within acceptable risk tolerance for our shareholder.
- *Synergy:* Teamwork, guided by a common purpose and holistic thinking, will bring out the best in individuals, the key to sustained development and success. We encourage cooperation and cohesion across departments to create synergies that spur our company forward to achieve our stated goals.
- *Professionalism:* Professionalism and strict work ethics lay the groundwork for success. We will carry forward our solid, prudent and disciplined investment approach, applying it in every project. Striving for excellence in performance, we will enhance our professional expertise across the company.

CULTURE AND CORE VALUES

- *Aspiration:* Aspiring to excellence drives us forward and guarantees sustained and greater success. Committed to building a learning enterprise, we encourage best practices and uphold the highest standards for greater achievement.

The release of the CIC Culture Consensus is a solid step forward in building our culture. A series of programs were launched with a view to creating a vibrant, inclusive and inspirational working environment for everyone to grow and succeed, enhancing cohesion and solidarity across the company.





CORPORATE GOVERNANCE

A sound governance structure and an effective division of roles and responsibilities support our operations and the achievement of our stated objectives.

CIC set up its Board of Directors and Board of Supervisors in accord with China's Company Law. The three governing bodies of CIC include the Board of Directors, the Board of Supervisors and the Executive Committee. The State Council exercises shareholder's rights on behalf of the State.

CIC endorsed and implemented its corporate governance model to ensure well-defined responsibilities and effective checks and balances. We improved our organizational structure and workstream standards. We also established a mechanism for scientific decision-making and authorization, put in a place a comprehensive risk management system and developed a sophisticated and diversified investment platform.

CIC's Board of Directors is authorized to oversee the company's operations, evaluate its overall performance and make decisions on important matters in accord with the company's Charter. Based on investment objectives and development strategies set by the shareholder, the Board reviews and approves the company's investment strategies and operational guidelines. It also decides on ways to implement such strategies, identifies major issues to report to the shareholder, appoints and removes senior executives, delegates responsibilities and establishes management bodies as necessary. The Board of Directors is supported by the Remuneration Committee and Executive Committee. The Remuneration Committee formulates and reviews the compensation policies for senior executives and oversees their execution. The Executive Committee is entrusted by the Board of Directors to oversee the company's daily operations.

The Board of Supervisors, responsible for monitoring the ethical behavior of directors and executives as well as the effectiveness of supervisory procedures within the company, reports directly to the shareholder. Also in charge of the Department of Internal Audit, the Board of Supervisors selects outside auditors and monitors CIC's accounting and financial functions. The Chairman of the Board of Supervisors is a member of the Executive Committee and sits as an observer in meetings of the Board of Directors. The Board of Supervisors is supported by the Supervisory Committee and the Audit Committee. The Supervisory Committee supervises the professional and ethical behavior of members of the Board of Directors and senior executives. The Audit Committee monitors and reviews the company's financial and accounting functions.

Entrusted by the Board of Directors, CIC's Executive Committee translates the Board of Directors' guidance into detailed strategies and oversees CIC's day-to-day operations. It has the authority to make required operating decisions,

CORPORATE GOVERNANCE

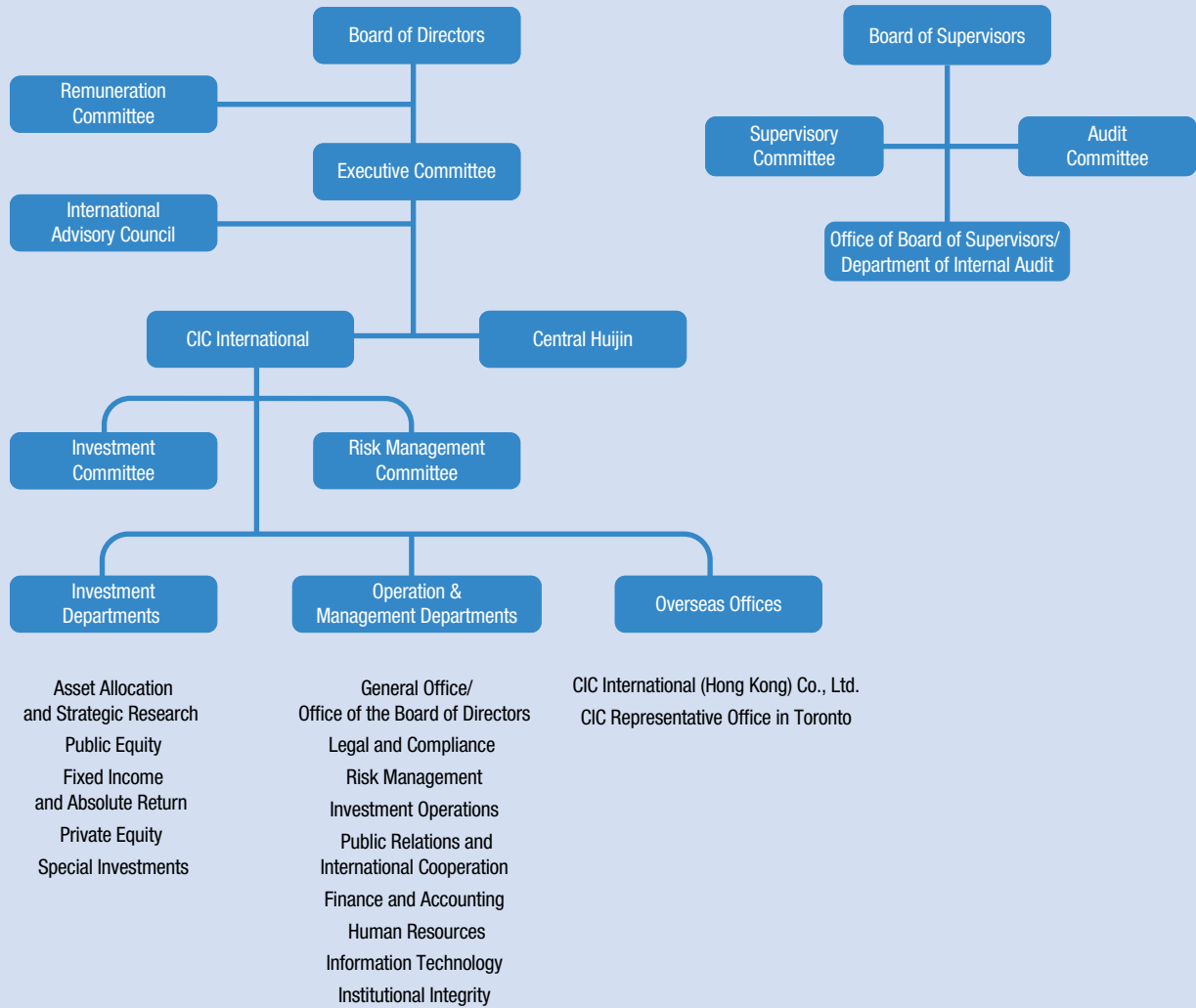
including those for basic rules, institutional adjustment, operating mechanisms, performance evaluation and remuneration. In 2012, the Executive Committee continued to implement the 2012-2016 Strategic Plan of Development, improved investment decision-making and set the terms of reference for the Executive Committee. It refined the organizational structure and division of responsibilities. It developed incentives, culture-building schemes and the 2012-2016 Human Resource Strategic Plan. And it improved institutional capacity-building.

The International Advisory Council comprises 15 internationally prominent experts who give CIC an international perspective on global economic, investment and regulatory issues. In accord with the Council's Charter, CIC appointed members for the second term of the International Advisory Council, which held its fourth annual meeting in Beijing in July 2012. During the meeting, the Council members conducted in-depth discussions on the global economic and financial market outlook, investment strategies to manage ongoing challenges and market volatility, as well as asset allocation and risk management. They also provided valuable proposals for CIC's long-term development.



CORPORATE GOVERNANCE

CHINA INVESTMENT CORPORATION ORGANIZATION CHART



CORPORATE GOVERNANCE

BOARD OF DIRECTORS



Ding Xuedong
Chairman & Chief Executive Officer

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

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



Gao Xiqing
Vice Chairman & President

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

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

CORPORATE GOVERNANCE



Li Keping
Executive Director, Executive Vice
President & Chief Investment Officer

Mr. Li Keping is Executive Director, Executive Vice President and Chief Investment Officer of CIC. He held several positions in the National Council for the Social Security Fund (NCSSF), including Vice Chairman, Secretary General and Head of the Investment Department. He also worked as Deputy Director General of the Macroeconomic Control Department of the State Council Office for Restructuring the Economic Systems and Deputy Director General of the Macroeconomic Control Department of the State Commission for Restructuring the Economic Systems.

Mr. Li, born in 1956, holds a bachelor's degree in economics from Peking University.



Liu Zhongli
Independent Director

Mr. Liu Zhongli, an Independent Director of CIC, is Chair of the Chinese Institute of Certified Public Accountants. He previously served as Chairman of the Economic Commission under the Chinese People's Political Consultative Conference, Chairman of the National Council for Social Security Fund, Director of the Economic Restructuring Office of the State Council, Minister of Finance, Commissioner of the State Administration of Taxation, Deputy Secretary General of the State Council. He was Deputy Governor of Heilongjiang Province in the 1980s.

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



Wang Chunzheng
Independent Director

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

Mr. Wang was born in 1938.

CORPORATE GOVERNANCE



Zhang Xiaoqiang
Non-Executive Director

Mr. Zhang Xiaoqiang, a Non-Executive Director of CIC, is Vice Chairman of the National Development and Reform Commission (NDRC). He previously served as Secretary General of the State Development and Planning Commission (SDPC, a predecessor to the NDRC), the Director General of the Department of Foreign Investment at the State Planning Commission (a predecessor to the SDPC) and Economic Counselor at the Chinese Embassy in the United States.

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



Li Yong
Non-Executive Director

Mr. Li Yong is a Non-Executive Director of CIC. He previously served as Vice Minister of Finance, Assistant Minister of Finance, Secretary General of the Chinese Institute of Certified Public Accountants, Director General of the World Bank Department under the Ministry of Finance and Executive Director of China to the World Bank Group.

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



Chen Jian
Non-Executive Director

Mr. Chen Jian is a Non-Executive Director of CIC. Previously, he served as Vice Minister, Assistant Minister of the Ministry of Commerce (MOFCOM), Assistant Minister of the Ministry of the Foreign Trade and Economic Cooperation (MOFTEC), Director General of the Foreign Economic Cooperation Department of the MOFTEC and Vice President of China National Overseas Engineering Corporation.

Mr. Chen was born in 1952 and graduated from Beijing Second Foreign Language Institute.

CORPORATE GOVERNANCE



Hu Xiaolian
Non-Executive Director

Madam Hu Xiaolian, a Non-Executive Director of CIC, serves as Deputy Governor of the People's Bank of China (PBC). Before taking that position, she served as Deputy Administrator, Administrator of State Administration of Foreign Exchange (SAFE) and Assistant Governor of PBC. She previously worked in several SAFE departments, serving as Director General of the Reserve Management Department, and Deputy Director General of the Policy, Law and Regulation Department.

Madam Hu, born in 1958, holds a master's degree in economics from the Graduate School of the PBC.



Fang Shangpu
Non-Executive Director

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

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



Li Xin
Employee Director

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

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

CORPORATE GOVERNANCE

BOARD OF SUPERVISORS



Li Xiaopeng
Chairman of the Board of Supervisors

Mr. Li Xiaopeng is Chairman of the Board of Supervisors. He previously served as Senior Executive Vice President of Industrial and Commercial Bank of China Limited (ICBC) and its Executive Director. Earlier in his career, he served as Assistant to the President of ICBC and Head of ICBC Beijing Branch, Vice President of China Huarong Asset Management Corporation, Head of ICBC Sichuan Branch, General Manager of the Banking Department of the Head Office of ICBC and Deputy Head of ICBC Henan Branch.

Mr. Li was born in 1959 and holds a Ph.D. in economics from Wuhan University.



Dong Dasheng
Supervisor

Mr. Dong Dasheng, a member of the Board of Supervisors, is Deputy Auditor General of the National Audit Office. Previously, he served at the National Audit Office, where he held various positions including Director General of the Department of Monetary Audit, Director General of the Auditing Research Institute and Deputy Director General of the Department of Public Finance Audit. He also served as the Deputy Director of the Administration Committee of the Pudong New Area of Shanghai.

Born in 1954, Mr. Dong holds a Ph.D. in economics.

CORPORATE GOVERNANCE



Zhou Mubing Supervisor

Mr. Zhou Mubing, a member of the Board of Supervisors, is Vice Chairman of the China Banking Regulatory Commission. In his previous appointments, he served as Director of the Policy Research Department of the Industrial and Commercial Bank of China (ICBC), and President of the Fujian branch of the ICBC. Prior to this, he held several positions in Chongqing Municipal Government, including Deputy Governor, Secretary General, Director General of the General Office, and Head & Party Secretary of Yubei District.

Mr. Zhou was born in 1957 and holds a Ph.D. in economics.



Zhuang Xinyi Supervisor

Mr. Zhuang Xinyi, a member of the Board of Supervisors, is Vice Chairman of China's Securities Regulatory Commission (CSRC). Previously he served as Deputy Director of the Office of the State Council's Securities Commission, Vice President of Trust Investment Co., Ltd. of the Construction Bank of China, President of the Shenzhen Stock Exchange, Inspector of the Office of the State Council's Securities Commission, Director of the Training Centre of CSRC, Vice Mayor of Shenzhen city, Chairman of the Securities Association of China and Assistant to Chairman of CSRC.

Mr. Zhuang was born in 1955 and holds a Ph.D. in economics.



Cui Guangqing Employee Supervisor

Mr. Cui Guangqing, an Employee Supervisor, is Deputy Head of the Discipline Inspecting Commission, 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 was born in 1964 and holds a Ph.D. in economics from Xi'an Jiaotong University.

CORPORATE GOVERNANCE

EXECUTIVE COMMITTEE

Ding Xuedong	Chairman & Chief Executive Officer
Gao Xiqing	Vice Chairman & President
Li Xiaopeng	Chairman of the Board of Supervisors
Li Keping	Executive Director, Executive Vice President and Chief Investment Officer
Peng Chun	Executive Vice President
Fan Yifei	Executive Vice President
Xie Ping	Executive Vice President
Liang Xiang	Executive Vice President, Head of Discipline Inspecting Commission
Zhou Yuan	Chief Strategy Officer
Guo Xiangjun	Chief Risk Officer
Hua Hua	Chief Information Officer
Zhao Haiying	Member of the Executive Committee
Lou Jiwei	Chairman & CEO (September 2007 to March 2013)
Jin Liqun	Chairman of the Board of Supervisors (September 2008 to May 2013)
Wang Jianxi	Executive Vice President (September 2007 to May 2013)

CORPORATE GOVERNANCE

INTERNATIONAL ADVISORY COMMITTEE

ASIA

Zeng Peiyan (China)

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

Shaukat Aziz (Pakistan)

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

Frederick Ma (Hong Kong, China)

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

Yingyi Qian (China)

Dean, School of Economics and Management at Tsinghua University; member of the Monetary Policy Committee, People's Bank of China.

Andrew Sheng (Malaysia)

President, Fung Global Institute; Chief Advisor to China Banking Regulatory Commission; former Chairman, Hong Kong Securities and Futures Commission, China.

Joseph Yam (Hong Kong, China)

Executive Vice President of the China Society for Finance and Banking; Distinguished Research Fellow of the Institute of Global Economics and Finance; Chairman of Macprudential Consultancy Ltd.; former Chief Executive of the Hong Kong Monetary Authority.

Taizo Nishimuro (Japan)

Former Chairman and Chief Executive Officer, Tokyo Stock Exchange Group; former Chairman and Chief Executive Officer, Toshiba Corporation. (July 2009 to June 2013)

CORPORATE GOVERNANCE

AFRICA

Omari Issa (Tanzania)

Chief Executive Officer, President's Delivery Bureau, Tanzania; Chairman, Tanzania National Economic Empowerment Council; Non-Executive Director, Rwanda Development Board; Non-Executive Director, Africare, US; Non-Executive Director, Millicom International Cellular, Luxembourg.

AMERICAS

Merit E. Janow (United States of America)

Dean, School of International and Public Affairs, and Professor of Practice, International Economic Law and International Affairs, Columbia University; Chairman, NASDAQ Stock Market LLC; former member of the Appellate Body of the World Trade Organization.

John J. Mack (United States of America)

Chairman Emeritus and former Chief Executive Officer, Morgan Stanley.

John L. Thornton (United States of America)

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

James D. Wolfensohn (United States of America)

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

CORPORATE GOVERNANCE

EUROPE

Knut N. Kjaer (Norway)

Chairman, FSN Capital Partners and Trient Asset Management; former Chief Executive Officer, Norges Bank Investment Management.

Jean Lemierre (France)

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

Lord Nicholas H. Stern (United Kingdom)

President, British Academy; I.G. Patel Professor of Economics and Government, London School of Economics and Political Science; former Chief Economist, World Bank Group.
(July 2009 to June 2013)

SECRETARIAT

Liu Fangyu (China)

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

Investment and Management Review





INVESTMENT STRATEGY AND MANAGEMENT

INVESTMENT PRINCIPLES AND PHILOSOPHIES

CIC is committed to being a prudent, professional and responsible institutional investor operating globally with good reputation. Four principles underlie our investment activities:

- We invest on a commercial basis. Our objective is to seek maximum returns for our shareholder within acceptable risk tolerance.
- We are a financial investor and do not seek control of the companies in our portfolio.
- We are a responsible investor, abiding by the laws and regulations of China and recipient countries and conscientiously fulfilling our corporate social responsibilities.
- We pursue investments based on in-depth research within our asset allocation framework to ensure a prudent and disciplined decision-making process.

CIC follows a set of investment philosophies, which is firmly based on its institutional characteristics and understanding of investment management:

- Guided by the concept of CIC Portfolio, we take a holistic and disciplined approach to strategy design, portfolio construction and management to ensure portfolio integrity and stability.
- As a long-term investor, we are well-positioned to withstand short-term market volatilities and capture illiquidity premium.
- We see risk diversification as an effective way to control portfolio volatility and drawdown risk, which is central to CIC's portfolio construction.

INVESTMENT DECISION-MAKING

Since its inception, CIC has established a scientific, disciplined and effective decision-making system. The Investment Committee oversees investment decision-making and management. Discretionary power is granted to investment teams to varying degrees based on product characteristics. The approach aims to fully incentivize investment teams and encourage accountability, flexibility and disciplined management.

Determining investment policies in line with the guidelines defined by the Board of Directors and Executive Committee, the Investment Committee evaluates and approves investment proposals submitted by the investment departments. Before submission to the Investment Committee, investment proposals are reviewed on

INVESTMENT STRATEGY AND MANAGEMENT

a pre-Investment Committee meeting chaired by the Chief Investment Officer. The Investment Committee convenes weekly (ad hoc sessions are held when necessary) and makes investment decisions independently. It comprises Chairman and Chief Executive Officer; Vice Chairman and President; Executive Vice President and Chief Investment Officer; other Executive Vice Presidents; Chief Strategy Officer; Chief Risk Officer; Heads of the Department of Asset Allocation and Strategic Research, the other four functioning investment departments and the Department of Risk Management; and President of CIC International (Hong Kong).

Investment departments and teams are responsible for implementing Investment Committee decisions. In line with the decisions of the Investment Committee, departments and teams build substrategies and manage investment portfolios on the basis of market research and selected and evaluated external fund managers. Investment departments at CIC are organized as follows:

- The Department of Asset Allocation and Strategic Research is responsible for developing asset allocation plans and analyzing and managing the total portfolio. This department also conducts economic and market research to support investment views and manages the investment of passive assets and the transiting substitution portfolio.
- The Department of Public Equity is responsible for active strategies for public equity investments through external fund managers and in-house management.
- The Department of Fixed Income and Absolute Return is responsible for active strategies for fixed income, absolute return and commodity futures investments.



INVESTMENT STRATEGY AND MANAGEMENT

- The Department of Private Equity is responsible for private equity and real estate investments by means of private equity funds, direct investments and co-investments, as well as credit opportunity investments.
- The Department of Special Investments is responsible for investments in such assets as energy, mining, infrastructure and agriculture.

In 2012, CIC improved its investment decision-making and authorization mechanism to ensure investment professionalism, efficiency and compliance. Meanwhile, CIC built a project management system for the whole investment process, covering project initiation, investment decision-making, post-investment management and project exit, forming a solid foundation for scientific, disciplined and efficient investment management.

PORTFOLIO CONSTRUCTION AND EXECUTION

In 2012, CIC reviewed the experience of institutional investors in asset allocation over the past five years, deciding to base its asset allocation on the Endowment Model and bring in diverse risk allocation elements to improve allocation decision-making. We also constructed a mid-term policy portfolio to achieve more stability and flexibility in portfolio management while boosting investment returns.

CIC now has a three-layer asset allocation framework comprising strategic asset allocation, policy portfolio and tactical asset allocation. Strategic asset allocation defines asset classes and investment ranges in line with CIC's return target and risk tolerance, acting as long-term investment guidance. Policy portfolio is the asset allocation plan based on mid-term economic projections and asset valuation analysis. With a three-year time horizon, policy portfolio acts as an anchor for investment activities and portfolio rebalancing. As an active tilt from the policy portfolio, tactical asset allocation aims at seizing investment opportunities arising from market volatility to seek risk premium, based on in-depth analysis and understanding of economic events, asset valuation and risk factors.

Guided by an asset allocation plan and risk management principles, CIC invests in a wide range of financial products globally, including cash, equities, fixed income, absolute return and long-term investments. Absolute return investments are primarily hedge funds. Long-term investments include private equity investments, energy, mining, real estate, infrastructure and others.

CIC maintains a large proportion of index and enhanced-index investment in public market to effectively capture benchmark returns (Beta returns). To seek Alpha returns, CIC gradually carries out active strategies on the basis of enhancing external managers selection and in-house investment capacity. CIC set up a dealing room as part of its efforts to steadily build up in-house investment capability.

INVESTMENT STRATEGY AND MANAGEMENT

Meanwhile, CIC attaches great importance to long-term investment and has drawn on its long investment horizon to achieve steady long-run returns, which matches its risk return profile. CIC remains committed to fostering long-term and win-win relations with its business partners and investee companies.



INVESTMENT STRATEGY AND MANAGEMENT

INVESTMENT ACTIVITIES

In 2012, faced with complex market conditions, CIC intensified market research, actively responded to changes and took prudent steps to manage its overseas portfolio according to the asset allocation plans. First, in line with asset allocation strategies, we continued to build up positions in public equity and other assets with newly provided funds. Second, we steadily carried out long-term investments in infrastructure, energy, mining and real estate. Third, on the basis of in-depth market analysis, we adjusted and optimized our portfolio in timely response to key macroeconomic events and thus produced good results.

In 2012, CIC generated good returns from its investment portfolio and preserved and enhanced the value of foreign exchange reserves under its management.

In addition to adjusting the asset allocation and investment benchmark, we fine-tuned the structure of our public market portfolio on the basis of in-depth research of the macro economy, market outlooks and asset class characteristics. We also conducted a thorough evaluation of external managers and improved the system for selecting and assessing external managers.

CIC continued to build up its long-term asset portfolio and weighted it toward infrastructure, agriculture and other projects that generated steady returns, thus providing stable cash returns while improving the risk return profile. To cope with evolving market conditions, we gradually phased in a private equity investment model that combines fund investment, co-investment and direct investment. Meanwhile, we continued to optimize our private equity portfolio structure and improve our in-house investment competence (table 1).

In 2012, CIC strengthened its post-investment management of long-term assets. We undertook a thorough review of all direct investment projects, formulated value-adding plans and exited some private equity and direct investment projects when market chances were appropriate.

CIC International (Hong Kong) has completed its portfolio transfer, operation system testing, institution building and recruitment with guidance and support from CIC International. CIC International (Hong Kong) also set up its investment decision mechanism and risk control system and carried out investments smoothly. In charge of global credit products and China concept stock investments, it registered good performance in 2012.

CIC Representative Office in Toronto strengthened its communication with local governments, financial institutions and local communities and assisted CIC in seeking good investment opportunities and conducting market research and due diligence.

INVESTMENT STRATEGY AND MANAGEMENT

In addition, CIC has been actively engaged in frequent communications with governments and businesses of recipient countries, peer institutional investors and investee companies and funds, to expand channels and platforms for overseas investments and jointly explore excellent investment opportunities.



INVESTMENT STRATEGY AND MANAGEMENT

TABLE 1
SELECTED DIRECT INVESTMENTS IN 2012

Company	Closing date	Country	Sector	Amount of investment	Initial ownership
Thames Water	January	UK	Infrastructure	£276 million	8.68%
EP Energy	May	US	Energy	\$300 million	9.9%
Polyus Gold	May	Russia	Mining	\$425 million	5%-1 share
Eutelsat Communications SA	June	France	Pan-Industry	€386 million	7%
Heathrow Airport Holdings Ltd.	November	UK	Infrastructure	£450 million	10%
Moscow Exchange	December	Russia	Pan-Industry	\$187 million	4.58%

BOX 1

CIC INVESTS IN HEATHROW AIRPORT HOLDINGS LTD.

On 1 November 2012, CIC invested £450 million for a 10% stake in Heathrow Airport Holdings Ltd.

Heathrow Airport Holdings Ltd. is a prominent airport operator in the UK, and its Heathrow Airport is one of the busiest international air hubs in Europe. In 2012, the airport handled 70 million passengers, third in the world.

CIC sees the UK as a destination of choice for long-term investment because of its business-friendly environment and sound legal framework. Thanks to its pricing regulatory regime, Heathrow has an advantageous market position and can provide inflation-protected and stable returns for its investors. As an unlisted infrastructure asset of high quality, it maintains a low correlation to other asset classes, serving CIC's diversification objectives well.

INVESTMENT STRATEGY AND MANAGEMENT

INVESTMENT MANAGEMENT AND SUPPORT

In 2012, CIC continued to enhance its internal operation support and management capacity with well-defined responsibilities, effective communications, strict controls and compatible incentives.

- First, we consolidated our research capacity, fostered cooperation between research teams and investment teams and explored new ways to enhance our allocation and investment competence.
- Second, we launched an analytical system to improve dynamic monitoring, in-depth analysis and management of the overall portfolio.
- Third, we strengthened post-investment management of long-term assets, provided product-specific support for different asset classes and improved investment management system to ensure investment discipline. We kept on optimizing the straight-through processing system for in-house investment.
- Fourth, we streamlined our IT system to enable centralized and standardized management of basic data.
- Fifth, we upgraded the budget management and cost control system, standardized budget execution, adjustment and review procedures, and enhanced our treasury cash management to ensure cash return and liquidity.
- Sixth, we reviewed the templates of investment agreements and other legal documents, improved our legal support to investment activities and developed the compliance risk management processes for overseas investment, to ensure timely recognition, assessment, management and control of compliance risks.



INVESTMENT STRATEGY AND MANAGEMENT

INVESTMENT RESULTS

In 2012, CIC's overseas portfolio posted a net return of 10.60%. Through year-end 2012, our cumulative annualized return since inception was 5.02% (table 2).

Central Huijin drew its returns from the profits of the financial institutions in its portfolio. Central Huijin's top five equity holdings are listed in table 3.

TABLE 2
**INVESTMENT PERFORMANCE
ON THE GLOBAL PORTFOLIO**

Year	Cumulative annualized return (%)	Annual return (%)
2008 ^a	-2.1	-2.1
2009	4.1	11.7
2010	6.4	11.7
2011	3.8	-4.3
2012	5.02	10.60

a. Cumulative annualized returns and the annual return for 2008 are calculated since inception on 29 September 2007.

TABLE 3
**TOP FIVE PORTFOLIO HOLDINGS
OF CENTRAL HUIJIN**

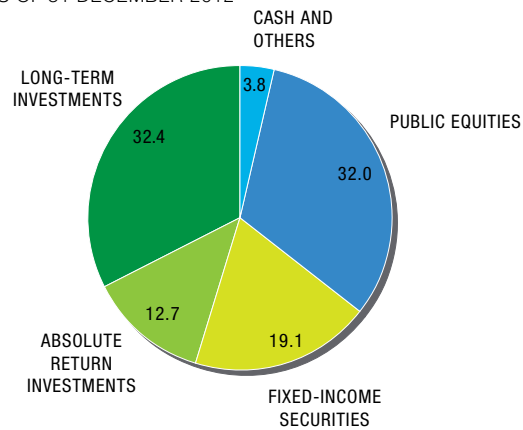
(AS OF 31 DECEMBER 2012)

Financial institution	Share of ownership (%)
China Development Bank	47.63
Industrial and Commercial Bank of China	35.46
Agricultural Bank of China	40.21
Bank of China	67.72
China Construction Bank	57.21

INVESTMENT STRATEGY AND MANAGEMENT

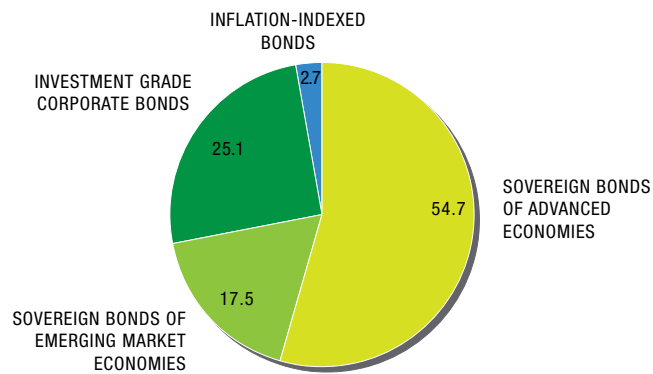
GLOBAL INVESTMENT PORTFOLIO DISTRIBUTION

(%) AS OF 31 DECEMBER 2012



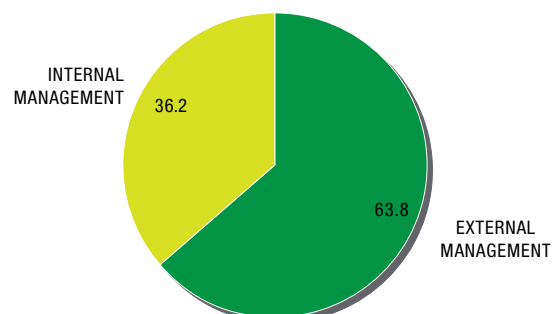
DIVERSIFIED FIXED-INCOME SECURITIES

(%) AS OF 31 DECEMBER 2012



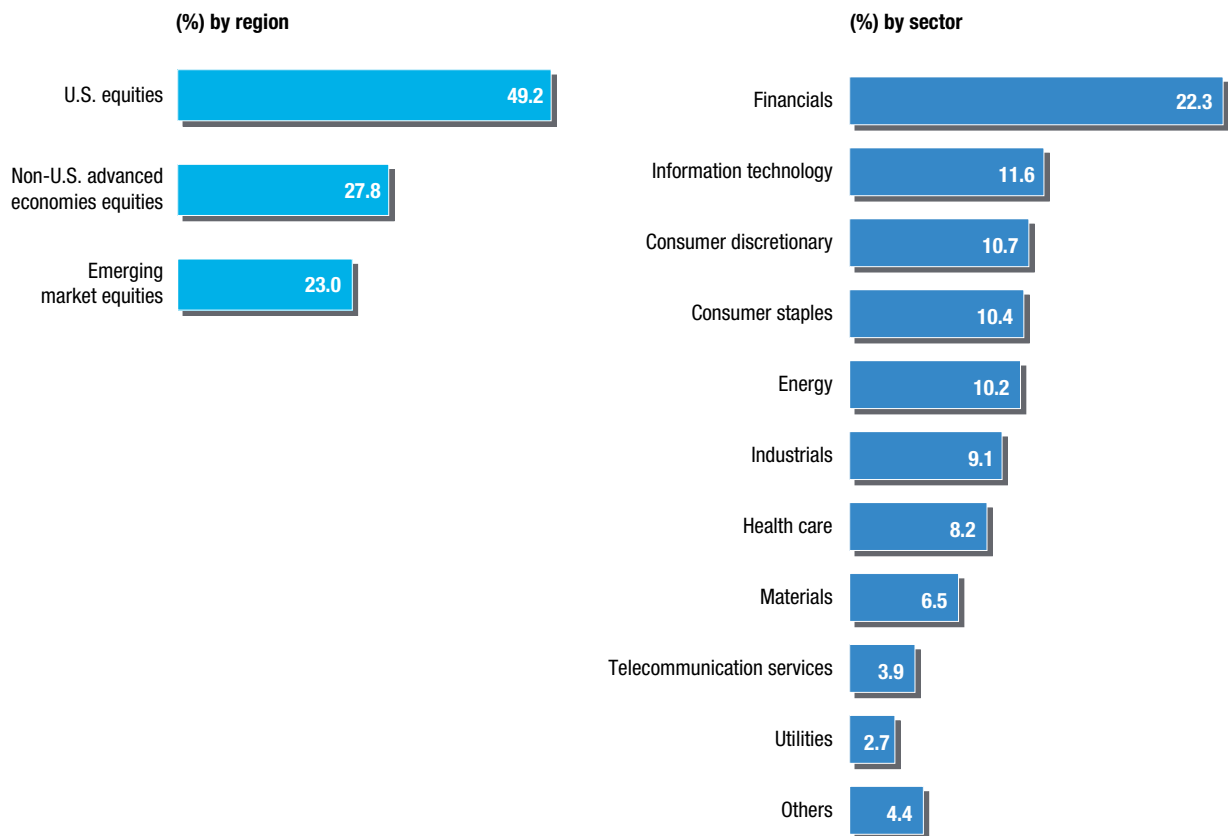
INTERNALLY MANAGED ASSETS VERSUS EXTERNALLY MANAGED ASSETS

(%) AS OF 31 DECEMBER 2012



INVESTMENT STRATEGY AND MANAGEMENT

DIVERSIFIED EQUITIES AS OF 31 DECEMBER 2012



RISK MANAGEMENT

OBJECTIVE AND APPROACH

The objective of CIC's risk management is to put in place effective policies, mechanisms, systems and processes for investments and operations, and to maximize the company's value within an acceptable tolerance for risk. 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 substrategies.

SYSTEM AND MECHANISM

In the five years since its inception, CIC has put its risk management under constant review to rise above complex and volatile market conditions. We made continuing efforts to optimize and build a comprehensive risk management system that employs state-of-the-art expertise to identify, assess, monitor and control risks. As a result, we markedly improved our risk management capacity.

We have a comprehensive risk management system to classify and manage risks, involving the Executive Committee, Risk Management Committee and relevant departments to manage all risks—market, credit, operational, liquidity, strategy, legal and compliance, reputation 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:

- Reviewing risk management strategies, policies and procedures.
- Determining the risk budgeting and allocation plan.
- Reviewing risk management and assessment reports.



RISK MANAGEMENT

- 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 direction of the Executive Committee.

The Risk Management Committee comprises the Chairman and Chief Executive Officer; President and related Executive Vice Presidents; Chief Strategy Officer; Chief Risk Officer; and Heads of the Department of Risk Management, Department of Legal and Compliance, Department of Public Relations and International Cooperation, Department of Asset Allocation and Strategic Research, Department of Investment Operations, Department of Finance and Accounting, Department of Internal Audit and General Office. The Committee facilitates consistent and integrated oversight and decision-making for investment and operational risks. Other members of senior management and the heads of the four investment departments attend Risk Management Committee meetings as needed.

CIC's comprehensive risk management system comprises the following pillars:

- We rolled out a wide array of risk management rules and regulations and built a three-layered system that features basic procedures, management approaches designated to different types of risks and risk management guidelines to provide institutional guarantee for scientific, well-defined and orderly risk management.
- We developed an integrated management platform to construct a three-tier system of procedure management (company-wide, inter-departmental, department-wide), which standardized risk management in different aspects of operation, including investment, management and supervision, thus enhancing efficiency and standardization in risk management.
- We formulated three lines of defense:

For 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. Based on

RISK MANAGEMENT

the overall risk budgeting formulated by the Department of Asset Allocation and Strategic Research, each investment department works out risk budgets of specific business lines.

For the second line of defense, the Department of Risk Management sets risk limits for different asset classes based on the risk budget developed by the Department of Asset Allocation and Strategic Research. In addition to formulating the risk management framework, mechanism and processes, the Department of Risk Management also works with the Department of Investment Operations, Department of Finance and Accounting, Department of Legal and Compliance and Department of Public Relations and International Cooperation to monitor and manage risks across the board.

For 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 internal controls, making recommendations to redress inadequacies whenever they may arise.

For quantitative analysis and portfolio risk monitoring, we established a risk management system consistent with international practices. That ensures timely and comprehensive risk monitoring, analysis and management of investments and positions in different asset classes (including those managed by external managers).



RISK MANAGEMENT

CAPACITY BUILDING

In 2012, we took measures to build up our risk management capacity to navigate the complex and volatile market environment:

- We continued to improve our risk governance architecture. We set up an Operational Risk Committee under the Risk Management Committee to improve operational risk data collection and evaluation. We built an integrated platform of business process management and consolidated internal management functions to coordinate supervision of internal auditing and institutional integrity functions, fostering interfaces across the three lines of defense.
- We launched a Fenye Risk and Performance Analysis System for performance evaluation and attribution, risk calculation and analysis for all our portfolio asset classes. With this system, we can better track the evolving risk-return profile of our investments and make decisions more effectively.
- We enhanced risk identification and evaluation in the pre-investment stage and risk monitoring in the post-investment stage. We kept under close scrutiny direct investments with high concentrations and underperforming strategies and substrategies and alerted external managers as part of our efforts to deliver better post-investment management.
- To cultivate our risk management capacity, we developed an internal model to rate sovereign risk and an attribution model for public market Alpha returns while enhancing techniques to evaluate financial assets.
- We continued to enhance compliance monitoring and tax planning and to intensify research on investment regulations overseas to improve compliance.

As CIC embarks on steady growth, we will redouble our efforts to intensify and refine risk management and improve our competencies at all levels.

HUMAN RESOURCES

We believe that talent is the driving force that sustains our growth. Guided by the principle of Putting People First, we strive to recruit high-caliber professionals by offering them rewarding job opportunities and letting them develop their talents in a sound human resource system. We then evaluate their performance scientifically and give them incentives with market-based instruments.

In the years since its inception, CIC has been committed to building a human resource management model that suits our characteristics and fosters an attractive environment to recruit, develop and retain talent. We have successfully built a talented team with professional competence and moral integrity, and established a full-fledged human resource management mechanism.

RECRUITING TALENT

Since CIC is an international company undergoing fast growth with a large overseas portfolio under its management, we recruit experienced professionals with international investment management experience and a good grasp of Chinese culture and perspectives. We offer an extraordinary platform for professionals to give full play to their talents and develop their careers.

We have a fair, rigorous and transparent recruitment process. All candidates must apply through our online application system. After initial screening, candidates are invited to take an online test. Applicants who pass the online test are shortlisted for interviews. To enhance the rigor and fairness of the selection process, we introduced a multi-dimensional assessment methodology, inviting external human resource experts to participate in the interview. Candidates applying for positions of managing director or above are interviewed by each member of our senior management team.



HUMAN RESOURCES

To attract and retain key talent, we have a talent database to keep potential candidates in reserve for mid-level and senior executive positions.

Our overall staff strength was 583 up to June 2013, including global investment staff of 443, more than 60% of whom were educated or have worked overseas (table 4).

DEVELOPING TALENT

CIC sets a premium on developing talent. In line with our growth strategies and human resource goals, we launched diversified and systematic training programs for staff at all levels to help them better fulfill their responsibilities and broaden their horizons. The training improves professional, management and leadership skills, the keys to solid corporate governance.

Training is carried out at the department and company levels, coordinated by the Department of Human Resources (table 5). We also provide online training for staff to develop and enrich their skills. We provide high-performing staff with discretionary and flexible training options as a way to acknowledge their contributions.

In addition to internal training, we work with renowned local universities to provide a broad perspective on management and leadership skills and to keep staff abreast of the latest trends in the global financial landscape. We also work with several institutions and universities to provide training programs and lecture series, to update our staff's skill sets and broaden their horizons, and thus better equip them to fulfill their responsibilities. While most training takes place in China, some overseas programs are arranged for employees, as appropriate. In 2012, we provided 62 training programs in five categories, granting each employee five days of training on average.

Our comprehensive performance management system guides, evaluates and rewards performance. The system includes the full cycle of performance planning, tracking and feedback. We also combine management-by-objectives evaluation and 360-degree appraisal to allow a multi-dimensional approach to assessing

TABLE 4
BACKGROUND SUMMARY OF CIC STAFF
 (AS OF 30 JUNE 2013)

Number	Advanced degrees	Overseas work experience	Overseas education	Overseas citizenship
443	363	174	250	41

Note: Excludes Central Huijin Investment Ltd.; advanced degrees are postgraduate or higher.

HUMAN RESOURCES

TABLE 5
SELECTED CORPORATE TRAINING PROGRAMS

Risk management and internal control

Valuation modeling

Global economic and political trends

Investment expertise

Business negotiation

Information security

Anti-corruption policies and practices

Leadership development

New employee orientation

staff performance, competency and achievement. Data of international peers are incorporated in the performance evaluation system. The outcomes of performance evaluation are linked with reward under the incentive scheme and applied to career development and training programs.

HUMAN RESOURCES

RETAINING TALENT

We are constantly refining the selection and use of human resources at CIC and the compensation system to offer competitive salaries and benefits to attract and retain talent. Our human resource management scheme aligns compensation with our overall development strategy and corporate culture, while ensuring that it is market-based. We encourage exceptional performance, especially for core professionals in the investment departments, and measure employees against set performance indicators to retain talented professionals.

Since inception, CIC has registered a fairly low turnover rate. We remain an employer of choice for many talented professionals returning from overseas, which could be attributed to the attractive job opportunities, sound corporate culture and rewarding working environment.

HUMAN RESOURCE PLANNING

In 2012, CIC formulated the 2012–2016 Human Resource Strategic Plan to define the overall objectives, key aspects and measures for human resource development in the next five years. Under the Plan, we will focus on building competencies in investment management, operation and service, affiliated company management and equity management. To make CIC a “recognized brand for financial professionals,” we took concrete steps on seven fronts: strategy management for talent development, position management, selection and promotion, recruitment and evaluation, differentiated remuneration, learning-oriented environment and corporate culture.





As China's sovereign wealth fund, we continued to enhance international understanding of our mission and purpose, boost our image as a valuable partner and a responsible global institutional investor, and promote free, open and orderly flows of capital and cross-border investments.

Since its inception, CIC has been committed to international exchanges and dialogues, advocating greater transparency and strict compliance in our investment activities. With dedicated efforts in the past five years, we have built CIC's image as a prudent, professional and responsible global investor with excellent business ethics.

We have implemented the Santiago Principles in good faith, demonstrating our commitment to timely information disclosure to meet compliance requirements, a practice appreciated by most recipient countries and business partners.

As a charter member of the International Forum of Sovereign Wealth Funds, we have been active in its activities. We hosted the third annual meeting of the Forum in Beijing in May 2011, at which Mr. Jin Liqun, Chairman of the Board of Supervisors of CIC at that time, was elected Chair of the Forum. CIC attended the fourth annual meeting of the Forum in Mexico City in September 2012, chaired by Mr. Jin Liqun. The CIC delegation had fruitful exchanges with other participants and played a constructive role in ensuring the Forum's success.

In recent years, as the world economy gradually recovered, protectionism re-emerged in major developed countries, primarily in the form of restrictive and discriminatory policies against foreign investments. CIC was actively engaged for open dialogues to deepen mutual understanding and trust.

In 2012, CIC executives visited countries in Africa, Asia, Europe, Latin America and North America to enhance dialogues not only with governments and the business community but also with media, academia and nongovernmental organizations. Through these interactions, we demonstrated our commitment to being a long-term financial investor and our practice of investing responsibly on a purely commercial basis. Meanwhile, we received a large number of international visitors for discussions on the global business and investment environment and on common challenges and opportunities for cooperation. In these dialogues, we endeavored to mitigate the negative impact of investment protectionism and foster an open, fair and non-discriminatory environment for international investment. We look forward to cooperating with all stakeholders and creating a win-win situation for mutual benefits.

GLOBAL OUTREACH

Our exchanges and communications with governments and regulatory authorities from recipient countries promote understanding of our investment policies and practices and foster a high degree of transparency. Our annual report and website illustrate CIC's governance, investment strategy and risk management, and the annual financial results of our global investment portfolio. Meanwhile, we enhanced our "spokesperson information disclosure" mechanism as a supplement to our timely information disclosure. CIC's senior management also sat for interviews and published articles with mainstream media from China and overseas, providing information on our investment philosophy and performance.

Going forward, CIC will remain committed to outreach activities through active and effective dialogue and cooperation, as guided by the Santiago Principles, which we will continue to observe in good faith to prove that CIC is a responsible global investor and a valuable partner.



2012 Financials



 **2012 FINANCIALS****BASIS OF PRESENTATION**

China Investment Corporation pursues domestic and overseas investments separately through CIC International and Central Huijin. The consolidated financial statements of China Investment Corporation (the “Company”) have been prepared in accord 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 (IFRS). The Company’s consolidated financial statements were audited by independent auditors with an unqualified opinion. The Company believes that the financial statements represent a true and impartial view of the Company’s financial position, operating results and cash flows for the year ended 31 December 2012.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s policies. These judgments, assumptions and estimates are applied to financial asset valuation and tax income recognition.

The Company’s accounting period is from 1 January to 31 December. The reporting and functional currency of CIC’s overseas investments is the US dollar. The reporting and functional currency of Central Huijin is the RMB.

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

2012 FINANCIALS

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS (As of 31 December)

(millions of US dollars)

ASSETS	2012	2011
Cash and deposits	22,296	20,088
Total financial assets at fair value through profit or loss	190,291	146,890
Receivables and prepayments	3,032	5,923
Available-for-sale investments	119	119
Held-to-maturity investments	636	2,000
Long-term equity investments	356,097	304,880
Deferred tax assets	1,673	1,742
Other assets	1,034	525
Total assets	575,178	482,167

LIABILITIES	2012	2011
Total financial liabilities at fair value through profit or loss	509	491
Bonds payable	17,507	17,461
Deferred tax liabilities	3,885	1,505
Other liabilities	57,360	37,615
Total liabilities	79,261	57,072

OWNER'S EQUITY		
Owner's capital	200,000	200,000
Capital reserves and others	295,917	225,095
Total owner's equity	495,917	425,095
Total liabilities and owner's equity	575,178	482,167

2012 FINANCIALS

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS (For the year ended 31 December)

(millions of US dollars)

INVESTMENT INCOME	2012	2011
Interest income	2,951	2,293
Dividend income	2,474	1,525
Net realized gains on investments	1,944	2,621
Unrealized gains (losses) from changes in fair value of investments	12,169	(11,350)
Investment income from long-term equity investments	63,358	53,383
Foreign exchange gains (losses)	49	70
Other income	107	47
Total investment income	83,052	48,589
EXPENSE		
Investment expense	(311)	(385)
General and administrative expense	(147)	(135)
Finance expense	(630)	(660)
Impairment loss	–	–
Total expense	(1,088)	(1,180)
Operating income	81,964	47,409
Others, net	(1)	(2)
Income before taxes	81,963	47,407
Income taxes	(4,564)	1,015
NET INCOME	77,399	48,422

2012 FINANCIALS

SUMMARIZED ACCOUNTING POLICY OF FINANCIAL INSTRUMENTS

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

FINANCIAL ASSETS AND LIABILITIES AT FVTPL

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

AVAILABLE-FOR-SALE (AFS) INVESTMENTS

AFS investments are any nonderivative financial assets designated by the Company on initial recognition as available for sale.

HELD-TO-MATURITY INVESTMENTS

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

LOANS AND RECEIVABLES

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

OTHER FINANCIAL LIABILITIES

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. Subsequent measurement of held-to-maturity investments are measured at amortized cost by using the effective interest method.
- For financial instruments at FVTPL, gains or losses from change in fair value are recognized in profit or loss. Changes in fair value of AFS investments are recognized directly in equity, through other comprehensive income, except for impairment losses and foreign exchange gains or losses, which are recognized directly into profit or loss. The cumulative gain or loss that was recorded in equity is transferred to profit or loss when an AFS investment is

2012 FINANCIALS

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.

- Derivatives are initially measured at fair value on the date when a derivative contract is entered into and subsequently measured at the fair value on each balance sheet date. The gains or losses from the fair value change are recognized in profit or loss. The embedded derivative instrument is separated from the nonderivative instrument and treated as an independent derivative instrument.
- For financial instruments for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof. The quoted prices in the active market refer to the prices, which are easily available from the stock exchanges, brokers, industry associations, pricing service institutions and so on and which represent the prices of actual market transactions between willing market participants under fair conditions. Where there is no bid or ask price for a financial instrument and there has been no significant change to the economic environment after the latest transaction day, the Company shall apply the quoted price of the latest transaction 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 by using valuation techniques. The valuation techniques include referring to the latest price of actual market transactions between willing market participants under fair conditions and the quoted price for similar financial instruments that are substantially the same. The valuation techniques also include discounted cash flow methods, option pricing models and the like, which are generally accepted and can be reliably verified. The Company periodically evaluates its valuation techniques to ensure their reasonableness.

MEASUREMENT OF INCOME TAX

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

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