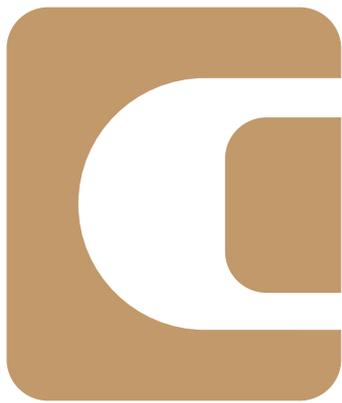


 中国投资有限责任公司
CHINA INVESTMENT CORPORATION

2018

ANNUAL REPORT





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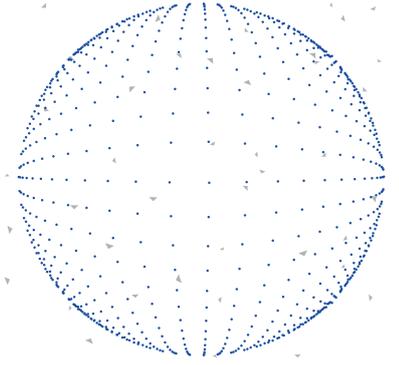
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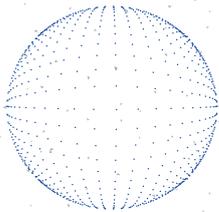
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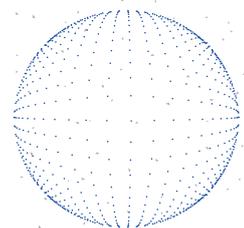
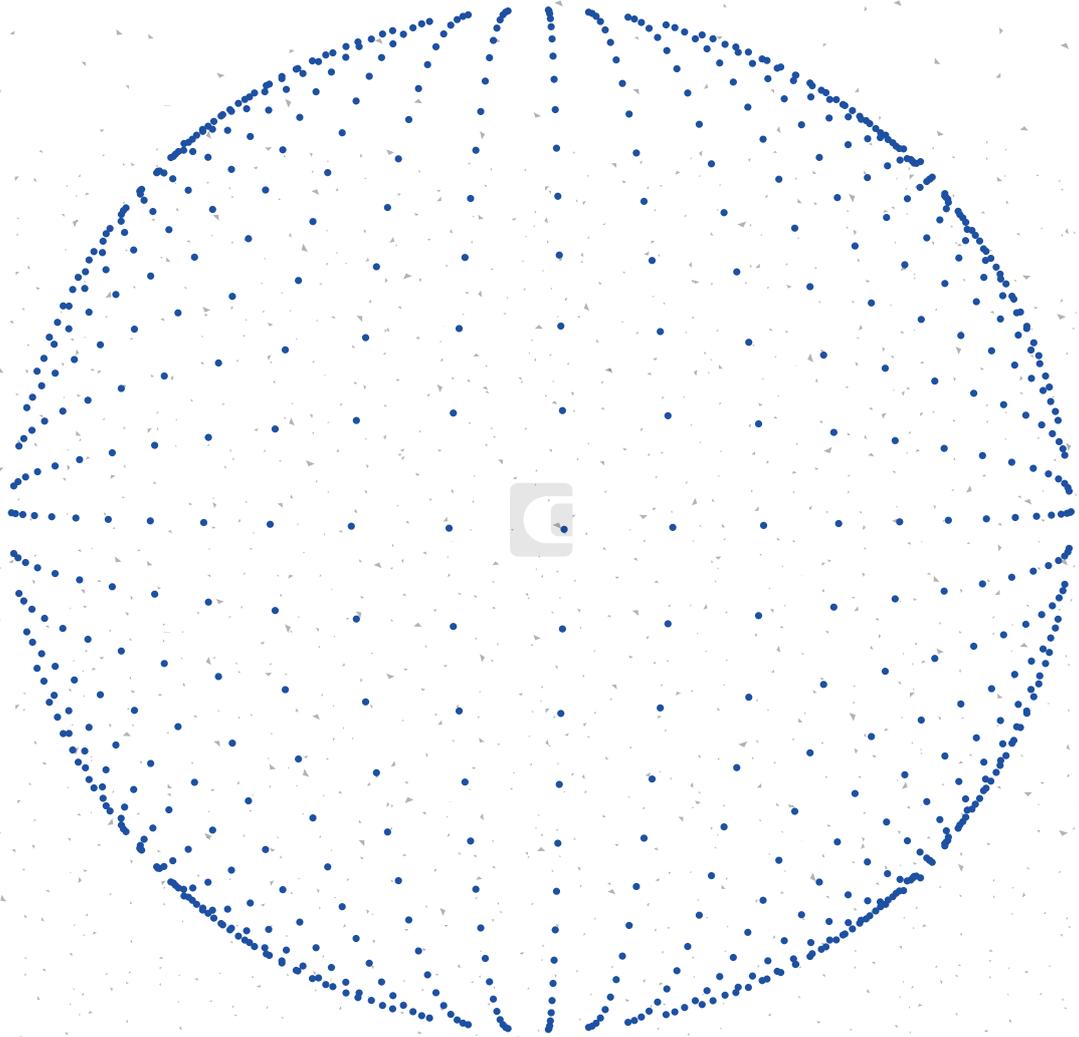
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MESSAGE

CIC aims to grow into a world-class sovereign wealth fund that operates on international, market-oriented, and professional basis.







Message from Chairman

In April this year, I returned to China Investment Corporation (CIC). Helming this large global sovereign wealth fund with an asset size of nearly a trillion US dollars is indeed a great honour, but one honour that comes with grave responsibilities and that demands unreserved dedication and diligence. The firm foundation that my predecessors laid has helped CIC to overcome myriad challenges and press ahead despite perplexities and uncertainties in the ever-changing international financial market. Continued improvements to the company's management system have also set a strong groundwork for sustaining robust corporate health and sound development. Therefore, on behalf of the entire CIC, I would like to thank our past leaderships for their unflagging efforts and outstanding contribution.

The global economic and financial landscape in the past year became increasingly grim and complicated. Given the wild swings of the global capital market and increased volatility of risk assets, major stock markets suffered their worst year in ten years. MSCI World Index calculated in US dollars lost 9.4%. The overseas investment environment was increasingly exacting, as regulators tightened policies and investors competed fiercely for quality assets. For international institutional investors such as CIC, 2018 was a rough year.

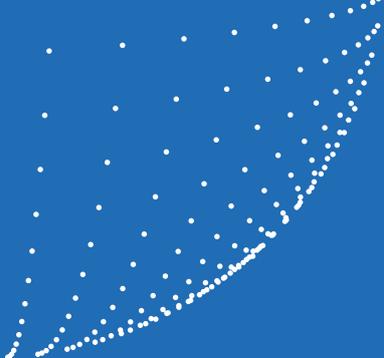
Under Mr. Tu Guangshao's leadership, the entire CIC staff acted in concert to surmount difficulties, build institutional capacity, and hone operations and management processes for a good start in the new strategic period. Although major stock markets took a toll on CIC's overseas investments, its 10-year cumulative annualized net return was 6.07% and exceeded the company's ten-year performance target by 45 bps. In 2018, CIC's net return exceeded the annual performance benchmark by 371 bps and outperformed the market. The performance of the 17 companies in which Central Huijin holds shares steadily improved, and their net profits harvested a 3.1% year-on-year increase. At the close of 2018, CIC's assets had steadily grown, with USD 940.6 billion in gross assets and USD 858.8 billion in net assets. The annualized growth rate of state-owned capital had reached 13.46% since its inception. The gross assets and net assets of Central Huijin's 17 holding

companies in total had reached CNY 123 trillion and CNY 10.2 trillion, with a year-on-year increase of 6.0% and 9.0% respectively.

2018 was a fruitful year.

We completed drafting our five-year plan and embarked on a new development phase. 2018 marked the 40th anniversary of China's reform and opening up policy and CIC's entry into its second decade. The new era spurs new impetus, and new benchmarks shape new development. CIC reviewed its work for the past ten years, focused on addressing salient problems and its shortcomings, and charted new development strategies. We targeted eight key areas for resolution within the next few years, for which senior executives personally took charge and produced fruitful research outcomes. Based on these outcomes, CIC prepared its *Strategic Plan 2018-2022*, setting forth the company's long-term development vision, five-year development goals and eight strategic tasks, together laying out the company's new blueprint for reform and development.

We continued seeking new approaches for overseas investment and fostered investment cooperation between China and the rest of the world. CIC has a unique advantage, given its foothold in China and global perspective. CIC International and CIC Capital adhered to international, market-oriented, and professional operation, and expanded "China perspective" investment proactively, with a focus on deal sourcing and value creation based on the "China perspective". We also ensured that investments delivered mutual benefits and adhered to commercial principles, and actively participated in the Belt and Road Initiative by setting up new bilateral funds with the United States and Japan and seeking to establish bilateral funds with the United Kingdom and France as a step to further promote two-way cross-border investment cooperation. We adopted both the "going out (outbound)" and "bringing in (inbound)" strategies, as we leveraged our platform and network resources when we partnered with Chinese companies in offshore investments and advised foreign enterprises investing in China. We strived to build a multi-dimensional cross-border investment ecosystem, having successfully organised events such as the CIC



Forum, China-US Business Summit, and China-Japan Business Forum, thereby providing a platform for two-way cross-border investment exchange and cooperation.

We elevated CIC's institutional investment capabilities to forge a unique CIC investment model. Despite the increasingly complex investment environment, we firmly optimised our asset allocation, reduced our total portfolio risks as appropriate, and made our total portfolio more flexible and defensive. We continued to implement refined management of public market investments, adjust and optimise our investment strategy and the makeup of managers, and carry out new strategic investments such as risk factor investing to improve investment effectiveness. Progressively, we increased our investment in alternative assets, consolidated our private equity investments, increased investment in assets with stable returns and stepped up co-investments in various ways. We also continued to develop our professional platform for direct investment, further consolidated related systems, improved the project monitoring and reporting mechanisms, and enhanced compliant interaction between private equity investment and direct investment. By the end of 2018, the company's alternative assets and direct investments accounted for more than 40% of its total overseas portfolio. An investment model focusing mainly on equity and illiquid assets is gradually taking shape.

We persisted in developing a more innovative and robust "Huijin Model", and intensified development of the state-owned platform for financial capital management. Central Huijin celebrated its 15th anniversary in 2018. For 15 years, Central Huijin leveraged its market-oriented and professional platform to inject capital into 19 financial institutions, and assisted in the public listing of 11 financial institutions. Central Huijin indeed played a unique role in deepening the reform of the financial system, achieving preservation and appreciation of asset value, and maintaining financial stability. It has explored and established the unique "Huijin Model" for managing state-owned financial capital, a model that emphasizes capital management, features dispatching of equity directors, and adopts a market-oriented approach to exercising rights and performing obligations. In 2018, Central Huijin focused on

intensifying the development of its investment and operation platform for state-owned financial capital, played the strategic leading role of driving its holding companies to serve the real economy, prevent and control financial risks, and deepen financial reform. At the end of 2018, Central Huijin managed state-owned financial capital worth CNY 4.3 trillion, approximately 40% of central state-owned financial capital.

We continued to optimise our corporate governance and risk management to strengthen the foundation for effective development. Faced with market volatilities, we stuck to and improved on the China-specific corporate governance mode and fully tapped into governance bodies each performing their own functions in a coordinated manner with checks and balances in place to guide the company's development. In order to uphold the bottom line of no systemic financial risks, we fine-tuned our risk management tools, methods and systems to make our risk management more visionary, effective and targeted, kept total portfolio risks within the tolerance index, and employed effective risk management to convoy the company's development. For lawful and compliant operation, strict firewalls exist between CIC International and CIC Capital in their overseas investments, and between the overseas investments conducted by CIC International and CIC Capital and the domestic investments undertaken by Central Huijin. We continued to improve the post-investment management system by strengthening monitoring and analysis and deepening management and value creation. We committed ourselves to optimising the management structure, fostering synergy at various levels, ameliorating the research system, and deepening development of operational systems. We also implemented an assessment framework for net investment income, furthered benchmarking of cost effectiveness against peer organisations, and continuously enhanced investment payment capabilities.

We delivered our international commitments and corporate social responsibilities, demonstrating the sensibilities and responsibility of a sovereign wealth fund. We consistently invested for the long-term and practised the principles of financial investment, stayed committed to the *Santiago*

Principles, and observed the laws and regulations of our investment destinations. We also actively engaged in international exchanges and dialogues, helped drive economic globalization and sustain an orderly system for the movement of international capital, and preserved the positive image of large institutional investors by investing responsibly. We practised the tenets of our corporate culture, undertook social responsibilities and mobilized the entire corporate's resources to help alleviate poverty in China. Through progressively relentless efforts, CIC successfully lifted Xunhua County in Qinghai Province from poverty by providing aid in industrial, financial, ecological and e-commerce sectors. Guizhou Province's Shibin County is expected to be officially lifted out of poverty in 2019, and Jingning and Huining counties in Gansu Province will meet the standard of poverty eradication the same year. We discharged the economic responsibilities of a sovereign wealth fund assiduously and continued to increase our tax and profit contribution.

This year, in April, Mr. Tu Guangshao no longer served as Vice Chairman and President of the company. Mr. Tu's diligence and pragmatic approach steered CIC's operations toward a remarkable performance. On behalf of the company's new leadership, I would like to express my heartfelt thanks to Mr. Tu Guangshao for his outstanding contribution. Recently, the company has officially elected a new Board of Directors and Board of Supervisors. On behalf of our staff, I would like to thank all the former directors and supervisors for their hard work and contribution, and to warmly welcome our new directors and supervisors.

Looking ahead to 2019, protectionism and unilateralism will continue to spread, geopolitical conflicts will recur, trade tensions will intensify, global economic momentum will weaken, and international capital markets will become plague with uncertainties. In the face of complexities and challenges, we will continue to forge ahead, turn pressure into power and obstacles into opportunities, and navigate the roadmap as outlined in the strategic plan to undertake the eight strategic tasks in concert. With greater scientific rigour in decision-making, better efficiency in implementation and increased stringency in management, we will increase the rate of return of our investment portfolio, and

remain as the ever faithful and responsible guardian and manager of state-owned assets.

As a Chinese poem goes, *"without the continuous bitter cold, there can be no fragrant plum blossom"*. The tougher the road, the sweeter the taste of success—pain precedes gain. Through years of exploration and relentless efforts, CIC put in place market-oriented systems and highly professional investment management teams as key assets and resources of the company. As we stand at the historical crossroads, I among CIC's new leadership will bear in mind our mission and original aspiration, and strive to strengthen the company's reform and development. As the baton from CIC previous leadership is passed to our hands, we will run the next lap of the relay race with everyone at CIC and run it well. We will unite and work pragmatically, inheriting legacies and seeking to reform as we push on. And we will build on past achievements and thrive for a magnificent future.

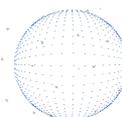
Chairman & CEO

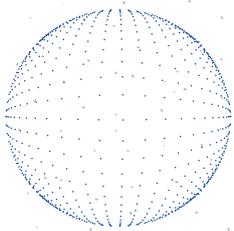
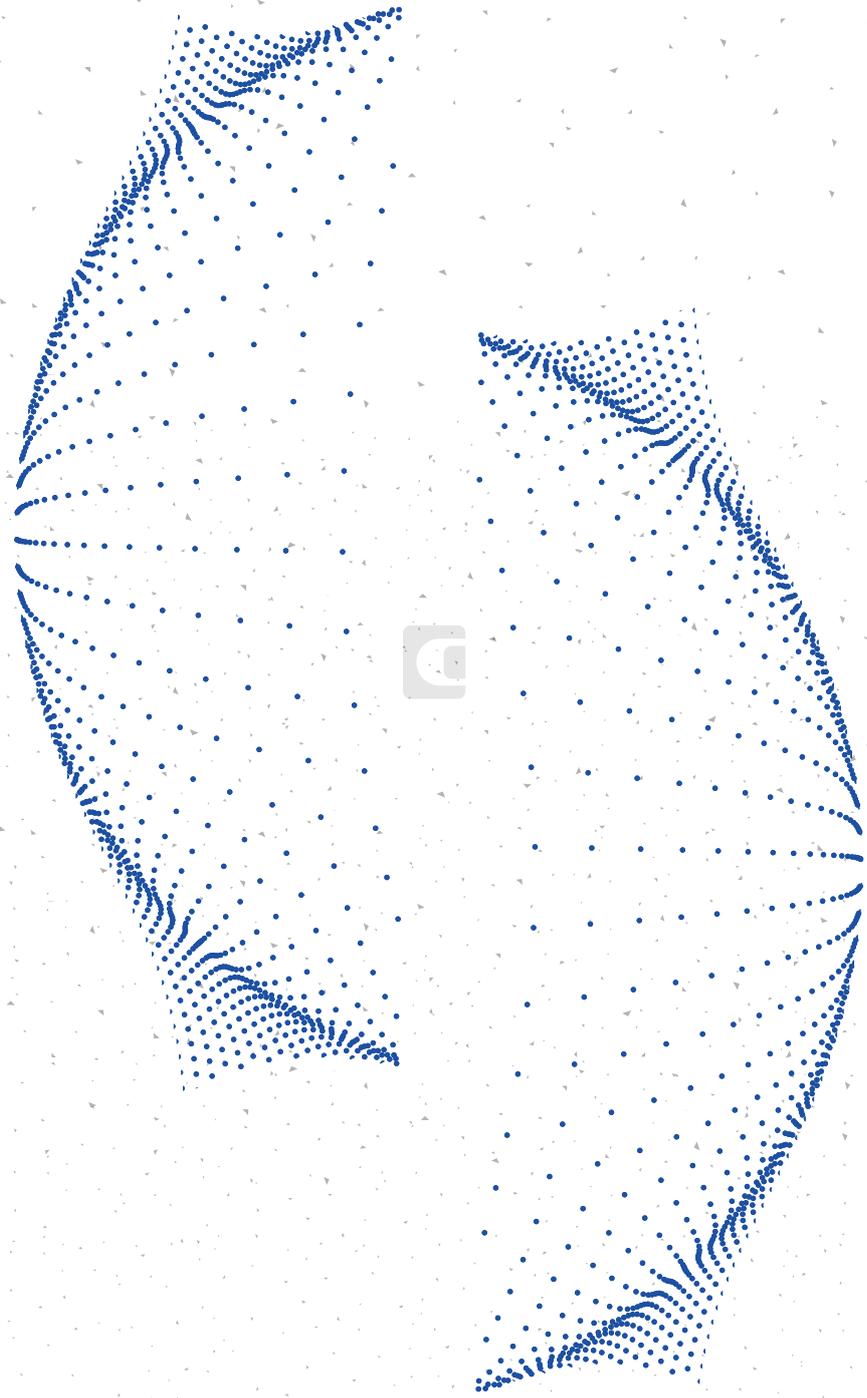


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CORPORATE REVIEW

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 CNY 1,550 billion. By the end of 2018, the total assets of CIC had exceeded \$940 billion.

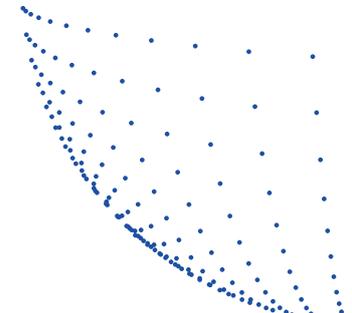
CIC was established as a vehicle to diversify China's foreign exchange holdings and seek maximum returns for its shareholder within acceptable risk tolerance. Since its inception, CIC has adhered to operating on international, market-oriented and professional basis, and put in place a set of systems and mechanisms in line with the business nature of a sovereign wealth fund. 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.

CIC International (Hong Kong) Co., Limited. (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.

Compliant operational firewalls exist between CIC International and CIC Capital in their overseas investments, and between the overseas investments conducted by CIC International and CIC Capital and the domestic investments undertaken by Central Huijin.

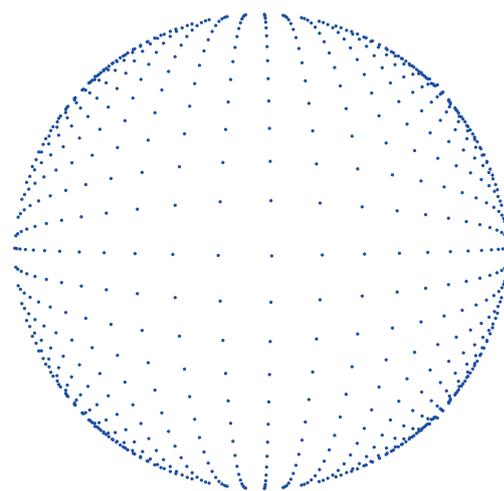


Corporate Governance

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 and independent responsibilities and effective checks and balances among the three.

In its practice, CIC has constantly refined management, enhanced efficiency and based on its business needs, improved its organizational and functional structure as well as company rules and workstream standards. CIC has 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) discharges its responsibilities as specified by China's Company Law. Comprising executive director, independent director, non-executive director, and employee director, 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 showed utmost initiative on its role of strategic leadership in 2018. To direct development of the company's key businesses and elevate the effectiveness of modern enterprise management, it developed the *China Investment Corporation Strategic Plan 2018–2022* and the company's annual business plan and budget. As a continued effort to improve its operational mechanism, the Board recently amended its Rules of Procedure for more rigorous and systematic exercise of decision-making powers, especially for major financial matters.

The Board of Directors was reelected in June 2019. Incumbents include:



Peng Chun

Chairman and CEO

Mr. Peng Chun is Chairman and CEO of CIC. Immediately prior to this, he served as Chairman of the Board of Directors and Executive Director of Bank of Communications. Previously, he was Vice Chairman of the Board of Directors, Executive Director and President of Bank of Communications. Before that, he worked as Executive Vice President of CIC, Executive Director and President of Central Huijin. He also held several positions at Bank of Communications, including Executive Director and Executive Vice President; Executive Vice President; Director and Assistant to the President; General Manager of Urumqi Branch, Nanning Branch and Guangzhou Branch.

Mr. Peng, born in 1962, holds a master's degree in economics from School of Finance of People's Bank of China and is accorded Senior Accountant by the Ministry of Human Resources and Social Security.



Ju Weimin

Vice Chairman and President

Mr. Ju Weimin is Vice Chairman and President of CIC. Previously, he served as Executive Vice President of CIC and President of CIC Capital. Prior to joining CIC, he was Vice President and Chief Financial Officer of CITIC Limited. He held several positions at CITIC, including Executive Director, Vice President and Chief Financial Officer of CITIC Group, Chairman of CITIC Resources Holdings Limited and CITIC Trust Co., Ltd. as well as board member of China CITIC Bank Corporation Ltd. and CITIC Securities. Mr. Ju used to serve as Deputy Director General and Director General of CITIC Finance Department. Besides, he was Chairman of China Trustee Association as well.

Mr. Ju, born in 1963, holds a master's degree in economics from Renmin University of China.



Ning Jizhe

Non-Executive Director

Mr. Ning Jizhe, Non-Executive Director of CIC, is Vice Chairman of the National Development and Reform Commission (Minister level) and Commissioner of the National Bureau of Statistics. Previously, he served as Deputy Director and then Director of Research Office of State Council, Deputy Head and then Head of Comprehensive Planning Department at the Western Region Development Office of State Council, and Deputy Director General of the Department of Development Planning at the State Development and Planning Commission.

Mr. Ning, born in 1961, holds a Ph.D. in economics from Renmin University of China.



Zou Jiayi

Non-Executive Director

Ms. Zou Jiayi, Non-Executive Director of CIC, is Vice Minister of Finance. Previously, she served as a member of the National Supervisory Commission, Vice Minister of Supervision, and Chief Inspector of the Central Commission for Discipline Inspection at the Foreign Affairs Office of Central Committee of the Communist Party of China. Prior to that, she held several positions at the Ministry of Finance, including Assistant Minister of Finance, Director General of the International Economic Relations Department, Director General of the International Department, Head of the Foreign Financial and Economic Exchange Office, Executive Director for China at the World Bank, and Deputy Director General of the International Department.

Ms. Zou, born in 1963, holds a master's degree in economics from Chinese Academy of Social Sciences.



Ren Hongbin

Non-Executive Director

Mr. Ren Hongbin, Non-Executive Director of CIC, is Assistant Minister of Commerce. Previously, he held positions at Ministry of Commerce including Director General of the Department of Foreign Trade and Deputy Director General of the National Office for Import and Export of Mechanical and Electronic Products, Director General of the Department of World Trade Organization (WTO) Affairs and Director General of China WTO Notification and Enquiry Center, Vice President of Chinese Academy of International Trade and Economic Cooperation (Director General level), Economic and Commercial Counsellor of Chinese Embassy in Hungary (Deputy Director General level), and Deputy Director General of the Department of European Affairs.

Mr. Ren, born in 1966, holds a master's degree in engineering from China University of Mining and Technology.



Zhu Hexin

Non-Executive Director

Mr. Zhu Hexin, Non-Executive Director of CIC, is Deputy Governor of People's Bank of China. Previously, he was Deputy Governor of Sichuan Province. Prior to that, he was Executive Director and Executive Vice President of Bank of China. He also held several positions at Bank of Communications, including Executive Vice President, President of Beijing Branch, General Manager of Corporate Business Sector and Executive Deputy General Manager of Beijing Management Department, Director of Corporate Business Sector, President of Jiangsu Branch, President of Nanjing Branch, and President of Suzhou Branch.

Mr. Zhu, born in 1968, holds a bachelor's degree in engineering from Shanghai University of Finance and Economics.



Lu Lei

Non-Executive Director

Mr. Lu Lei, Non-Executive Director of CIC, is Deputy Administrator of the State Administration of Foreign Exchange. Previously, he held several positions at the People's Bank of China including Director General of the Financial Stability Bureau and Director General of the Research Bureau. Prior to that, he served as Vice President and President of Guangdong University of Finance.

Mr. Lu, born in 1970, holds a Ph.D. in economics from School of Finance of People's Bank of China.



Li Jiange

Independent Director

Mr. Li Jiange is Independent Director of CIC. Previously, Mr. Li served as Vice Chairman of Central Huijin, Chairman of Shenyin & Wanguo Securities, Chairman of China International Capital Corporation, Deputy Director of the Development Research Center of the State Council, Deputy Director (Vice Minister level) of the Economics Restructuring Office of the State Council, and Vice Chairman of the China Securities Regulatory Commission. He also served as Director General of the Policy and Regulations Department at the Economic and Trade Office of the State Council, as well as Deputy Director General of the State Planning Commission.

Mr. Li, born in 1949, holds a master's degree in economics from Chinese Academy of Social Sciences.



Fan Yong

Employee Director

Mr. Fan Yong is Employee Director and 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.

Former Directors (leaving office from July 2018 to June 2019):

Tu Guangshao (Vice Chairman and President, July 2016 - March 2019)

Jiang Weijin (Independent Director, July 2014 - June 2019)

Zhang Xiaoqiang (Successively Non-Executive Director and Independent Director, September 2007 - June 2019)

Hu Zucai (Non-Executive Director, July 2014 - June 2019)

Shi Yaobin (Non-Executive Director, January 2016 - June 2019)

Zhang Xiangchen (Non-Executive Director, July 2014 - June 2019)

Pan Gongsheng (Non-Executive Director, January 2016 - June 2019)

Fang Shangpu (Non-Executive Director, February 2011 - June 2019)

Board of Supervisors

Pursuant to the Company Law, CIC's Articles of Association, and other relevant regulations, 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 finance. The Supervisory Committee and the Audit Committee report to the Board of Supervisors.

Our Board of Supervisors was diligent in discharging its duties in 2018, attending or observing meetings of the Board of Directors and the Executive Committee to supervise major decisions and key investment projects.

It also increased oversight for financial management, accounting, and risk control, and gave recommendations for strengthening risk management.

The Board of Supervisors provided full cooperation and ready coordination in working with the National Audit Office. It organized an internal work symposium on internal audit. It also inspected and supervised the company's internal audits, carrying out intensive shareholder's audit and internal audits on the investment business and financial responsibilities of employees when in office.

The Board of Supervisors was reelected in June 2019. Incumbents include:



Yang Guozhong

Chairman

Mr. Yang Guozhong is Chairman of the Board of Supervisors of CIC. Immediately prior to this, he served as Head of the Discipline Inspection Group and then Deputy Administrator of the State Administration of Foreign Exchange (SAFE). Previously, he held several positions at the People's Bank of China (PBoC) and SAFE, including, President of Operations Office of PBoC and the Beijing Operations Office of SAFE, President of the Chongqing Operations Office of PBoC and the Operations Office of SAFE, and Deputy President of Chongqing Branch of PBoC and the Chongqing Branch of SAFE.

Mr. Yang, born in 1963, holds a master's degree in finance from Zhongnan University of Economics and Law and is accorded Senior Economist by the Ministry of Human Resources and Social Security.



Yuan Ye

Supervisor

Mr. Yuan Ye, Supervisor of CIC, is Deputy Auditor General of the National Audit Office of China (CNAO). Previously, he held several positions at CNAO, including Deputy Director General and then Director General of the Department of Financial System Audit, Director General of Guangzhou Office, and Director General of the Department of Public Finance Audit.

Mr. Yuan, born in 1965, holds a Ph.D. in economics from Southwestern University of Finance and Economics.



Wang Zhaoxing

Supervisor

Mr. Wang Zhaoxing, Supervisor of CIC, is Vice Chairman of the China Banking and Insurance Regulatory Commission. Previously, he served as Vice Chairman, Assistant Chairman and Director General of Banking Supervision Department III at China Banking Regulatory Commission, 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 economics from Shaanxi University of Finance and Economics.



Yan Qingmin

Supervisor

Mr. Yan Qingmin, Supervisor of CIC, is Vice Chairman of China Securities Regulatory Commission. Previously, he served as the Vice Mayor of Tianjin Municipality, Assistant Chairman and then Vice Chairman of China Banking Regulatory Commission (CBRC) while concurrently serving as the Director General of the General Office and Director General of CBRC Beijing Bureau. Previously he also held positions at CBRC including Director General of Shanghai Bureau, Director General of Human Resources Department, Director General and Deputy Director General of the Bank Supervision Department I (Director General level), and positions at the People's Bank of China including Head of the Supervision Team of the Agricultural Bank of China (Director General level) and Deputy Director of the Banking Supervision Department I.

Mr. Yan, born in 1961, holds a Ph.D. in economics from Renmin University of China and a Ph.D. in Management from Chongqing University.



Cui Guangqing

Employee Supervisor

Mr. Cui Guangqing is Employee Supervisor 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 Financial System Audit.

Mr. Cui, born in 1964, holds a Ph.D. in economics from Xi'an Jiaotong University.

Former Supervisors (leaving office from July 2018 to June 2019):

Zhang Tong (Supervisor, July 2016 - June 2019)

Jiang Yang (Supervisor, July 2016 - June 2019)

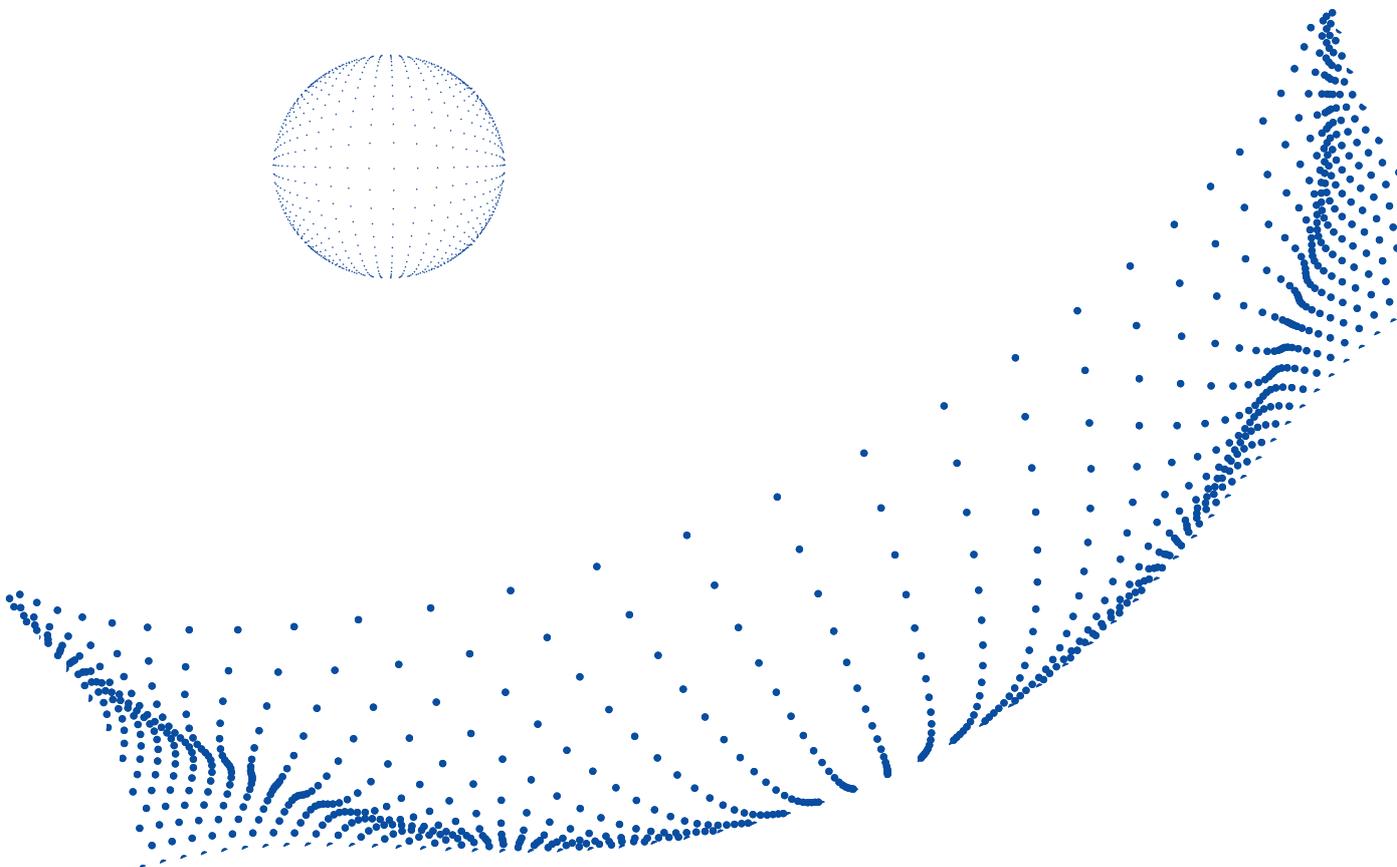
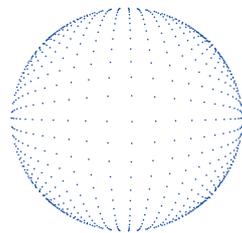
Leadership and Executive Committee

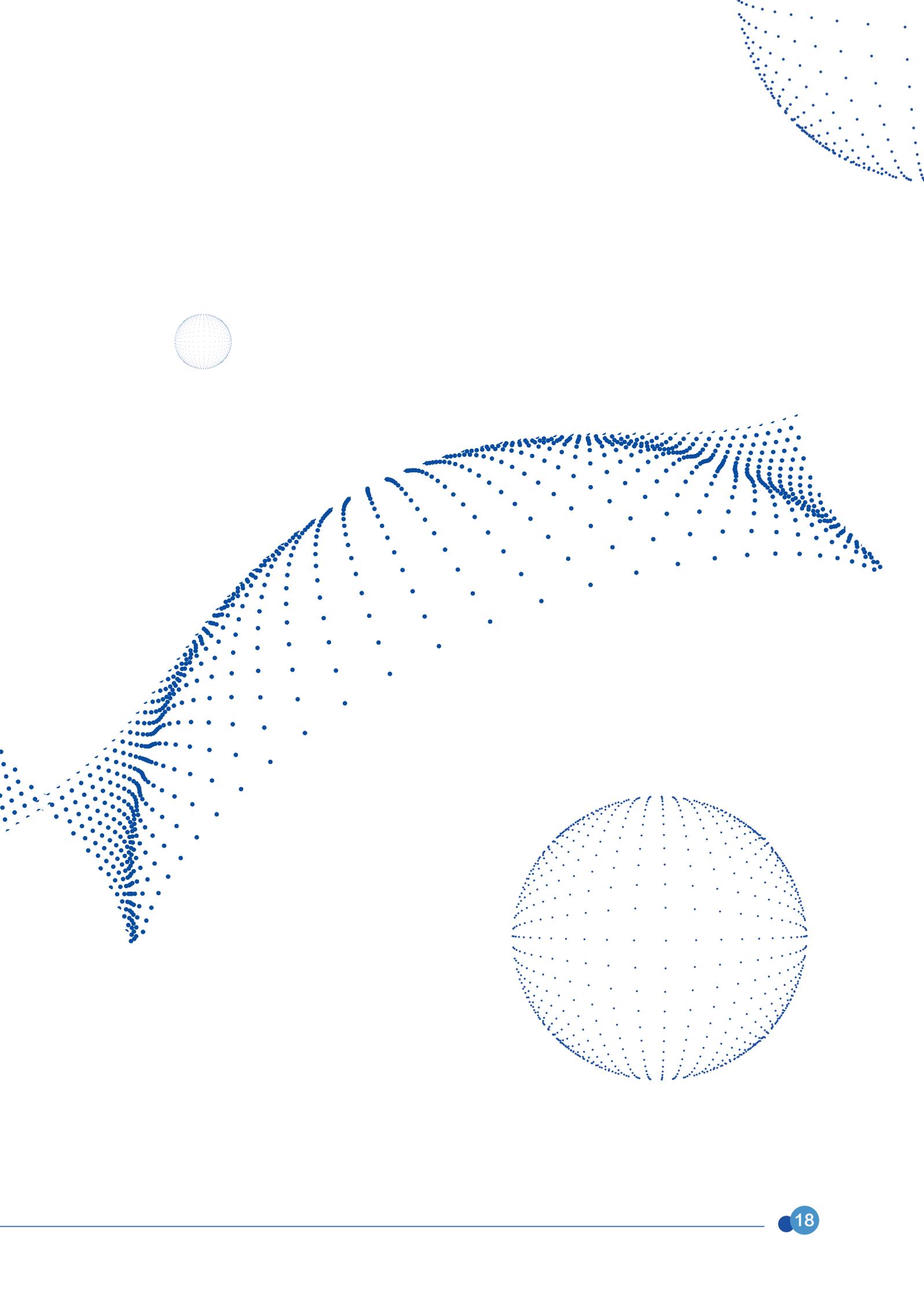
In association with the Board of Directors, CIC's Executive Committee translates the guidance of the Board of Directors into detailed strategies and oversees CIC's day-to-day operations. It has the authority to make required operating decisions, including decisions on basic rules, institutional adjustments, operating mechanisms, performance evaluations, and remuneration.

The leadership at the company strives to create a market-oriented, professional and international governance system as a sovereign wealth fund. It continued to optimize the incentive compatibility and the investment decision-making mechanism, nurture the company's corporate culture, and elevate the company's institutional investment capability and operational and management abilities.

In 2018, the Executive Committee focused on major operational and management matters, studied the key issues relating to the company's long-term development, and proposed solutions. These efforts were intended to strengthen the company's institutional investment capabilities, develop new methods for outbound investment, improve and innovate the Huijin Model, and elevate the company's management and operations.

In January 2019, the Central Discipline Inspection Committee and the National Supervisory Commission deployed a disciplinary and supervisory team to help the company improve the robustness of its internal supervision system and to drive the creation of a sound, rule-based, and efficient functional system.





Leadership and Executive Committee

Peng Chun-Chairman and CEO **Ju Weimin**-Vice Chairman and President **Yang Guozhong**-Chairman of the Board of Supervisors
Liu Jun-Executive Vice President **Shen Rujun**-Executive Vice President **Guo Xiangjun**-Executive Vice President
Qi bin-Executive Vice President **Pan Yuehan**-Chief Inspector **Zhao Haiying**-Chief Risk Officer

Former Members (leaving office from July 2018 to June 2019):

Tu Guangshao (Vice Chairman and President from July 2016 to March 2019)

Bai Tao (Executive Vice President from October 2016 to July 2018)





From left to right

Pan Yuehan | Guo Xiangjun | Liu Jun | Ju Weimin | Peng Chun | Yang Guozhong | Shen Rujun | Qi bin | Zhao Haiying

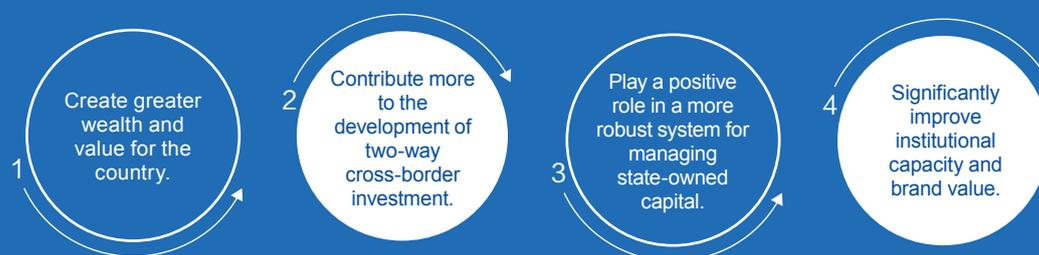
Feature Article 1 CIC's Five-Year Plan

In December 2018, the State Council approved the *China Investment Corporation Strategic Plan 2018–2022* (CIC five-year plan), which sets forth the company's strategic positioning and maps out its future development. The core content of the plan includes the long-term vision for development, four major goals, and eight strategic tasks.

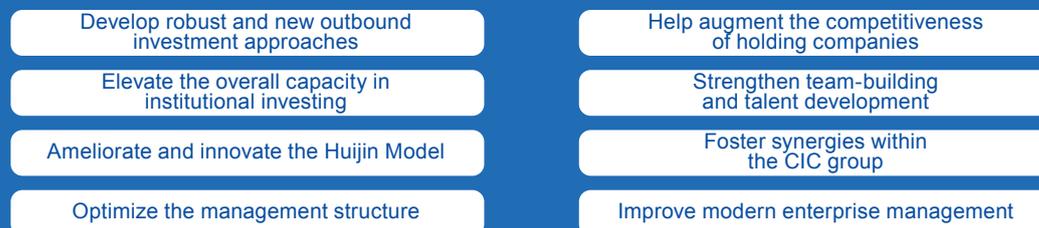
Long-term vision for development

CIC aims to become a world-class sovereign wealth fund that is competitive and influential globally while serving as the main channel for increasing foreign exchange investment returns, the main driving force that promotes the development of cross-border investment platforms and a key platform to better manage state-owned financial capital.

4 major goals



8 strategic tasks



When executing the five-year plan, CIC's specific investment strategies may be summarized in **4** words:



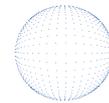
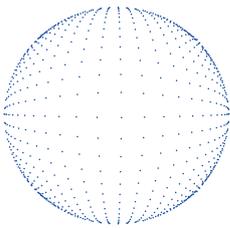
International Advisory Council

Established in July 2009 as CIC's internal advisory body, the International Advisory Council (IAC) is responsible for advising the company on its development strategy and investment business. It also communicates with the company and provides insights on matters such as political and economic issues, international financial market conditions, and global investment trends.

IAC members are eminent personalities with vast knowledge who participate in the company's annual meetings to provide advice and recommendations for the company's development. They also introduce China's sovereign wealth fund to the world on different occasions to help the company build a positive image on the international landscape. Through regular communication, mutual visits, and sharing study outcomes, IAC members also recommend good

practices of international counterparts and share their views on the global political and economic climate and major events.

In 2018, Mr. Zhou Xiaochuan joined the IAC. At the annual meeting, IAC members discussed topics such as the evolution and trends of the world's economic landscape, new areas of future economic growth, the trajectory and impact of the relations between major economies, managing investment risks, sector investment opportunities, and ESG investing. They also offered valuable suggestions on how the company may continue to build institutional capacity and shared their ideas and opinions on special investment issues with company staff.



IAC Members

Asia	
Shaukat Aziz	Former Prime Minister of Pakistan; former Executive Vice President, Citibank, New York
Zhou Xiaochuan	Vice Chairman, the Boao Forum for Asia; former Vice Chairman of the National Committee, the Chinese People's Political Consultative Conference; former Governor, the People's Bank of China
Justin Yifu Lin	Professor and Dean of Institute of New Structural Economics, Dean of Institute of South-South Cooperation and Development and Honorary Dean of National School of Development, Peking University; former Chief Economist and Senior Vice President, World Bank
Frederick Ma	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
Andrew Sheng	Chief Advisor to the China Banking and Insurance Regulatory Commission; former Chairman, Securities and Futures Commission of Hong Kong

Africa	
Omari Issa	Chairman, International Board, AMREF Health Africa
John H. Maree	Chairman, Liberty Group; Deputy Chairman and former CEO, Standard Bank Group

Americas

David Denison	Chairman, Element Fleet Management Corp.; former CEO, Canada Pension Plan Investment Board
Merit E. Janow	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
John L. Thornton	Chair Emeritus, Brookings Institution; Executive Chairman, Barrick Gold Corporation; Co-Chair of the Board of Trustees, Asia Society; former President, Goldman Sachs Group

Europe

Dame DeAnne Julius	Chair, University College London; former Chair, Chatham House; former Member of the Bank of England Monetary Policy Committee and Court
Knut N. Kjaer	Chairman, FSN Capital Partners and Sector Asset Management, Norway; former CEO, Norges Bank Investment Management
Jean Lemierre	Chairman, BNP Paribas; former President, European Bank for Reconstruction and Development

Secretary-General

Liu Fangyu	Head, Department of Public Relations and International Cooperation, CIC
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Corporate Culture and Core Values

With an enterprising spirit to achieve excellence, renowned companies require strong cultural underpinnings to succeed and remain successful. A company's corporate culture is the manifestation of its intrinsic qualities. It is the company's soul and core competitiveness, driving its steady and sustainable development in the long run. Building on its heritage and experience, CIC has developed a comprehensive system of corporate culture—the CIC Cultural Consensus, elucidating its mission, vision, and core values.

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.

Box 1

Ensuring the Highest Professional Ethics and Conduct

With zero tolerance for corruption and bribery, CIC has an *Employee Code of Conduct* (the Code). As an important set of rules and a key component of developing the corporate culture, the Code integrates the moral and legal component relating to investment activities, elaborates the company's basic principles for key issues, and helps employees identify and correctly deal with problems encountered at work. It also helps employees make sound judgements in matters relating to business development and protection of the company's reputation and interests, and prevent moral, legal, and operational risks.

To encourage integrity and compliance at work and prevent conflicts of interest, CIC has also formulated the *Management Guidelines for the Prevention of Conflicts of Interest* (the Guidelines). The Guidelines impose stringent restrictions on employees accepting gifts and hospitality, engaging in part-time activities and obtaining business opportunities, making use of insider information, related-party transactions, information confidentiality and disclosure, utilizing company property, activities after leaving the company, and other activities that constitute a conflict of interest. Under the Guidelines, employees must comply with laws and regulations, perform their duties faithfully, and be honest and self-disciplined.

The anti-corruption and anti-bribery policies embedded in the Code and the Guidelines are applicable to all CIC employees. The company also expects its business partners, counterparties, service providers, and agents to acknowledge and implement the policies when working with the company.



Corporate Social Responsibility

As a responsible investment institution, we remain committed to discharging our corporate social responsibilities. We comply with applicable laws and regulations of China and recipient countries or regions, and respect local social norms and public opinion.

Box 2

CIC and ESG Investment

Environment, Social Responsibility and Corporate Governance (ESG) investment focuses on exploring quality and sustainable investment opportunities. The key feature of ESG investment is to incorporate social responsibility into investment decisions, as this will improve the institutional investment structure, optimize portfolio risk control, and realize long-term potential returns. In recent years, ESG investment has attracted not only public attention, but also many investors. The social value orientation tends to slant toward social responsibility, and as wealth is passed from one generation to another, acceptance of the ESG investment concept increases. In addition, global climate change has pushed government agencies to focus on environment issues and guide behavior, and businesses are starting to pay for environmental costs. Increasingly, the market recognizes the importance of ESG investment.

As a sovereign wealth fund, CIC has been operating in the international capital market for more than a decade. While endeavoring to obtain financial returns, CIC incorporates sustainable development factors such as environment, social responsibility, and corporate governance into its investment decisions.

In future, CIC will explore a top-down design for ESG investment, select appropriate ESG investment strategies, identify priority areas for ESG investment, and assume a greater bridging role in connecting ESG investments between China and the rest of the world.

Box 3

Witnessing an Entire Ethnic Minority Group Lifted Out of Poverty

Xunhua, the Salar Autonomous County is located in the eastern valley of Qinghai Province, with an area of 2,100 square kilometers and an elevation of more than two kilometers. As the gateway to the Qinghai-Tibet Plateau and abundant with natural scenery, it is surrounded by the Qilian Mountains and the Yellow River. And as the birth place of Hehuang culture, it has a population of about 160,000 and is where more than 100,000 Salar people mostly live.

The Salar people once lived below the poverty line, and the county was among the key counties under the national poverty alleviation and development program. However, this became history in 2018. CIC began to alleviate poverty in Xunhua County in 2012, working with and supporting the local government in this all-important task. It took parallel measures to support the program, and constantly improved the work mechanism, intensified investment, and selected competent personnel for the job. It adopted measures in education, industry, ecology, finance, and consumption to fully hone the potential, taking innovative approaches, overcoming difficulties, and helping local people stand on their own feet. After six years of unremitting effort, in 2018 Xunhua County was officially labelled “lifted out of poverty” by the State Council, the first among all the counties in ethnic minority regions in China.

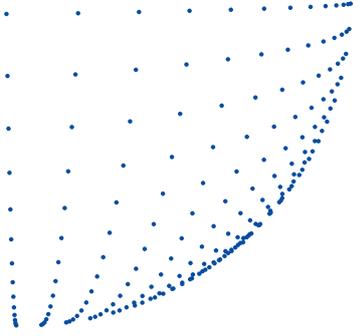
Eliminating poverty is one of China's three critical battles for the new era. CIC attaches great importance to it and has been making relentless efforts for it.

In 2018, CIC provided CNY 195 million of assistance to Jingning County and Huining County of Gansu Province, Xunhua County of Qinghai Province, and Shibing County of Guizhou Province, exceeding its poverty eradication goals for the year and improving the economic development and people's well-being in those localities. In its practice of poverty elimination, CIC adopted the new financial poverty reduction mode of using multiple instruments, built the ecological poverty reduction mode of driving the growth of local incomes through comprehensive measures, and helped local people stand on their own feet by means of e-commerce. CIC also helped raise their awareness of poverty eradication and honed their skills for economic development by conducting training and selecting competent personnel.

CIC's poverty eradication efforts have been fruitful. Xunhua County in Qinghai Province was labelled “lifted out of poverty” in September 2018, while Shibing

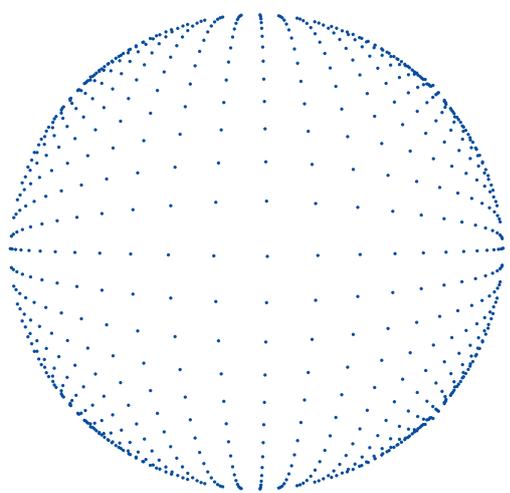
County was recognized by Guizhou Province as lifted out of poverty in April 2019 and is waiting for the inspection of the State. Jingning County and Huining County also plan to be labelled “lifted out of poverty” by the end of 2019. Looking ahead, CIC will increase awareness of its responsibility, adhere to the strategy of targeted poverty alleviation, and strive to achieve a sterling success on poverty eradication and fulfill its corporate social responsibility.

Poverty alleviation is a glorious, albeit difficult task that we must accomplish, and a compelling obligation. To witness an entire ethnic minority group lifted out of poverty is to witness an underdeveloped area embarking on a transformation journey to happiness. CIC will continue to pursue its mission in poverty alleviation, and help the people of Jingning County and Huining County of Gansu Province and Shibing County of Guizhou Province eradicate poverty the soonest possible by strengthening their livelihood through new approaches such as e-commerce and developing industries with compatible local characteristics. This is our solemn commitment to the entire society.



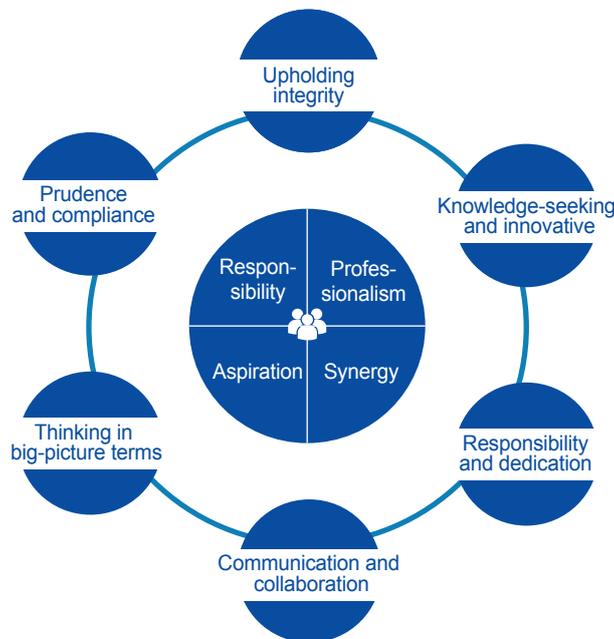
Human Resources

Merit begets achievement and grows the enterprise. Talent is the most valuable asset in CIC. To support the company's strategic development and augment institutional capabilities and brand value on international, market-oriented, and professional basis, CIC has continued to find new ways to improve its human resource management system. It creates a conducive environment for selecting, recruiting, nurturing, and retaining talent to build a high-caliber management team and a young and professional pool of talents to form the core of a world-class sovereign wealth fund.



Aggregating High Caliber Talents

As a major international institutional investor, CIC has always been committed to attracting the best and dedicated people to build an efficient and stable team that delivers excellence. The company espouses core values that call for a sense of responsibility, synergy, professionalism, and aspiration. It observes the overarching qualities of upholding integrity, being knowledge-seeking and innovative, responsibility and dedication, communication and collaboration, thinking in big-picture terms, and exercising prudence and enforcing compliance. CIC's doors are open to talents who have an international perspective, are well-acquainted with China, and aspire to growing together with the company.



At CIC, we are always on the lookout for the best people and to make the best and widest use of their talent. The company has a comprehensive, multichannel and multilevel recruitment system. We recruit high-quality graduates from different countries to inject fresh blood and vitalize the CIC team for the future. We also organize special recruitment exercises and appoint head-hunters to recruit people with specific skills and talent, as these are channels which the company could efficiently recruit persons with sectoral expertise and who could bring their skills to help the company develop and strengthen the company's institutional capacity. We also bring in top-notch foreign professionals based on our international presence needs to leverage their abilities on CIC's broad platform to create value and contribute to the company.

As of June 2019, CIC's overall staff strength was 660, including the global investment staff of 205. Among the global investment staff, more than 81% had overseas education or working experiences.

Fostering Growth

Concerned with the development of every CIC employee, we have effective policies for career and personal development.

In accordance with the business nature, we have established appropriate position-based and rank-based systems to effectively coordinate professional and management capabilities, and improve the scientific rigor of detail-orientated management. And our competency model and unified human resource management language effectively assist staff with their targeted professional development.

Based on its mission, development vision, and team

building needs, CIC has constantly enriched and refined its employee training system. The training curriculum covers mission and responsibility, investment capabilities, management and leadership, and basic skills in the forms of lectures, practical exercises, online training and exchanges and discussions. 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 2018, CIC organized 27 training programmes, totaling 65,112 hours and benefiting 2,429 participants.

Table 1. 2014-2018 Training Summary

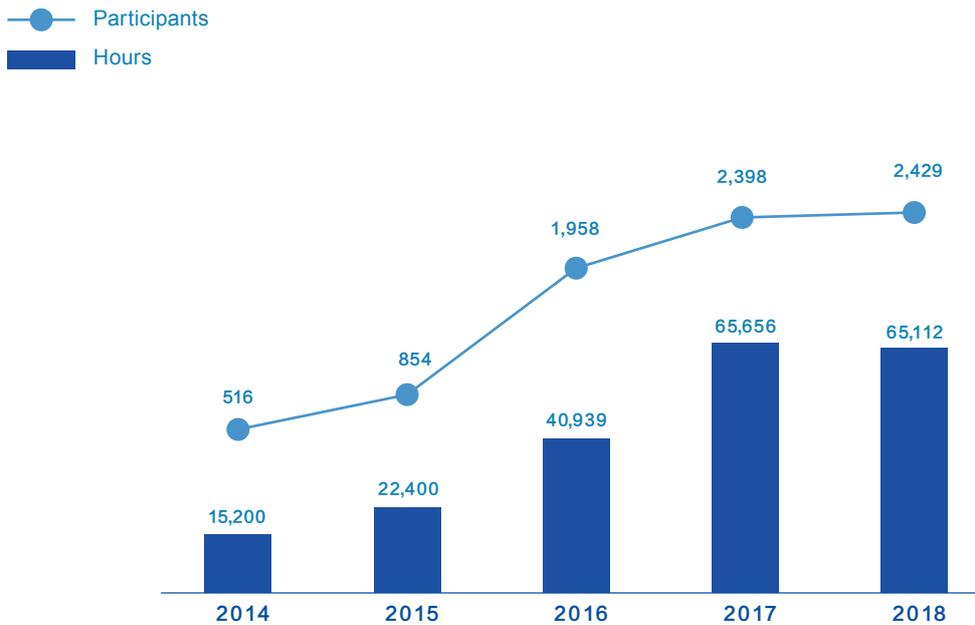
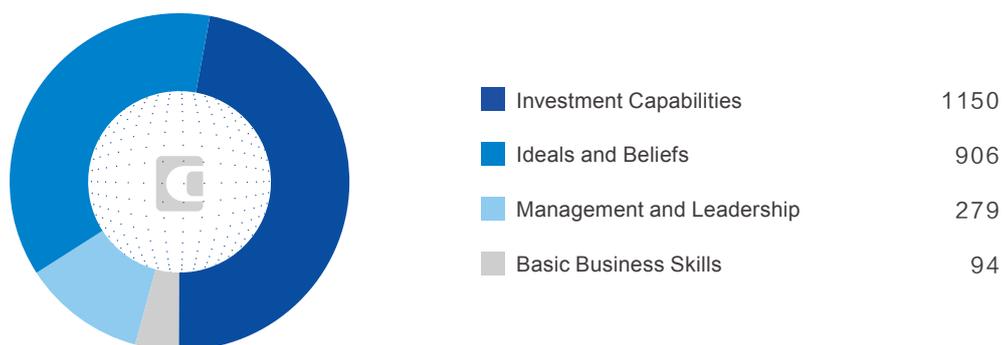
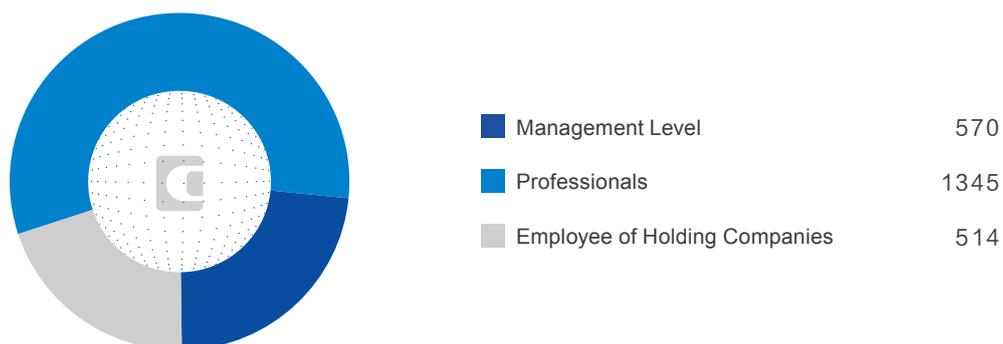


Table 2. Training Participation in 2018

By content



By trainee



Encouraging Value Creation

The company has a performance culture that advocates "clear objectives, well-defined responsibilities, willingness to take charge, and growing together", and attaches importance to full-cycle performance management. It focuses on the company strategy and annual business objectives and uses performance management as an effective management tool to increase staff performance and achieve the company's performance goals by way of goal-setting, providing guidance and feedback, assessment and evaluation, and utilization of performance evaluation results.

The company takes a performance-based approach and implements a remuneration policy that is incentive-compatible and performance-based, and

implements the government's guidelines for remunerating senior executives of central state-owned enterprises. The company has also established an incentive and restraint mechanism that incorporates both long-term and short-term needs and that provides tangible and intangible benefits to align personal goals with the company's. A healthy working style is advocated, as this is part of the company's pursuit of creating a system that embraces humanism and provides different levels of welfare and security.

We gather talents and build dreams, for unity is strength. At CIC, talent will always be our core competitive advantage, and we are committed to creating an environment and platform conducive to leveraging the talent of the CIC team for a better future.

Box 4

Building a Young Talented Team

Fresh water comes from a river's headstream, just as we renew ourselves with fresh blood and new perspectives. Indeed, outstanding young people are CIC's future. The company has a vibrant and young workforce with an average age of 38 years, and employees under 35 make up 45% of the total staff strength. Since our establishment, we have recruited 163 top-notch graduates from 9 on-campus recruitments. Our independent recruitment and training of young employees is now well-developed. Many young recruits have become the company's backbone, and their loyalty and expertise are indispensable to the company's development.

In 2018, CIC proposed that the company build a young and talented team. The company hopes to achieve quality as well as quantity when recruiting, and the team will be the reservoir of potential for future management personnel and core professionals, providing continuous supply of key manpower for CIC. A systematic training mechanism has also been proposed for helping outstanding young talents, and campus recruitment has continued to be the avenue through which the company recruits outstanding fresh graduates, who, after joining the company, will be provided with sustained and effective assistance in career development. The company has also taken advantage of its platform to broaden the training avenues for young employees through cross-sectoral exchanges and overseas training, which would enrich their practical experience and improve their competence. After much searching, a mentor program has been established to provide young employees with platforms to grow and succeed.

Global Outreach

As a responsible global institutional investor and a valuable partner, CIC has always exercised prudence and professionalism, establishing an international profile as a sovereign wealth fund that operates on international, market-oriented and professional basis.

The International Forum of Sovereign Wealth Funds (IFSWF) is an important global organization comprising key sovereign wealth funds. Since its inception, it has been instrumental in fostering exchange and cooperation between sovereign wealth funds, promoting policy dialogue with major recipient countries and regions, and facilitating the orderly flow of cross-border investments. As a founding member, CIC has been an active participant in its various endeavors. It has carefully enforced the *Santiago Principles* for the governance of global sovereign wealth funds. In 2018, Mr. Tu Guangshao, former Vice Chairman and President of CIC, was elected to IFSWF's Board.

In 2018, the company continued to leverage being at the forefront of the international financial market, and participated in many important multilateral dialogues and mechanisms from its international, market-oriented, and professional perspectives. Through effective communication with foreign entities and open and candid international dialogues, CIC engaged in global governance and made the "CIC voice" heard on many occasions. It also elaborated on the company's notion of financial investment, supported the multilateral trade system, and opposed protectionism; it facilitated the liberal, open, and orderly flows of international capital and investments. And it called for the creation of an open, fair, and non-discriminating international investment environment to protect the lawful rights of investors.

CIC participated in multilateral meetings, mechanisms,

and forums such as those of the G20, B20, Institute of International Finance and International Chamber of Commerce. It also engaged in bilateral dialogues and cooperation mechanisms such as those with France, Japan, Russia, the United Kingdom, and the United States. The company's senior management visited many major economies and recipient countries and regions to gain a profound understanding of their investment climate and policies, seek partners, and form winning partnerships through cooperation. The company also received a large number of international visitors, exchanging views on hot global issues and potential opportunities for cooperation.

The company continued to expand its wide high-level global cooperation network consisting of government departments, financial regulators, investment peers, industry experts, and the media. It also maintained close communication and conducted mutual visits with a large number of foreign politicians, officials of international institutions, senior executives of business partners, representatives of peer organizations, and academics from research institutions.

CIC promptly disclosed key operational and management information to maintain transparency about the company's investment business, share with the rest of world the operations of China's sovereign wealth fund, and enhance the understanding and recognition of the international community. That included corporate governance, investment strategies and concepts, key investment projects, and changes in management personnel, business performance, and operating income—through various communication platforms such as the company's official website, annual report, spokesperson, media reports, and social media. This was well-appreciated and much applauded by recipient countries and regions and CIC's partners.

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 and CEO.

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*.

2009

July

CIC inaugurated the International Advisory Council.

CIC released its first annual report.

2010

November

CIC International (Hong Kong) was incorporated.

2011

January

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

CIC opened the Representative Office in Toronto.

May

CIC hosted the 3rd annual meeting of the International Forum of Sovereign Wealth Funds and the *Beijing Declaration* was released.

September

CIC International was established.

2012

February

CIC approved the *2012–2016 Strategic Plan of Development*.

July

CIC launched the *CIC Culture Consensus*.

2013

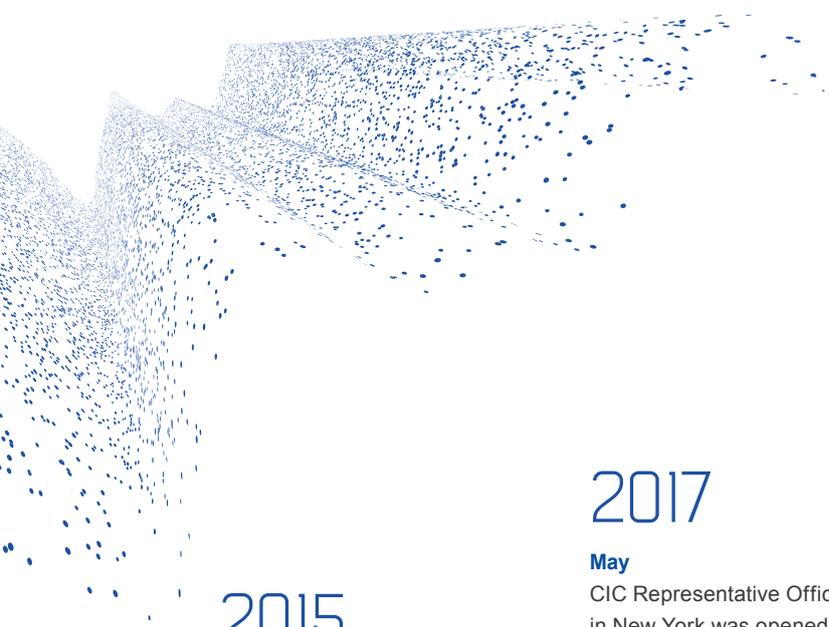
July

Mr. Ding Xuedong took office as Chairman and CEO.

2014

January

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



2015

January

CIC Capital was established.

November

Central Huijin Asset Management Ltd. was incorporated.

2017

May

CIC Representative Office in New York was opened for business.

December

CIC successfully exceeded its 10-year investment performance target.

2019

April

Mr. Peng Chun took office as Chairman and CEO.

Mr. Ju Weimin took office as CIC Vice Chairman and President.

2016

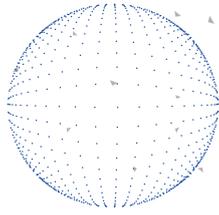
January

CIC adopted the Reference Portfolio framework for asset allocation.

2018

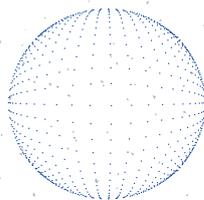
December

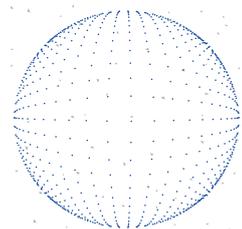
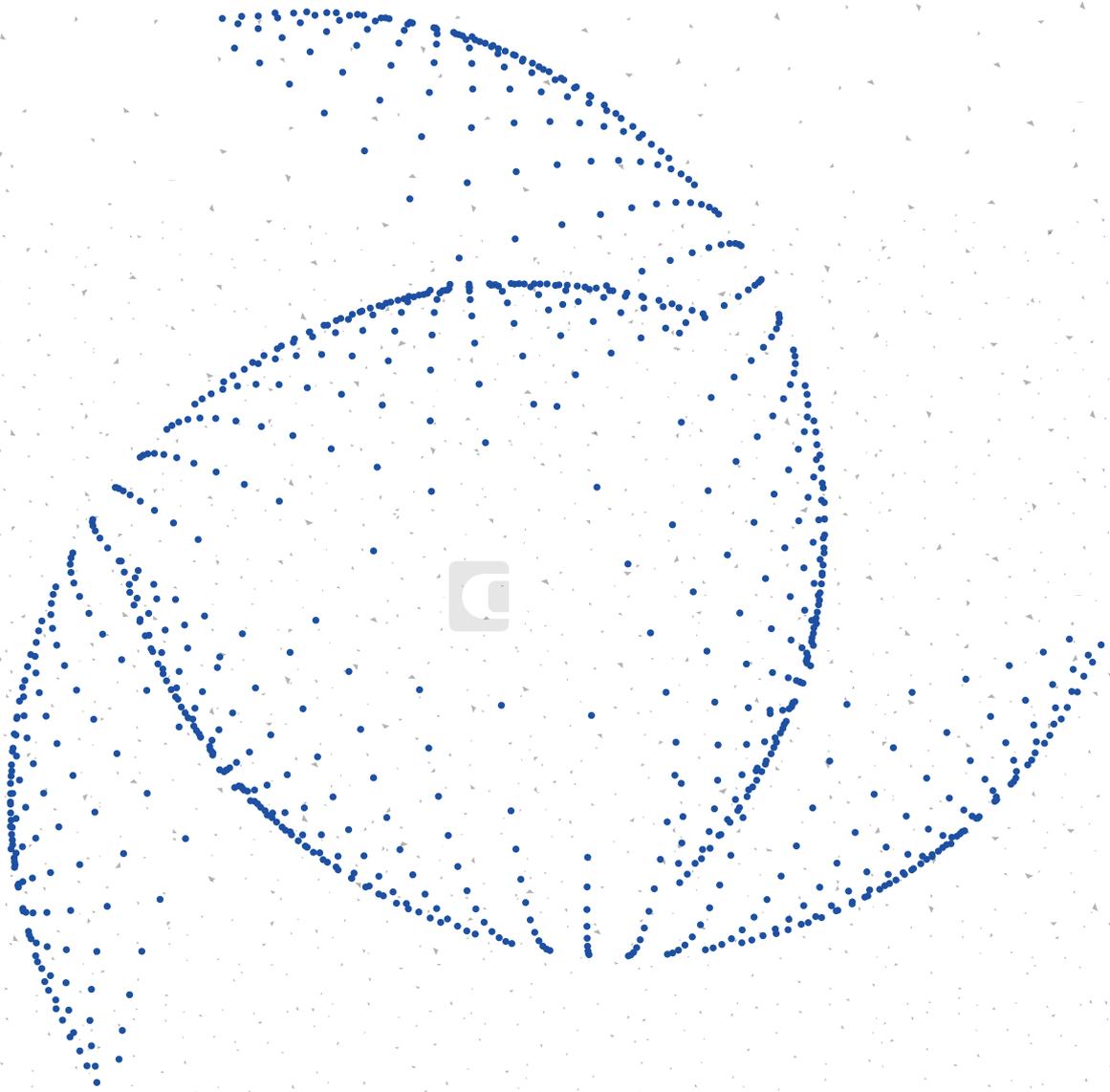
The State Council approved CIC's *Strategic Plan 2018-2022*.



OVERSEAS INVESTMENT AND MANAGEMENT

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





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.

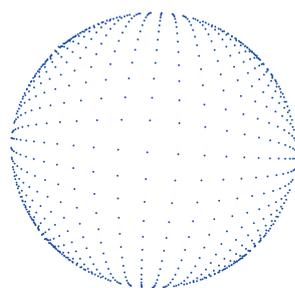
CIC follows a set of investment philosophies based on its own characteristics and understanding of investment management:

- 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.

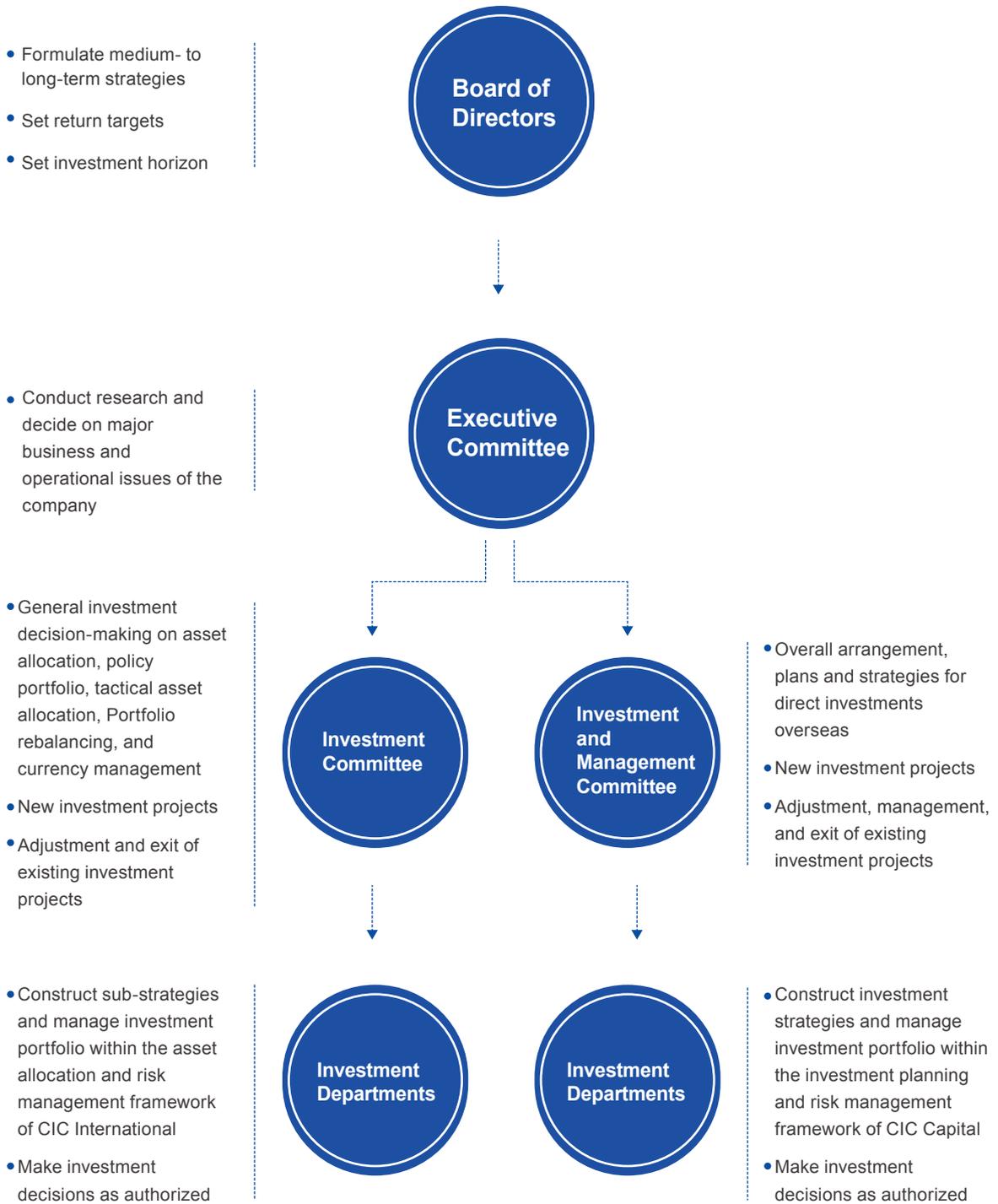
Investment Decision-Making

CIC's overseas investment and management are undertaken by CIC International and CIC Capital. 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.

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.



Decision-Making Flow Chart



Investment Departments

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 and passively 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.

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 internally managed Asian equity portfolio, the sub-strategy portfolio focusing on special credit opportunities among Chinese enterprises, the US high-yield bond portfolio, and the internally managed emerging market local currency debt.

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.

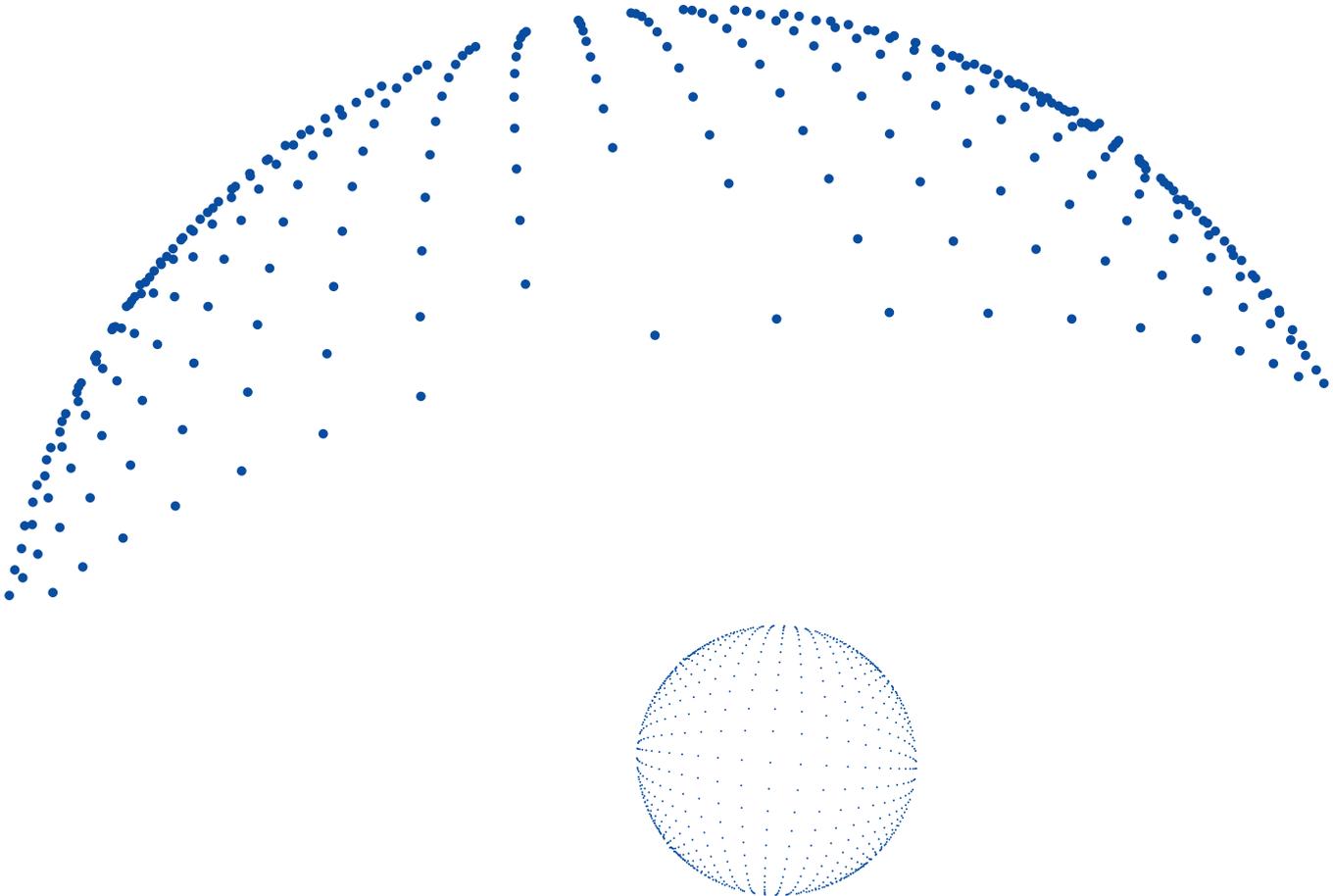
Portfolio Construction

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;
- (d) continuous optimization and improvement through investment practice.

CIC adopts 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. At present, many sovereign wealth funds, pension funds, and peer institutions in other countries are using the Reference Portfolio framework.

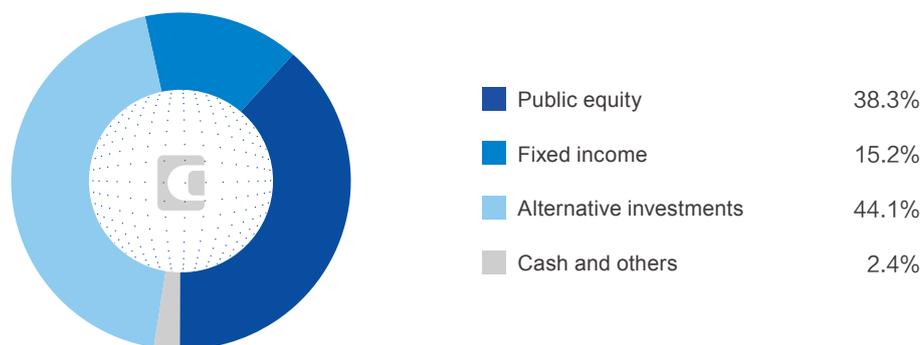


CIC's global portfolio consists of public equity, fixed income, alternative investments and cash and others.

Table 3. Asset Classes (as of December 31, 2018)

Public equity	Equity investment in listed companies
Fixed income	Bonds, including sovereign and corporate bonds
Alternative investments	Hedge funds, risk parity investments, industry-wide direct investments, industry-wide private equity, private credit, resources/commodities, real estate and infrastructure
Cash and others	Cash, overnight deposits, and US Treasury Bills

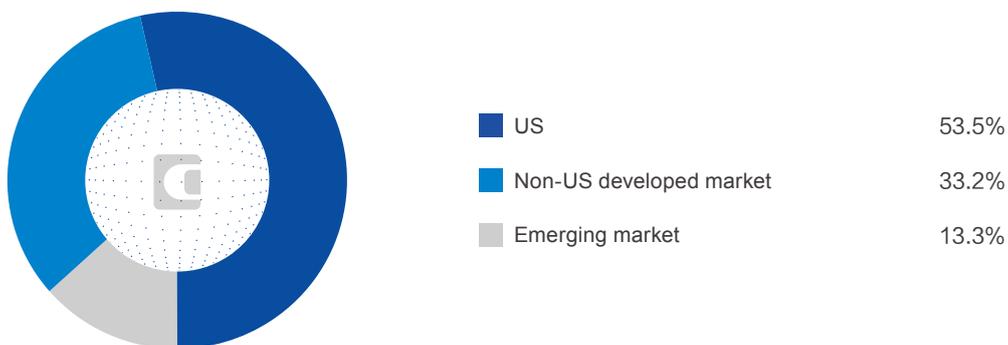
Table 4. Global Investment Portfolio Distribution* (as of December 31, 2018)



*Loans are not included

Table 5. Public Equity in the Global Portfolio (as of December 31, 2018)

Distribution by region



Distribution by sector

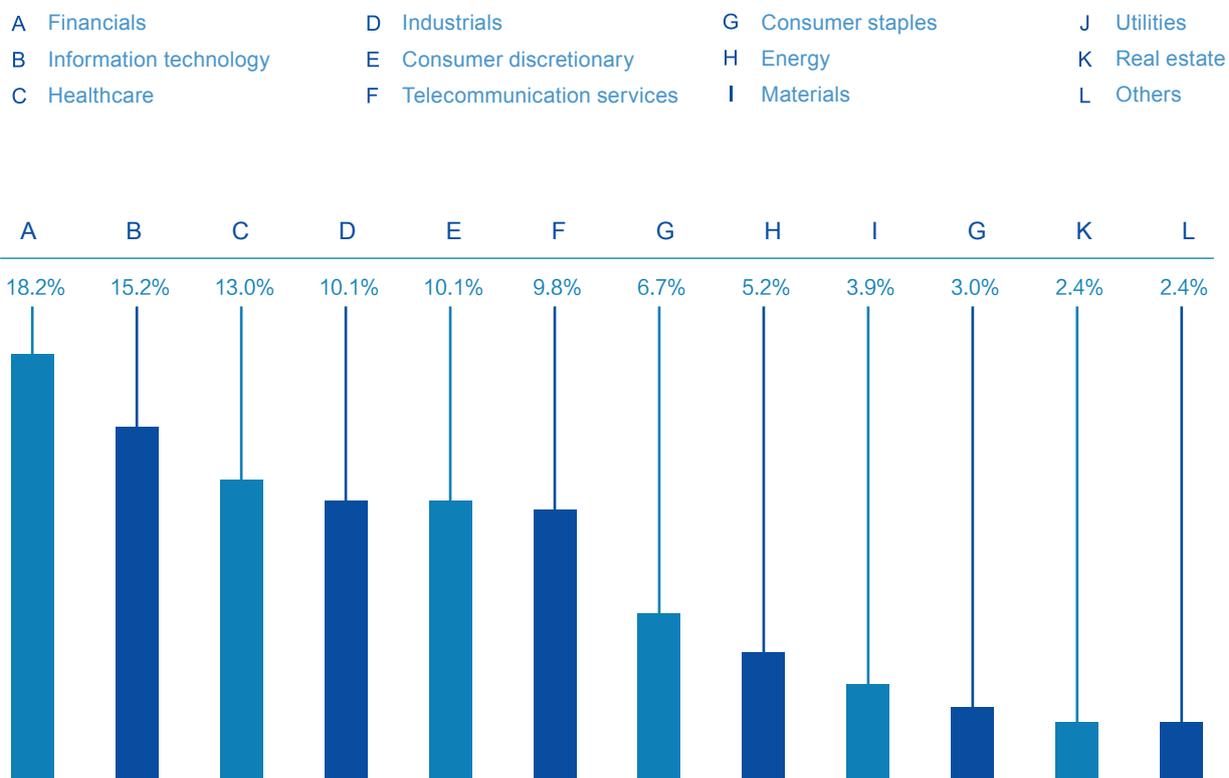


Table 6. Fixed Income in the Global Portfolio (as of December 31, 2018)

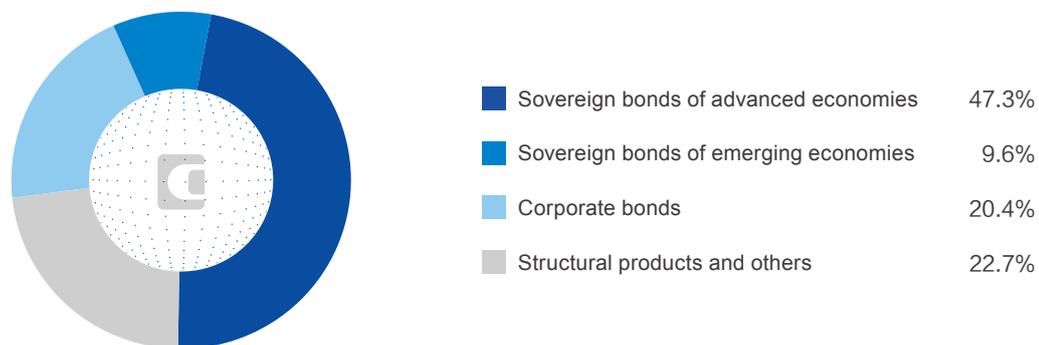
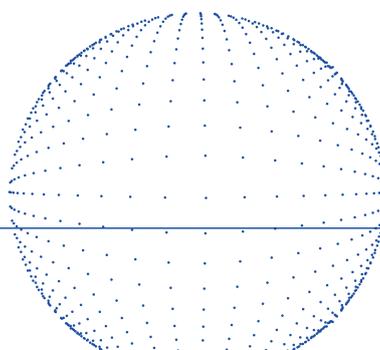
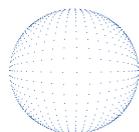


Table 7. Internally Managed Assets versus Externally Managed Assets in Global Portfolio (as of December 31, 2018)



Investment Activities

In 2018, the global economy slowed down from high growth rate, with major economies showing significant divergence and global liquidity continuing to tighten. This was further compounded by trade frictions, geopolitics, and other risk factors. Investor confidence was shaken by the volatility of the international financial market. Overall, global capital markets plunged, with major stock indices suffering their worst performance in a decade, and the MCSI ACWI Index falling by 9.4% (in USD). Facing a complex market environment, CIC responded proactively, captured opportunities, carried out investment activities prudently, and produced positive results.

As of December 31 2018, the company's net return on overseas investment outperformed the annual assessment benchmark set by the Board of Directors. Its 10-year cumulative annualized net return also exceeded the long-term performance target set by the Board of Directors. The weight of alternative investments (including direct investments) in the company's overseas investment portfolio reached 44.1%, up 4.8 percentage points from the previous year. The total costs (excluding financial expenses) of total overseas investment portfolio was also kept within the budget limits.

Box 5

New Bilateral and Multilateral Funds

The new bilateral and multilateral funds are integral to CIC's effort to develop new ways of making overseas investments. They are important levers for increasing CIC's allocation of long-term assets. CIC's deep connection to the Chinese market is one of its unique advantages: CIC can draw on its China perspective to give it greater certainty to deal with risks in overseas investments. The new bilateral and multilateral funds that CIC promotes are based on the principle of "win-win". Demonstrating a new way for international investors and businesses to connect with China, they build a new framework for binding different interests and achieving complementarities to capture the new opportunities presented by China's economic transformation and deeper integration with the world.

In 2018, CIC further strengthened the cross-border investment ecosystem and fostered closer ties with international partners and China's industrial players. To this end, CIC hosted the CIC Forum 2018 —International Industrial Cooperation & Bilateral Cross-Border Investment Summit, the US-China Business Summit, and a series of other important activities. Through these events, the participants formed consensus on cooperation and CIC continued to expand its cross-border investment network.

CIC International's Investment Management

Asset Allocation. In 2018, the company effectively responded to market changes and progressively reduced portfolio risk and leverage. The actual portfolio return exceeded Policy Portfolio return, which in turn exceeded Reference Portfolio return. The company took steps to improve its institutional investment capacity and judgments of the market, fostered stronger strategic partnerships, and conducted analysis of key topics of the month and market events. CIC optimized the design and management of total portfolio, conducted multidimensional research on asset allocation, built tail hedging portfolios, and optimized the procedures for tactical asset allocation. The company also created cash management accounts for investment activities to ensure the liquidity matching and developed various tools for managing investment liquidity to improve efficiency and boost return. It also further optimized allocation efficiency for long-term assets.

Public Market Investment. CIC International intensified detail-oriented management for internally and externally managed portfolios. It optimized portfolio structure, worked on expanding sustainable, replicable, and scalable sources of excess returns, and continued to improve its investment management capabilities.

Public market equities. CIC International monitored and evaluated existing investments in depth to adjust external managers and optimize portfolio structure. The company also initiated factor investing, strengthened the relevant research, and improved the tools for quantitative analysis.

Fixed income and absolute return. For fixed income investment, alongside existing managers, a reserve pool of managers was set up for long-term tracking. For hedge fund portfolio, we continued to optimize strategy allocation and fund selections through portfolio healthy turnover. For multi-asset strategy, we enhanced its risk-parity investments, and branched into credit products for better diversification of risks.

In-house capabilities. For internally managed equities, we continued to optimize selected fundamental-driven portfolios and develop internally managed quantitative portfolios. For internally managed bonds, portfolios were expanded to the active management of global government bonds and government-related bonds, inflation-linked bonds, and passive portfolios of treasuries issued by developed economies. We engaged in securities lending business, financing, and centralized collateral management. We continued to foster greater complementarity and mutual strengthening of capabilities in the internal and external management of investments.

Box 6

CIC's Equity Index Investment System

The Equity Index Investment System (EIS) made its debut in May 2018 after more than one year of development. It drew on CIC's experience in building internally managed equity index business over the past five years. This front-desk investment system was developed independently with proprietary intellectual property rights.

Based on the business characteristics of equity index investing and the investment process, EIS is designed to provide portfolio managers with comprehensive support in terms of position monitoring, capital injection and redemption, index rebalancing, corporate action processing, securities lending, transaction cost analysis and attribution analysis — to form a one-stop investment management platform.

Ever since EIS was in place, the performance of equity index investment has remained stable, and the asset under management has increased substantially. The scope of internally managed products continues to expand and the cost of investing is on the decline. This has enabled portfolio managers to accumulate and institutionalize experience in equity index investing, which in turn enables the constant optimization of the investment process. CIC's investment capacity in global equity indices have improved significantly.

Long-Term Asset Management. With a focus on strengthening research and allocation strategy of long-term assets, while unifying the investment decision-making and project supervision processes, the company elevated the quality of long-term asset management. In 2018, the company approved a total of 57 private equity, private credit, and real estate projects, and either fully or partly exited from several projects, delivering positive results.

Private equity and private credit. The company reviewed its invested funds, selected and invested in superior funds and renewed its commitment to high-performing fund managers. It tracked market trends and tapped into long-term private equity investment strategies. It also improved the decision-making process for co-investment and co-sponsorship, increased as appropriate the ticket size of selected high-quality projects and promptly captured small-scale high-quality investment opportunities. Based on economic and credit cycles, industry fundamentals and the market dynamics of non-investment grade credit products, the company took active steps in implementing its private credit investment plan.

Real estate. The company continued to perform well in traditional subsectors, investing in high-quality assets with long-term stable returns and strong price resilience in major markets. It adopted a prudent approach to direct investment, focusing on platform projects and new alternative real estate investment opportunities. It also selected and invested in superior funds and renewed its commitment to high-performing fund managers, implementing various co-investment projects.

Post-investment management. The company took steps in closely tracking and regularly reviewing projects it invested in, and developed project-based post-investment management plans. It also conducted in-depth analysis of industry cycles and regional market trends to spot opportunities to refinance, reduce, or exit investments.

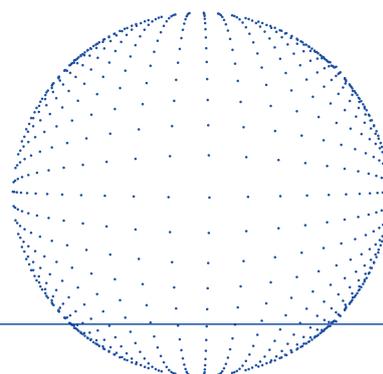
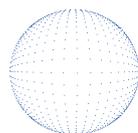
Private Credit Strategy

Since the 2008 global financial crisis, along with bank deleveraging and tightening of regulatory policies, private credit investment opportunities have emerged, providing a relatively stable cash flow, downside protection, and attractive expected risk-adjusted returns. Hence, private credit investment has become a preferred asset class for long-term institutional investors.

The risk-return profile of private credit lies between equity and fixed-income products (creditor's rights). Typical products include: direct loans collateralized by corporate credit or hard assets such as real estate, mezzanine debt, opportunistic and distressed investments, as well as securitized products with low liquidity and bank regulatory capital release trade. Private credit products usually focus on illiquidity and credit dislocation, aiming at providing capital solutions to companies with flexible and bespoke transaction structures, thus CIC can leverage its advantages in long-term capital and professional experience to capture illiquidity and complexity premiums.

Private credit is one of CIC's key areas of focus in long-term asset investment. CIC's private credit strategy started in 2008 and has established extensive cooperation with more than 20 high-performing managers around the world. Through fund investment, as well as co-investment and co-sponsorship with managers, it has a cumulative commitment of more than USD 20 billion since the inception, and has produced sound annualized net return above the benchmark, providing strong underpinning for the return of CIC's total portfolio.

With respect to fund investment, the company has progressively built a global network of managers covering major investment regions and asset classes. For co-investment and co-sponsorship, more than 10 projects involving different capital structures, sectors, and regions were completed based on the managers' and the company's network and resources.



CIC Capital's Investment Management Activities

In 2018, CIC Capital continued to develop its specialized direct investment platforms, formulated eight new sets of rules and regulations relating to investment management, optimized the classified management of investments, and further developed a system consistent with the specifics of direct investment. It also strengthened monitoring of the investment portfolio, established a comprehensive monitoring mechanism to oversee audit reporting of investee companies, and optimized the supervision mechanism for investment decisions and executions.

The company finalized its decisions to invest in 24 overseas projects involving a total commitment of about USD 4.9 billion, and completed several notable transactions in sectors such as infrastructure, energy, internet, consumer, healthcare, manufacturing and agriculture. Based on the market situations and project performance, the company drew up post-investment management plans for the existing portfolio, to improve engagement with investee companies and other shareholders for value creation and to seek opportunities to exit and reap returns at the right time.

Infrastructure. The company strengthened cooperation with key fund managers, focused on working with industrial investors to expand co-investments and co-sponsorships, with a number of investments made in communications and energy infrastructure. Investment strategies and post-investment management models were also customized according to project features, market opportunities, and changes in regulatory policies of different regions, countries, and industries.

Resources and energy. By leveraging opportunities in industry cycles, CIC Capital actively managed existing investments and captured favorable exit windows. It also adopted a long-term perspective and progressively increased its exposure to new energy to optimize current portfolio for better risk diversification.

Industry-wide investments. Multiple transactions were closed in general sectors with the China perspective. In TMT (i.e. technology, media and telecom) sectors, CIC Capital pursued opportunities where traditional industries are enabled or transformed with new technologies. In healthcare, it focused on leading enterprises in subsectors such as big data analytics, independent lab testing, etc. In consumer, investments were driven by robust research on trends and opportunities in various subsectors, and augmented with value creation efforts through collaboration with Chinese partners. In advanced manufacturing, the company worked closely with a growing network of partners on companies that have inherent growth potentials that could be unleashed by tapping the Chinese market.

Agriculture. The company studied, analyzed, and explored valuable subsectors, improved its investment strategy that encompassed the entire industry chain based on the company's specificities and strengths, and actively built a specialized business platform for overseas direct investment in the agriculture sector. It also dedicated efforts in forging deep cooperation with industrial players and investment institutions in China and other countries to invest in seeding, supply chains, logistics, and other subsectors in the agriculture space.

Multilateral and bilateral funds. CIC Capital continued with the management of China-US Industrial Cooperation Partnership, Russia-China Investment Fund, and China Ireland Growth Technology Fund, as well as the equity stakes CIC holds in Silk Road Fund. Extensive efforts were made to explore synergies between bilateral funds and direct investments with the China perspective, throughout deal sourcing, evaluation, execution and post-investment value creation.

Box 8

TDC Project in Denmark

In 2018, CIC Capital participated in a consortium including local Danish investors and MIRA and invested into Danish telecommunications provider TDC. Total transaction value exceeds EUR 8 billion.

TDC is a vertically integrated telecommunications company in Denmark with products and services offered including landline voice, mobile voice, TV and internet & network. This is a large ticket-sized and complex transaction that includes privatization of the national incumbent telecommunications provider in Denmark, operational separation of retail segment from the infrastructure network to unlock value as well as optimization of existing business.

Telecommunications infrastructure has been key to global technological revolution and industrial transformation driving economic growth. 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.

CIC's Overseas Offices

Establishing overseas offices is CIC's strategic initiative to expand its global reach, deepen partnerships and improve investment capacity.

CIC International (Hong Kong)

In 2018, CIC International (Hong Kong) adhered to the existing investment and research discipline to actively and prudently managing portfolios with outstanding performance. The company also leveraged its geographical advantage to closely monitor regional and global market dynamics and conduct active exchanges and interactions with peer institutions. CIC International (Hong Kong) made breakthroughs in identifying investment targets and provided support through post-investment management, which drove powerful two-way communication and effective synergy with headquarters.

CIC Representative Office in New York

In 2018, the Representative Office in New York 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 strengthened the company's connection, communication and cooperation with local business partners, and provided support to the company's investment activities in Americas.

Investment Management and Support

First, we improved the process design to increase the efficiency of investment decision-making as part of our responsibility in investment supervision, and strengthened the post-investment management of projects by implementing mechanisms for the periodic review for projects and special reporting for major issues. We also established a project recommendation mechanism and a multitier and multi-dimensional project information reporting system to improve whole-process project management and elevate synergies.

Second, we reinforced the concept of research-driven investment by developing an integrated research investment framework to unify internal and external resources for in-depth research into macro landscapes, industry trends, market dynamics and investment strategies. We also compiled and published the Cross-Border Investment Guide series.

Third, we optimized the operation framework with digitization for public market and alternative investments. Combined with the existing enterprise data management platform, the new alternative investment management system improved data granularity, timeliness and accuracy to realize full life cycle management. To further reduce operating costs, we streamlined the management of service providers. And we actively explored ways to customize operation models of post-investment processes and value creation for direct investments.

Fourth, we progressively improved accuracy in budget planning by managing the overall budget for revenue and expenses, thus balancing flexibility and discipline in budget management. We implemented the use of full cost apportionment in performance assessment to have a deeper understanding of cost-effectiveness. We enforced accounting standards to improve the quality of

financial reporting, expanded financing channels, and coordinated the management of fund liquidity and debt structure to create close linkages between assets and liabilities. We strengthened cost controls and post evaluations to manage expenses effectively. We also implemented controls to address tax risks and improved the workflow of basic tax operations.

Fifth, we promoted the digitalization of CIC by launching the CIC Big Data Platform to enable centralized storage and management of business data. We conducted data mining and comprehensive analysis using Business Intelligence tools to achieve intelligent search, advanced analysis for exposure management, investment research and legal compliance in order to share and explore data orderly and creatively. Moreover, an all-dimensional security protection was put in place to ensure secure operation of the company's network and systems.

Sixth, we provided comprehensive legal, compliance, and tax support for the company's investment and business management activities, closely monitored global major regulatory developments, and assessed their impacts on the company's business. We also continued with compliance monitoring and upgrading of our information barrier system so that legal and compliance risks were promptly and properly identified, assessed, and controlled.

Seventh, we strengthened supervision of the company's corporate governance and the directors' and senior executives' discharge of duties, and examined the company's accounting systems and financial situations. We also continued to focus on identifying and resolving problems and adopt risk-oriented approaches in auditing our investment business and economic responsibilities.

Box 9

The CIC's Ecosystem App

Officially launched on 31 August 2018, CIC's Ecosystem App is an innovative internal information-sharing platform accessible only to CIC group institutions created based on CIC's strategic development and the industry's digital transformation trajectory to integrate information resources and business collaboration. It has adopted new technologies such as big data, artificial intelligence, and blockchain to meet practical and business development needs.

CIC's Ecosystem App is constantly searching for the optimal model for business collaboration. Strictly adhering to compliance procedures, it focuses on information sharing, resource integration, business collaboration and personnel exchanges at three levels of synergy. First, collaboration among the company's overseas investment departments enables better information exchanges and complementarities. Second, collaboration between CIC's overseas investment business and Central Huijin's domestic equity management business includes leveraging overseas investment resources to support Central Huijin's holding companies to expand globally and domestic resource networks to facilitate cross-border cooperation. Third, collaboration among CIC group institutions includes exchanging experiences and integrating resources for similar businesses and enabling complementarity and cooperation among different businesses.

By promoting the sharing and integration of resources among CIC group institutions, and by fostering the concept of "Greater CIC" and the sense of identity to harness the potential within the CIC group, the company has created the CIC ecosystem, with a "1+3+N" configuration, being "CIC, CIC International / CIC Capital / Central Huijin, and domestic and foreign partners and Central Huijin's holding companies."

Box 10

Investment Performance Evaluation System

CIC continued to optimize its investment performance evaluation system by developing and improving the Risk and Performance Analysis System (Fengye System), a performance evaluation engine and analysis platform with a clear hierarchical structure, multiple perspectives, and flexible parameters.

The company broadened the scope of investment performance evaluation, having introduced new perspectives such as active profit and loss, and researched and analyzed capital appreciation for the total portfolio to fully reflect the contribution of decision makers at different levels to investment performance. The company also further optimized the attribution of allocation effect and active management effect under the total portfolio framework, to further rationalize and refine quantitative evaluation. In doing so, important references were made available for identifying, monitoring and controlling risks for the different levels, laying the foundation for investment management and relevant decision making.

CIC strives to use performance evaluation to guide performance appraisal and business development. It ensures that active management and asset allocation contribute to the company's total return. Therefore, investment teams are not only required to focus on value creation at project level, but also co-shoulder return target at total portfolio level.

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 2018, CIC's overseas portfolio posted a net annual return of -2.35%. As of December 31, 2018, CIC had realized an annualized cumulative 10-year net return of 6.07% and an annualized cumulative net return of 5.18% since its inception on September 29, 2007 (performances above are all denominated in USD).

Risk Management

Objective and Approach

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

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

System and Mechanism

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

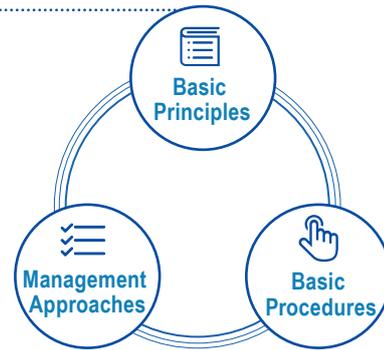
In line with policies set by the Board of Directors and the Executive Committee, the Risk Management Committee oversees CIC's risk management strategies and approaches. Its key responsibilities include the following: reviewing risk management strategies, policies and procedures; determining the risk budgeting and allocation plan; reviewing risk management and assessment reports; reviewing assessment standards, management schemes, and internal control mechanisms for major risk drivers and events as well as key business processes; conducting periodic reviews of the risk profile of asset allocations and the execution of the allocated risk budgets;

reviewing the risk management strategy and contingency plans for major risk events; reviewing other risk-related issues under the authorization of the Executive Committee.

The Operational Risk Management Committee and the Valuation Committee are two subcommittees established under the Risk Management Committee. The Operational Risk Management Committee is responsible for reviewing operational risk management policies and the relevant rules and regulations, examining and approving operational risk reports, and supervising the investigation and handling of operational risk incidents and implementation of action plans. The Valuation Committee is mainly responsible for reviewing and approving the company's valuation accounting policies and valuation reports, the sources of market prices and parameters used for valuation, and valuation models and fair value adjustments.

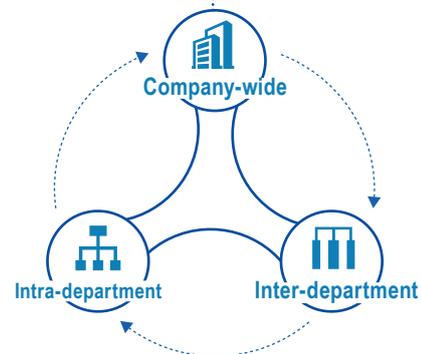
Three-layered system

- 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.



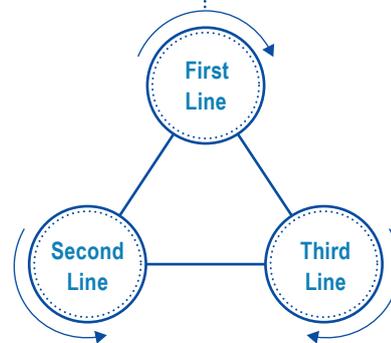
Three-tiered system

- 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.



Three lines of defense

- 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

In 2018, the company formulated and revised risk management guidelines to meet its investment business expansion needs and changes in portfolio risk characteristics. It improved the management of total portfolio risks, and ensured coordination of the company's internal risk management to effectively supervise the strengthening of post-investment management. It implemented pre-investment risk identification and evaluation and post-investment risk monitoring and early warning for investment projects to ensure that investment activities are carried out orderly and according to the rules and regulations. It also improved the various risk management tools to assess the value of existing Level 2 and Level 3 assets promptly and scientifically rigorous. It then offered suggestions for the rectification of abnormal or operational risk events, and regularly tracks and supervises the implementation of those rectifications.

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 published the "Sovereign Credit Risk Report" covering

110 countries and regions. It prospectively analyzed the key factors driving macro risks for sovereign credit in the current year. CIC also published 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.

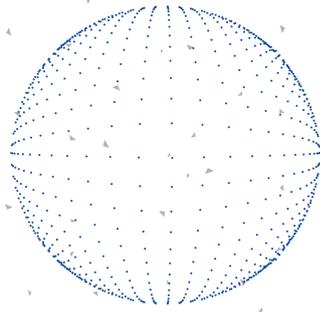
CIC constantly tracked the credit risk profile of the invested assets and improved early warning and response. It urged investment departments to enhance post-investment management and adjust or exit projects in a timely manner.

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.

In 2018, CIC developed and revised 15 risk management guidelines, offered specific opinions for 19 rules. It formulated Operational Risk Management Manual, built an operational risk tolerance and resolution system, and progressively assessed operational risk tolerance metrics. It organized regular assessments of operational risks and maintained the list of common risks and responding control measures. The company also stepped up monitoring operational risks in key business areas such as trading and investment processes. In 2018, a more authentic and complex business continuity drill was carried out to improve emergency response capabilities.

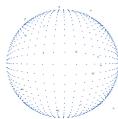
CIC values the prevention and management of reputational risks, and has continued to do well in information disclosure and tracking public opinion to assess reputational risks. In selecting investment projects and partners, CIC always considers reputational risk as a major factor in decision-making. CIC also seeks to fulfill its corporate social responsibility and create a favorable image of a responsible corporate citizen and respectable partner.

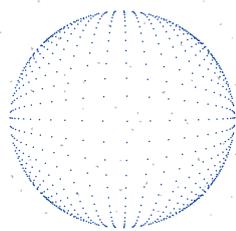
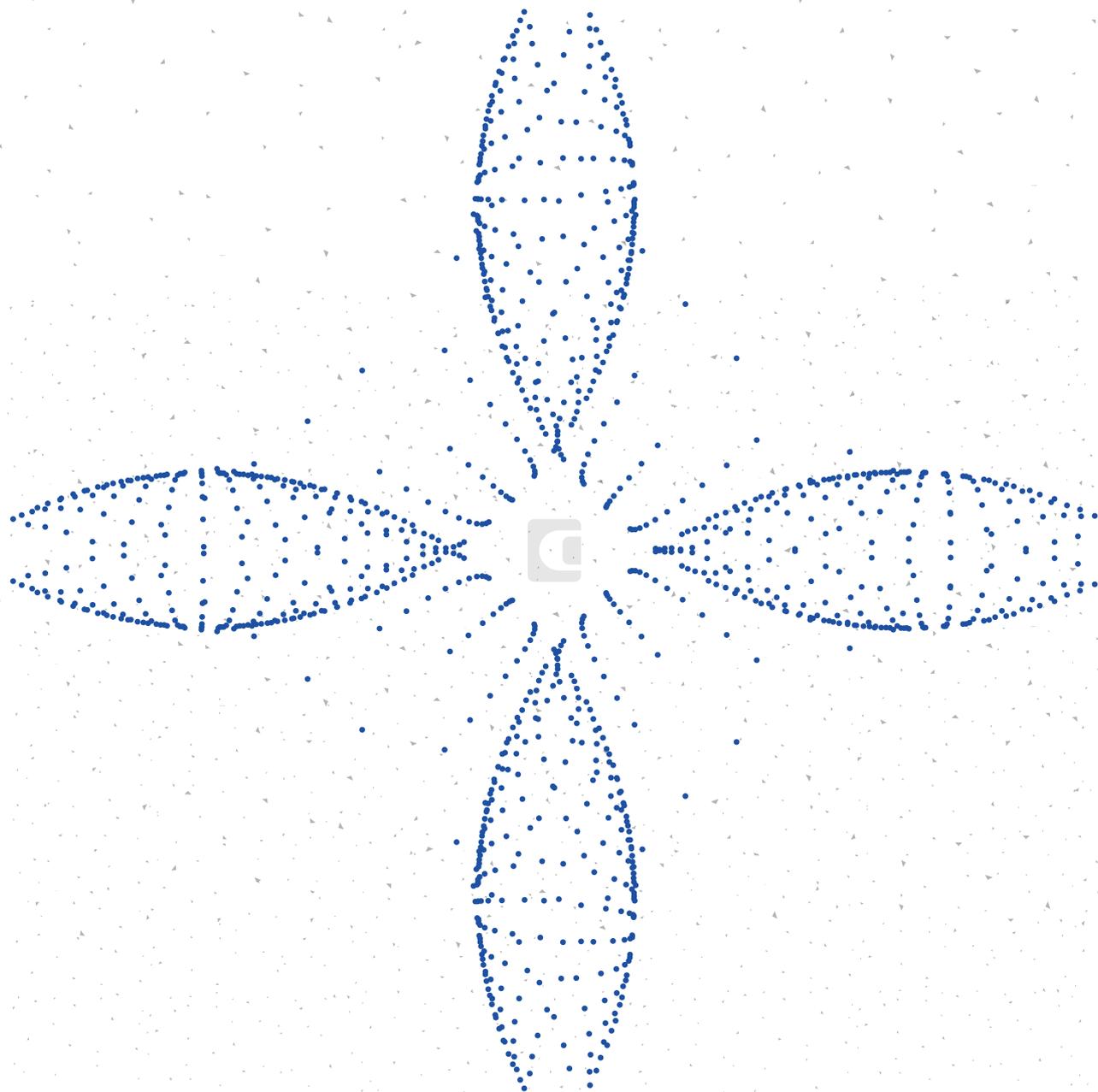


4

DOMESTIC EQUITY MANAGEMENT

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





Governance and Structure

Decision-Making Structure

As CIC's wholly-owned subsidiary, Central Huijin was incorporated as a wholly state-owned company under the Company Law. Authorized by the State Council, 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's 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.

Equity Management Departments

Banking Institutions Department I

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

Securities Institutions Department/ Insurance Institutions Department

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

Comprehensive Management Department/ Banking Institutions Department II

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

Performance

Performance in 2018

By the end of 2018, Central Huijin directly holds equity interest in 17 financial institutions (including banks, securities companies, insurance companies and other financial institutions). The total assets in aggregation of such companies were CNY 123 trillion, representing year-on-year growth of 6.0%. State-owned financial capital under Central Huijin's management had reached CNY 4.3 trillion. Since its inception, Central Huijin's accumulated profit turned over to the State and equity interests combined had reached 6.5 times of the State's capital injection, with a sterling performance on the part of Central Huijin in preserving and enhancing the value of state-owned capital.

The six banks had CNY 5.2 trillion in new loans, a year-on-year increase of 8.4%. The banks had continued to provide support for major projects and for the weak areas in the country's economic development. The four securities companies had maintained the industry's highest rating of AA. The two commercial insurance companies had premium income earnings of CNY 244.6 billion, a year-on-year increase of 14%. In addition, Central Huijin wholly owns Central Huijin Asset Management Ltd. as a subsidiary.

Portfolio Holdings of Central Huijin

No.	Financial Institutions ¹	Shares ²
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.	69.07%
13	Shenwan Hongyuan Group Co., Ltd. ★☆ ³	22.28%
14	China International Capital Corporation Limited ☆	55.68%
15	China Securities Co., Ltd. ★☆	31.21%
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

2.As of December 31, 2018

3.Listed on the Hong Kong Stock Exchange on April 26, 2019

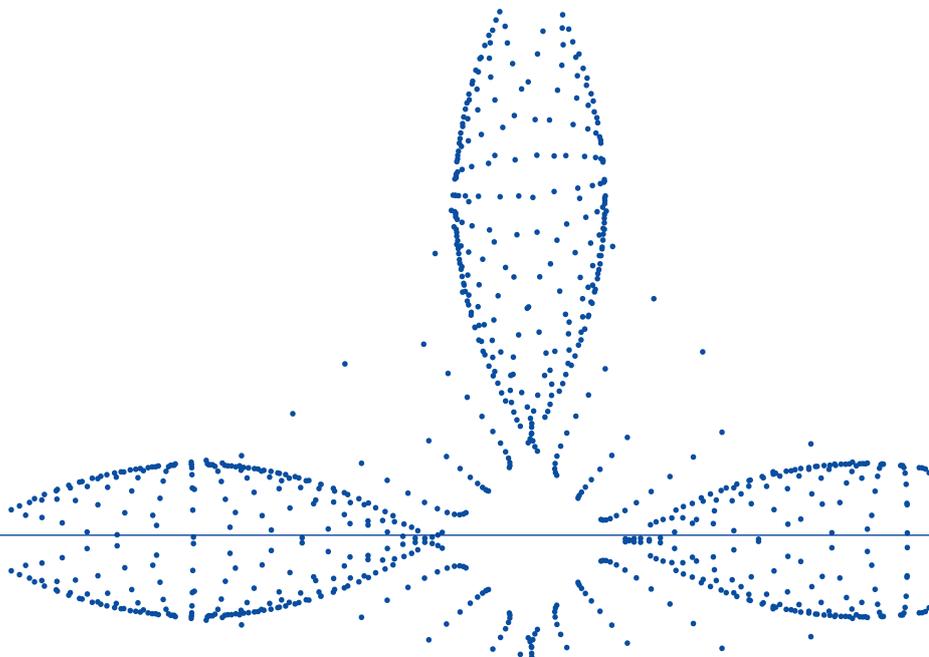
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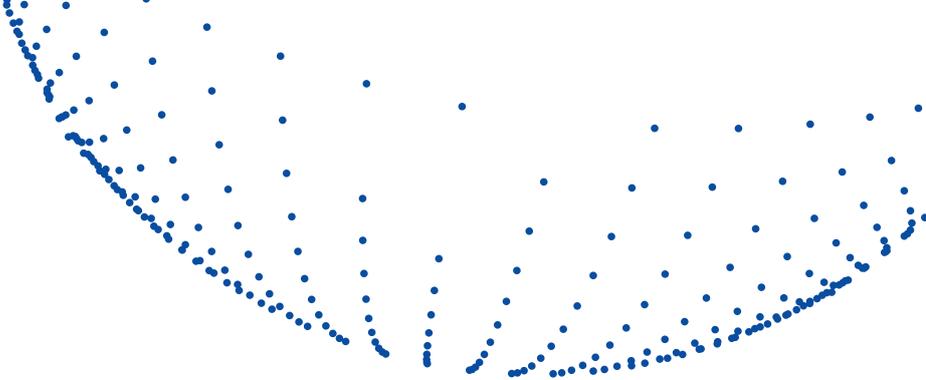
Professional Committees for Dispatched Directors

The system of dispatched directors culminates from Central Huijin's constant pursuit for excellence. It is also an innovative institutional arrangement for managing state-owned financial capital. Over the past 15 years, more than 200 directors have performed their duties at Central Huijin. Currently, the company has nearly 60 full-time directors, the main force managing state-owned financial equity. Central Huijin has set up three professional committees for dispatched directors in 2018, including the Strategy and Technology Committee, the Corporate Governance Committee, and the Internal Risk Control Committee. These professional committees serve as cross-institution communication platforms for the dispatched directors.

Dispatched directors may, through the professional committees, conduct discussions on common issues, exchange experiences on performance of duties, and organize seminars on specific topics, under the requirements of the information firewall system. Good practices will be condensed on the dispatched directors' thematic database, which will be further compiled in a set of equity management guidelines.

The establishment of professional committees of dispatched directors enhances the understanding of decisions and arrangements of the State, and better discerns the economic and financial development trajectory. Benefited by the committees, Central Huijin's state-owned financial capital management has become more market-oriented, professional, scientifically rigorous and detail oriented. This is yet another innovation of the "Huijin Model".





Box 12

Regular Issuance of Huijin Bonds

Central Huijin continued with a market-oriented approach to bond issuance. In 2018, it issued CNY 177 billion worth of bonds in China's interbank market, including CNY 164 billion of Debt Financing Instruments by Non-Financial Enterprises, including Medium Term Note (MTN) and Commercial Paper (CP) and CNY 13 billion of Government-Backed Agency Bonds. Huijin bonds are now issued on a regular basis, and Central Huijin has become the largest issuer of MTNs and CPs in terms of both annual issuance and stock, witnessing an increasing influence in the interbank bond market. The Huijin bonds have seen increasingly high liquidity in the secondary market and a more diversified investor base.

In 2018, Central Huijin won multiple awards, such as the "Contribution to Opening-up: Outstanding Bond Issuer" awarded by the National Interbank Funding Centre, "Outstanding Issuer of Government-Backed Agency Bonds" awarded by the China Central Depository & Clearing Co., Ltd., and "Outstanding Issuer (Credit Bond)" awarded by Shanghai Clearing House.

Feature Article 2 Central Huijin's Journey of Fifteen Years

Over the past 15 years, Central Huijin has remained true to its original mission, reforming and innovating to create the market-based model for managing state-owned financial capital—the “Huijin model.” By pursuing a market-oriented strategy and observing international practices, it has developed a China-specific approach to the management of state-owned financial capital.

With clear awareness of its role, Central Huijin serves the development of its holding companies through corporate governance without interfering with their day-to-day operations.



Three Platforms

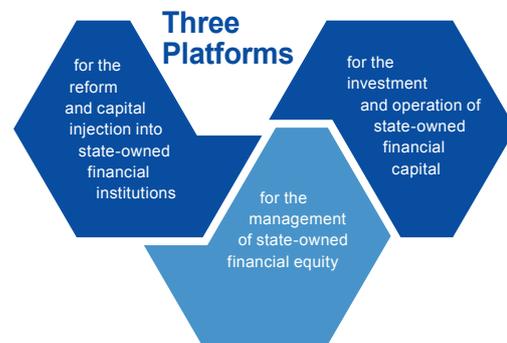
Over the past 15 years, Central Huijin has taken bold and decisive steps to discharge its responsibilities as mandated by the State Council and leverage the three key platforms in an innovative manner.

Platform for the reform of and capital injection into state-owned financial institutions. We completed capital injection, restructuring, integration, and reorganization for 19 financial institutions, assisting in the capital replenishment and resolving historical issues to maintain a healthy balance sheet of the state-owned financial institutions. These efforts helped establish the preliminary shape of a modern enterprise system, and laid a good foundation for these institutions' long-term and sound development.

Platform for the management of state-owned financial equity. We leveraged the function of an active shareholder by using market-oriented approaches to effectively discharge duties and exercise powers, and promoted the sound development of state-owned financial institutions. We established the system of dispatched directors and allowed them to play important roles in the corporate governance of state-owned financial institutions. We also developed a suite of comprehensive and unique equity management systems

to create a unified and institutionalized equity management platform.

Platform for the investment and operation of state-owned financial capital. We assisted in the public listing of 11 holding companies and supported the restructuring and integration of our holding security firms to build industry flagships. We also exited from some non-systemically important financial institutions through share swaps and listing transfers. We issued bonds in the interbank market as a long-term and stable financing mechanism to provide secure financing for investing and operating state-owned financial capital.



Outstanding Performance

Over the past 15 years, Central Huijin has discharged its duties and fulfilled its mission as mandated by the State, and has achieved outstanding performance.

First, it pushed for deeper reform of state-owned financial institutions, and in doing so, set the stage for micro-governance that enabled the long-term and healthy development of the financial system. It also encouraged financial institutions to establish and improve their corporate governance structure and the authorization system, and shaped the modern enterprise system aligned with the socialist market economy. Central Huijin's reform and innovative management approaches spurred and influenced the reform of state-owned asset management, providing the leadership and drive for the reform of state-owned enterprises to refocus on managing capital.

Second, it effectively prevented and mitigated financial risks, contributing to the sound operation of the financial system. As required by the State, it pushed its holding companies to strengthen risk management—and had either

injected capital or provided risk relief for its holding companies to prevent systemic financial risks. At the same time, it participated in the secondary market as required by the State, taking an active role in maintaining the stability of the capital market.

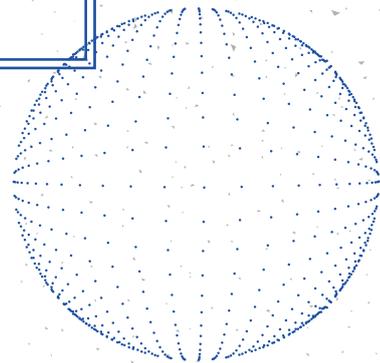
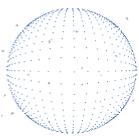
Third, it effectively served the real economy by guiding its holding companies to support China's development needs. It continued to drive its holding companies to speed up their strategic transformation by focusing on the main business, to excel in their specialty to serve the supply-side structural reform and to increase financial support for key economic sectors, weak areas, key projects and the Belt and Road Initiative to support China's high-quality economic development.

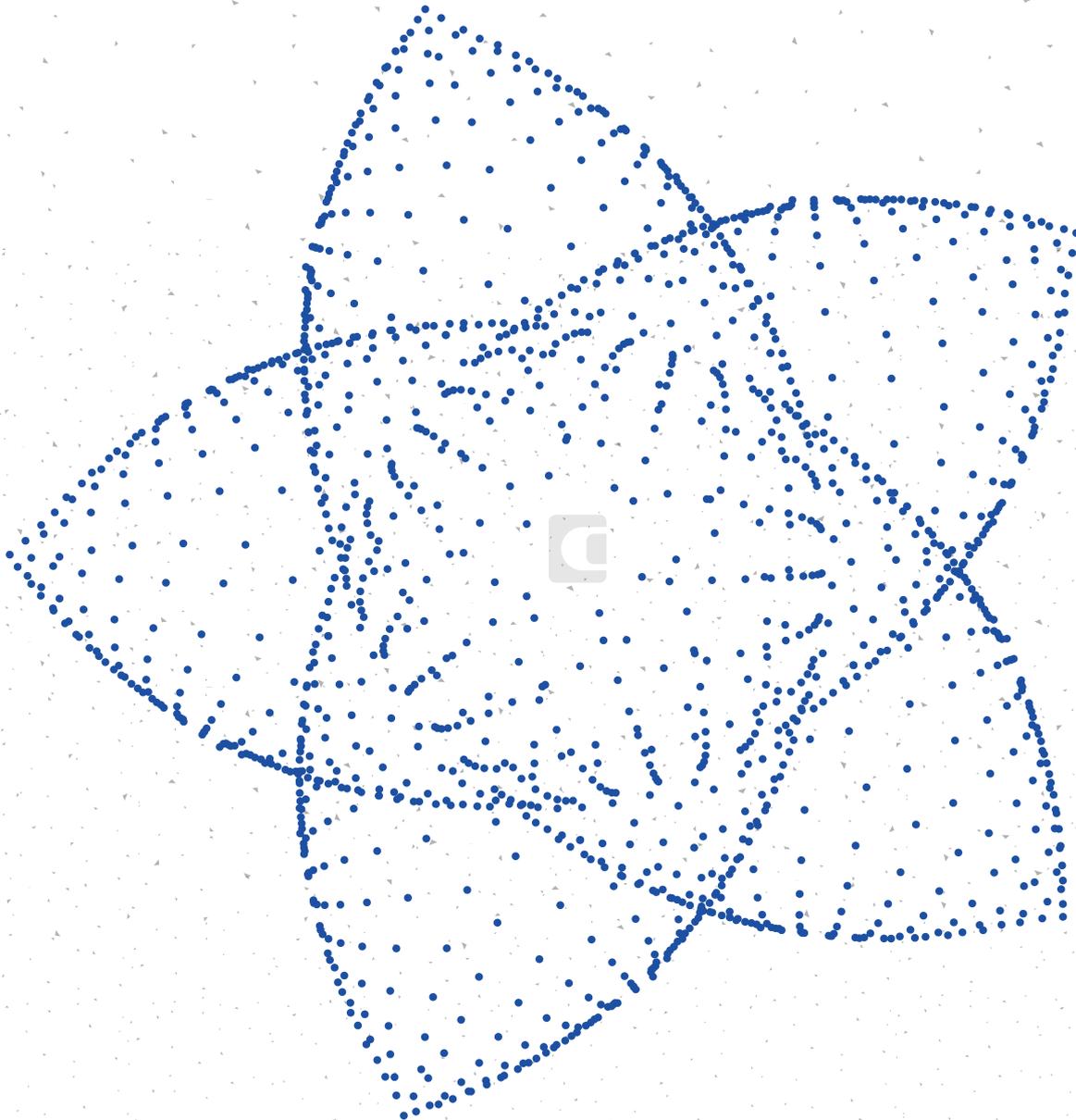
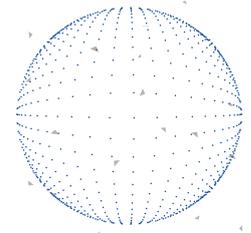
Fourth, it strengthened, expanded, and improved the quality of state-owned capital to preserve and enhance the value of state-owned assets. Since its establishment, Central Huijin has turned over cumulative profits of nearly CNY 1 trillion to the State, contributing greatly to China's economic development.



2018 FINANCIALS

The independent auditor has prepared the consolidated financial statements of CIC, and issued an unqualified opinion.





Basis of Presentation

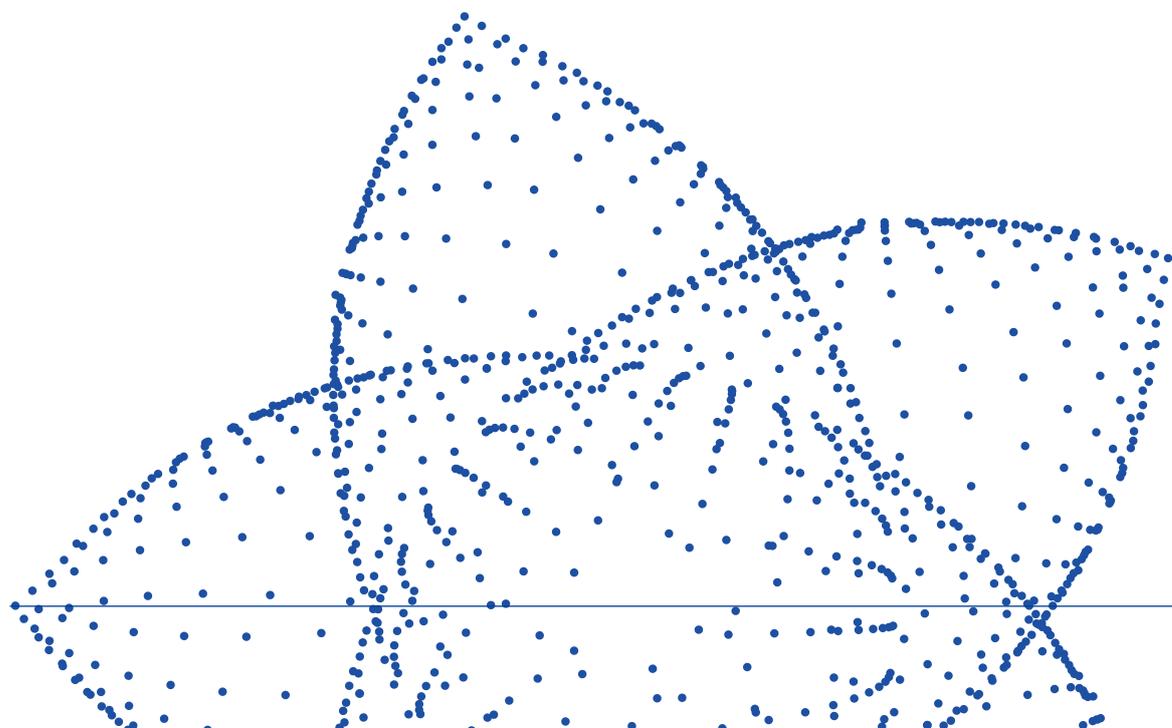
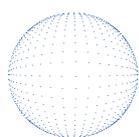
The consolidated financial statements of CIC have been prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China. These accounting standards have substantially converged with the International Financial Reporting 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, 2018.

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 US 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, 2018

(Amount in millions of US dollars)

	2018	2017
Assets		
Cash and deposits	18,534	14,816
Financial assets at fair value through profit or loss	242,992	257,317
Receivables and prepayments	2,183	2,635
Available-for-sale investments	56	59
Long-term equity investments	628,699	597,445
Deferred tax assets	227	33
Other assets	47,913	69,112
Total assets	940,604	941,417
Liabilities		
Loan	23,996	28,578
Financial liabilities at fair value through profit or loss	279	229
Bonds payable	42,637	19,165
Deferred tax liabilities	3,351	7,309
Other liabilities	11,496	40,122
Total liabilities	81,759	95,403
Owner's equity		
Owner's capital	200,000	200,000
Capital reserves and others	658,845	646,014
Total owner's equity	858,845	846,014
Total liabilities and owner's equity	940,604	941,417

Consolidated Income Statement

For the year ended December 31, 2018

(Amount in millions of US dollars)

	2018	2017
Investment income		
Interest income	4,994	4,437
Dividend income	3,433	3,264
Net realized gains on investments	8,501	11,724
Unrealized gains (losses) from changes in fair value of investments	(21,189)	23,535
Investment income from long-term equity investments	72,050	71,411
Foreign exchange gains (losses)	(38)	(18)
Other income	93	102
Total investment income	67,844	114,455
Expenses		
Investment expense	(358)	(346)
General and administrative expense	(203)	(184)
Finance expense	(3,365)	(3,192)
Total expense	(3,926)	(3,722)
Operating income	63,918	110,733
Others, net	(10)	0
Income before taxes	63,908	110,733
Income taxes	1,150	(7,110)
Net income	65,058	103,623



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