

SDIC 2008
ANNUAL REPORT

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Wang Huisheng, SDIC President

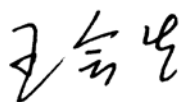


President's Address

The year 2008 was truly eventful for State Development & Investment Corp. (SDIC). Despite various negative influences, all the staff, under the leadership of SDIC top management, faced difficulties squarely, made concerted effort to surmount all obstacles and maintained SDIC's sound development.

2008 is the first year for SDIC to carry out its second Five-Year Plan in the campaign *Pioneering for a Second Time*. Although facing challenges and pressures which were rarely seen in the history, as well as the drastically-changing economic environment, SDIC still reached all operational targets, with operation revenue climbing 37% year-on-year to RMB 41 billion, profit hitting RMB 5.1 billion and the total assets up by 8% to RMB 171.4 billion. SDIC was ranked among Grade-A enterprises in the annual performance assessment by the State-owned Assets Supervision and Administration Commission of the Chinese State Council (SASAC) for the fourth consecutive year. SDIC's strength and influence gained steady improvement. All these achievements are attributable to the wise leadership of the central government and SASAC, to the unremitting efforts of all our staff, and to SDIC's continuous innovation and exploration over the past years. I, hereby on behalf of SDIC top management and SDIC Group Management Committee, express heartfelt thanks to all the leaders and friends for their ever care and support, and sincere respect to all the staff for their hard work and contribution!

2009 is the most difficult year for China's economic and social development since we entered the new century. However it is also a year with huge opportunities. We should analyze situation and work out approaches, which are crucial to the accomplishment of operational objects of the year, to the realization of the goals set in SDIC's second Five-Year Plan and to the building of a world-class investment holding company. We will strengthen our confidence, seize opportunities and overcome the difficulties. We will further free our mind, deepen reforms and enhance management skills to ensure sound and rapid development of SDIC, thus celebrating the 60th anniversary of the founding of the People's Republic of China!



Wang Huisheng
President, SDIC





Corporation Leaders

Wang Huisheng, President (middle)

Liu Jianxin, Vice President (second to the right)

Qin Ming, Vice President (second to the left)

Feng Shidong, Vice President (third to the left)

Shi Hongxiang, Vice President (third to the right)

Deng Shiji, Chief of Discipline Inspection Group
(first to the left)

Zhang Hua, CFO (first to the right)

Corporate Profile



Established on May 5, 1995, State Development & Investment Corporation (SDIC) is the largest state-owned investment holding company in China and one of the 53 national key central enterprises. By the end of 2008, it had a workforce of more than 60,000 employees with registered capital of RMB 18.4 billion, total assets of RMB 171.4 billion and shareholders' equity of RMB 55.9 billion. In 2008, its operation revenue reached RMB 41 billion, its total volume of import and export exceeded US\$ 1.2 billion and its total profit hit RMB 5.1 billion. SDIC was ranked among Grade-A enterprises in the annual performance assessment by SASAC for the fourth consecutive year, and was awarded the title of Excellently-Performing Enterprise 2004-2006. SDIC is playing an increasingly important role in the development of national economy and the restructuring of the state sector of the economy.

Since its establishment, SDIC continuously improves its development strategy, optimizes its assets composition, and has built its unique tri-pillared business framework that integrates industrial investment, financial services and state-owned assets operation. SDIC's industrial investment mainly goes to power generation, coal mining, ports and shipping, chemical fertilizer production and other infrastructure or resource-oriented fields as well as high-tech projects. In the financial services sector, SDIC focuses on finance, assets management and consulting businesses. As a pilot company in state-owned assets operation appointed by SASAC, SDIC plays its unique role originating from the nature of being a state investment holding company in optimizing the structure of state sector of the economy. After more than ten years practices, SDIC has gradually formed its unique operating model of "Equity investment---Equity management---Equity operation", and of an integrated development incorporating capital operation and assets operation. This model refers to that SDIC obtains equity through capital investment, increases invested enterprises' value through management, and gains returns by receiving equity transfer premiums and invested enterprises' dividends. Thus the state assets are maintained and appreciated.

In 2003, SDIC launched the campaign *Pioneering for a Second Time* and worked out its first Five-Year Plan and Ten-Year Outlook in which SDIC aimed to become a first-class investment holding company in China within five years and to rank among top investment players in the international arena in ten years. With years of hard work from 2002 to 2008, SDIC's total assets was increased by 134% from RMB 73.3 billion to RMB 171.4 billion, operation revenue up by 323% from RMB 9.7 billion to RMB 41 billion and profit up by 496% from RMB 855 million to RMB 5.1 billion. The number of invested companies with total annual profit above RMB 100 million rose from 3 to 16.

A parent-subsidiary corporate management and presidential responsibility system is exercised in SDIC, with Mr. Wang Huisheng as President (legal representative). There are 11 functional departments and one investment department in its headquarters. There are 84 companies wholly-owned or controlled by SDIC, five of which are listed companies, i.e. SDIC Huajing Power Holding Co., Ltd. (code: 600886), SDIC Xinji Energy Co., Ltd. (601918), SDIC Zhonglu Fruit Juice Co., Ltd. (600962), Sinotex Investment & Development Co., Ltd. (600061) and China National Complete Plant Import & Export Co., Ltd. (000151). These listed companies have built a good SDIC brand name in the Chinese capital market.

Facing the future, SDIC will persist in its tenet of "Working for Investors, for the Society and for the Employees", and do its utmost to promote sound and rapid development, and to build itself into a world-class investment holding company that is strong, influential and cohesive.

Overview of Corporate Work, Investment and Projects



Industrial Investment

In 2008, SDIC's industrial investment was further expanded, with RMB 16.7 billion invested into projects' construction. 970 MW of power generation capacity was added, making SDIC's total power capacity of both commissioned and under construction hit 46,060 MW. Newly-increased output capacity of coal was 3.24 million tons per year, making SDIC's coal output exceed 20 million tons per year for the first time. Now SDIC's coal capacity of both commissioned and under construction reached 35.44 million tons per year. Newly-increased handling capacity of ports hit 47.2 million tons per year, making SDIC's annual port handling capacity of both commissioned and under construction hit 160 million tons. With the commission of the Phase-I Project with the annual capacity of 1.2 million-ton potassium sulphate and the foundation laying for the Phase-II Project with the annual capacity of 1.7 million-ton potassium fertilizer, SDIC Luobopo will become the largest potassium sulphate production base in the world. The government's approval for SDIC to conduct coal's railway transportation business within and from Shanxi Province marked major progress in SDIC's logistics business. The unveiling of SDIC Fujian Development Co., Ltd. formally started SDIC's participation in the development of the Economic Zone on the West Coast of Taiwan Strait. SDIC High-Tech Investment Co., Ltd. also started its all-round management of State Venture Capital Fund entrusted by the government.

SDIC performed well in capital operations in 2008. SDIC Zhonglu Fruit Juice Co., Ltd. successfully completed its designated additional share offering. It also acquired controlling stake of a Singapore-listed company. SDIC Coal Co. acquired Xindeng Coal Co. with controlling stake. SDIC sold its interests in Humen Bridge and Shandong Cuizhuang Coal Mine with good premium. China National Investment & Guaranty Co., Ltd. has reached preliminary agreement with relevant parties on introducing strategic investors to implement its strategy for stock rights diversification.



SDIC invested RMB 5 billion in Datang Holdings

An unveiling ceremony for Datang Telecom Technology & Industry Holdings Co., Ltd. (hereinafter referred to as Datang Holdings) was held in Beijing on January 3, 2008. At the ceremony, SDIC and China Academy of Telecommunications Technology jointly announced that SDIC would make a strategic investment of RMB 5 billion in Datang Holdings for 35% of its total shares. Datang Holdings was owned by China Academy of Telecommunications Technology.



SDIC signed framework agreement on strategic cooperation with Putian City, Fujian Province

On February 18, a signing ceremony was held in Beijing for the framework agreement on strategic cooperation between SDIC and Putian City. According to the agreement, SDIC, as the major developer for Xinghua Bay coast and its hinterland, will build port-front industries, such as power generation base (including thermal power projects featuring circular economy concept, wind power projects and solar power projects), coal unloading terminals, coal distribution hub, container logistics base and manufacturing base for major equipments. SDIC and Putian City will give full play of their advantages to promote the rapid development of local economy.



SDIC Coal Co. signed agreement for acquisition of Xindeng Coal Co.

On June 13, a signing ceremony was held in Beijing for the agreement between SDIC Coal Co. and Zhengzhou Xindeng Group on the former's purchasing Xindeng Coal Co.. Under the agreement, SDIC Coal Co. and Xindeng Group will hold 51% and 49% of Xindeng Coal Co.'s total shares respectively when acquisition completed.



▲ *Agreement signed for Yangpu crude oil terminal and commercial oil reserve base*

On July 6, a signing ceremony was held in Yangpu, Hainan Province for the agreement on joint building of Yangpu crude oil terminal and an oil reserve base for commercial use by SDIC Communications Co., the Administration Bureau of Yangpu Economic Development Zone and Vopad (Shanghai) Management Co., Ltd.



Unveiling ceremony held for SDIC Xinghua Bay South Coast Project Preparatory Office

On July 13, an unveiling ceremony for SDIC Xinghua Bay South Coast Project Preparatory Office was held in Putian City, Fujian Province. This Preparatory Office will cooperate with Putian City to promote the comprehensive development of Xinghua Bay South Coast, with the guidance of the concept "Plan first, development driven by projects and institutional innovation".





Signing ceremony held for the agreement on SDIC Zhonglu Fruit Juice Co., Ltd.'s acquiring shares of New Lakeside Holdings Limited of Singapore

On July 18, a signing ceremony was held in Beijing for the agreement on SDIC Zhonglu Fruit Juice Co., Ltd.'s acquiring shares of New Lakeside Holdings Limited of Singapore. By spending 12.25 million Singapore dollar (or RMB 62.5 million) for 98 million shares of New Lakeside Holdings Limited (or 24.57% of its total shares), SDIC Zhonglu will become New Lakeside's first majority shareholder.



SDIC Xuancheng Power Co. launched its 600 MW generator unit

On August 22, SDIC Xuancheng Power Co. announced the commission of its phase-I project which includes a domestically-made 600 MW super-critical coal-fired generator unit and desulphurization equipment. With the static investment of RMB 2.408 billion and dynamic investment of RMB 2.549 billion, this project is the only large thermal power plant to be built in Xuancheng and Huang Mountain regions during the period of China's 11th Five-Year Plan.

► *Celebration ceremony for coal mine's commission and power plant's foundation laying of SDIC Datong Coal-Power Integration Project*

On August 28, a ceremony was held for the coal mine's commission and the foundation laying of the power plant of SDIC Datong Coal-Power Integration Project. Located in Datong's Tashan Industrial Park and jointly funded by Datong Nanjiao District and SDIC Coal Co. with a total investment of RMB 2.4 billion, this project is a circular economy project integrating coal mining, coal washing, coal sorting and coal gangue-fired power generation.



◀ *SDIC signed the strategic cooperative agreement with Shanxi Province*

On September 16, SDIC signed the framework agreement on economic strategic cooperation with Shanxi Province.



► *SDIC signed the framework agreement on strategic cooperation with Nantong City*

On September 24, SDIC and Nantong City signed the framework agreement on strategic cooperation which is expected to bring about RMB 20 billion investment in total.





BOT construction of Flue Gas Desulphurization (FGD) for 4×300 MW generators of SDIC Qujing Power Co., Ltd. commenced

On October 12, a ground-breaking ceremony was held for the BOT construction of FGD for 4×300 MW thermal power generators of SDIC Qujing Power Co., Ltd.. This project is among the first batch of FGD BOT trial projects for thermal power plant organized and advanced by National Development & Reform Commission and State Environment Protection Administration, and also so far the only one of this kind in Yunnan Province.



Unveiling ceremony held for SDIC Fujian Development Co., Ltd.

On October 15, an unveiling ceremony was held in Fujian Province for SDIC Fujian Development Co., Ltd. who was established on the basis of SDIC Xinghua Bay South Coast Project Preparatory Office.

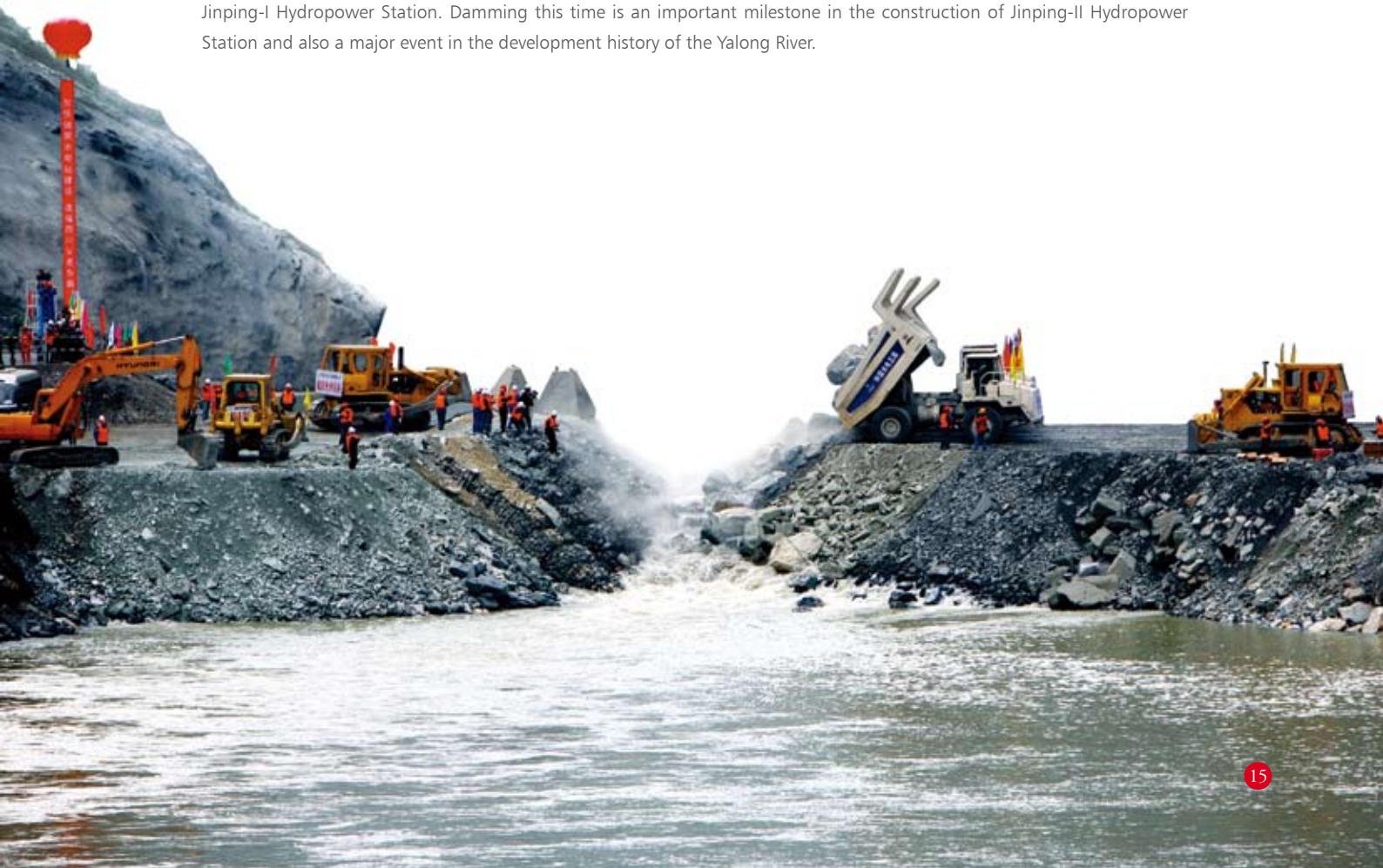


The ten millionth fuel tank by YAPP Automotive Parts Co., Ltd. rolled off production line

On October 23, the ten millionth fuel tank made by YAPP Automotive Parts Co., Ltd. rolled off production line in Yangzhou, making YAPP the first Chinese fuel-tank manufacturer whose total production volume exceeded 10 million.

Yalong River successfully dammed at Jinping-II Hydropower Station Project

On November 30, Jinping-II Hydropower Station Project successfully dammed the Yalong River. Jinping-II Hydropower Station will be the largest hydropower station in terms of installed capacity at the Yalong River, making it a project of strategic significance in China's strategy to transmit electricity generated in the western China to the eastern. It is the third time for Ertan Hydropower Development Co., Ltd. to dam the Yalong River after her building of Ertan Hydropower Station and Jinping-I Hydropower Station. Damming this time is an important milestone in the construction of Jinping-II Hydropower Station and also a major event in the development history of the Yalong River.





Longchuan Power Plant accomplished dual commissions

On December 7, Longchuan Power Plant of Yangquan Nanzhuang Coal Group Co., Ltd. commissioned its #2 generator unit after a successful 72-hour trial run. The construction of two units each with capacity of 135 MW began on 18 April 2007. These two generator units were combined to the grid on October 12 and November 23 respectively and successfully passed trial run on December 1 and December 7 respectively. With these two generator units successfully commissioned, Longchuan Power Plant entered into production phase from the construction phase.

SDIC Xinjiang Luobupo Potash Co., Ltd.'s Phase-I Project with the annual capacity of 1.2 million-ton potassium sulphate was commissioned, and the construction of its Phase-II Project with the annual capacity of 1.7 million-ton potassium fertilizer commenced

On December 18, the Government of Xinjiang Uygur Autonomous Region and SDIC jointly held a press conference in Urumqi to announce that SDIC Xinjiang Luobupo Potash Co., Ltd. has commissioned its Phase-I Project and started the construction of its Phase-II Project.

The Phase-I Project successfully passed the trial operation on November 11. With the capacity of 1.2 million-ton per year, SDIC Xinjiang Luobupo Potash Co., Ltd. has become the largest potassium sulphate producer in the world, and its product is regarded of world-class quality. A foundation laying ceremony was held on December 18 for its Phase-II Project with a designed annual capacity of 1.7 million-ton potassium fertilizer. By 2012 when Phase-II Project commissioned, SDIC Xinjiang Luobupo Potash Co., Ltd. will have a total capacity of 3 million-ton potassium fertilizers per year. The construction of SDIC Luobupo Potash Co., Ltd. is a key project in China's 11th Five-Year Plan and one of the 12 key newly-developed projects in western China for the year 2006.



Unveiling ceremony held for SDIC Yili Energy Development Co., Ltd.

On December 18, an unveiling ceremony was held in Urumqi, Xinjiang Uygur Autonomous Region for SDIC Yili Energy Development Co., Ltd. who was registered on November 16 in Yili, Xinjiang Uygur Autonomous Region. This company was co-invested by SDIC Huajing Power Holding Co., Ltd. and SDIC Coal Co. according to SDIC's guideline to run its subsidiaries with Collectivize Management and Professional Management. SDIC Huajing and SDIC Coal respectively contributed 60 percent and 40 percent of SDIC Yili's total registered capital.





SDIC's first wind power project commissioned

On December 24, SDIC Baiyin Wind Power Co. Ltd.'s Jiancaitang Wind Power Farm was commissioned and began operational. Jiancaitang Wind Power Farm is one of the power projects in the 11th Five-year Plan of Gansu Province and among the second batch of concession bidding pilot projects of wind power with capacity below 50 MW in that province. As SDIC's first wind power project, it occupies an area of 16.3 square kilometers on which there are 30 sets of 1.5 MW generator units and an 110KV booster substation. Its total installed capacity is 45 MW, with 99.32 million kWh of annual output. The total investment is estimated at RMB 436 million.



Wujinxia Hydropower Station began to generate electricity

On December 24, the first generator unit of Wujinxia Hydropower Station began operational. This hydropower station is a key power project of Gansu's 11th Five-Year Plan and also the third hydropower project developed by SDIC Gansu Xiaosanxia Power Co., Ltd. after Daxia Hydropower Station and Xiaoxia Hydropower Station. With the total investment of RMB 1.388 billion, Wujinxia Hydropower Station is designed to install four turbine generator units for 140 MW of total installed capacity and 683 million kWh of average annual output.

Financial Services

In 2008, SDIC witnessed a big boom in its financial services. SDIC Finance Co., Ltd. gained approval on business opening and the license to do financial business from China Banking Regulatory Commission (CBRC), and successfully introduced Unicredit Group as its strategic investor. SDIC Trust Co., Ltd. actively followed the trend of capital market and kept enhancing capabilities on product innovation and wealth management. China National Investment & Guaranty Co., Ltd. consolidated the achievement from its transition and grasped the opportunity to make a significant breakthrough on financial products guaranty, achieving substantial increase in guaranty scale and income, and making itself developing into a new high. China Textile Resources (Group) Corp. began to run with the modern enterprise management mechanism. With RMB 240 million of capital injection from SDIC, its international trade business is greatly strengthened, achieving another dual-growth of operation revenue and profit year-on-year. Assets management plays an irreplaceable role in the assets restructuring of SDIC, who recovered RMB 3.2 billion through exit from 109 projects during the year. China National Investment Consulting Co. Ltd. kept expanding business scope and made a breakthrough in management consulting service area.



SDIC Trust Co., Ltd. enjoys 94.3% share in gold investment trust market

In 2008, SDIC Trust issued and managed four collective trust products with different risk preferences, namely SDIC Trust-Jinmantang No.2, SDIC Trust-Shengshicangjin No.1, SDIC Trust-Zhongjin Gold-Guojin No.1 and SDIC Trust-Hongyuan Securities-Jinhongyuan No.1. By the end of December 2008, SDIC Trust enjoyed 94.3% share in the Chinese gold investment trust market.



SDIC was approved to issue medium-term financing bills of up to RMB 5.7 billion

On May 15, SDIC received a notice of acceptance from National Association of Financial Market Institutional Investors who agreed SDIC to issue medium-term financing bills of up to RMB 5.7 billion before May 6, 2010, with China Construction Bank Co., Ltd. as the main underwriter. By being able to issue these financing bills, SDIC will have much more flexibility in meeting its needs in financing.



SDIC Trust Co., Ltd. launched the first wine trust product in China

On July 11, the first wine trust product in the Chinese market, SDIC Trust-Jundingdiancang Wine Trust was launched. In total, it raised RMB 90.5 million. This is the first attempt by SDIC Trust in financializing physical product.



SDIC successfully issued short-term financing bills of RMB 2 billion

On August 12, SDIC successfully issued RMB 2 billion worth of short-term financing bills in inter-bank market for the first time in 2008. The bills will be mature after 365 days with a nominal rate of 4.83%.



RMB 3 billion worth of SDIC Bond 2008 successfully issued

Approved by National Development and Reform Commission, the total amount of RMB 3 billion of SDIC corporate bond in 2008 (SDIC Bond 2008) was issued publicly on September 8. All raised money reached SDIC's account on September 16. This 15-year fixed-rate bond provides the issuer with option to adjust the nominal rate and the investors with option to sell the bonds back. The bond's nominal rate in the first 10 years is fixed at 5.39%.



Inaugural meeting for SDIC Finance Co., Ltd. held

The inaugural meeting for SDIC Finance Co., Ltd. was held on November 6.

State-owned Assets Operation

SDIC continues to play an active role in restructuring the composition of state-owned assets as a platform and has made new achievements in this regard. SDIC earnestly fulfills its responsibility as the owner to China National Investment & Guaranty Co., Ltd. and China Textile Resources (Group) Corp., promoting them to innovate management mechanism and enhance vitality. Having basically completed its trusteeship over China National Packaging Corp., SDIC was again entrusted with China Gaoxin Investment Group Corp. (Gaoxin Corp.). SDIC's efforts in exercise of these trusteeships were highly appreciated by SASAC.



SDIC exercises trusteeship over Gaoxin Corp.

In order to promote Gaoxin Corp.'s reform and development, better allocate resources of central enterprises, and exploit the advantages of the pilot company of state-owned assets operation, SASAC decided to entrust SDIC with Gaoxin Corp. on September 11.



Corporate Culture





On February 1, SDIC held the 2008 Spring Festival Gala.



From April 16 to 18, SDIC held the Employee Badminton Contest 2008 of SDIC Zhonglu Cup.



On May 19, the Exhibition on SDIC's achievements during its campaign *Pioneering for a Second Time* opened at SDIC's head office.



On July 31, SDIC held the Employee Swimming Contest 2008.



On December 29, SDIC held the “Motivating SDIC” Meeting to announce the result of the Poll on 10 Major Events of SDIC in 2008.



On September 24, SDIC held the Employee Poker Game 2008.

10 Major Events of SDIC in 2008

1. CPC Central Committee General Secretary Hu Jintao and other CPC and state leaders inspected SDIC-invested enterprises respectively.
2. SDIC was ranked among Grade-A enterprises in the annual performance assessment by SASAC for the fourth consecutive year.
3. SDIC actively fulfilled its social responsibilities and made contributions to China's anti-snow disaster and anti-earthquake relief.
4. SDIC further improved its financial services platform and expanded its financing channels.
5. SDIC successfully held the Exhibition on Achievements in the Campaign *Pioneering for a Second Time*.
6. SDIC Xinji Energy Co., Ltd.'s performance in 2008 hit historic high and became the first SDIC subsidiary enterprise whose profit in a year exceeded RMB 1 billion.
7. Jinping-II Hydropower Station Project successfully dammed the Yalong River.
8. SDIC won the title *Model Enterprise for Value Creation*.
9. The 1.2 million-ton potash fertilizer project of SDIC Xinjiang Luobupo Potash Co., Ltd. was commissioned and began operational.
10. SDIC held Seminars on Development and on Perfecting SDIC's Industrial Chain and Value Chain respectively.

Recognition & Awards

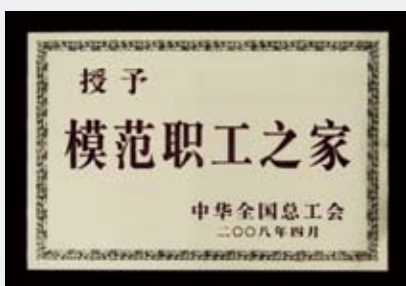




In February, SDIC was awarded the title *Organization with Brilliant Achievement in People's Air-Defense* for the year 2007. SDIC had also won this title for the year 2005 and 2006 previously.



In May, a commendation meeting was held by Beijing Local Taxation Bureau where SDIC was awarded the title *Outstanding Organization in Collecting and Paying Employees' Personal Income Tax*.



In June, All China Federation of Trade Unions awarded Ertan Hydropower Development Co., Ltd. the title *Model Home for Employees*.



On June 3, the result of "the Second Poll on the Best Trust Company in China" was announced. SDIC Trust Co., Ltd.'s SDIC Trust·Jinmantang No.1, the first gold collective trust product in China, won the award "the Best Trust Product".



In July, SDIC was granted the title *Model Enterprise for Standardized Use of Invoice* in a commendation meeting held by Beijing Local Taxation Bureau.



On August 30, the list of China's Top 500 Enterprises in 2008 was released by China Enterprise Confederation and China Enterprise Directors Association. SDIC ranked No.185 in terms of operation revenue, No.45 in terms of total assets, No.47 in terms of shareholders' equity, No.63 in terms of profit, No.41 in terms of profit margin and No.64 in terms of total tax payment. In addition, SDIC ranked No.60 among China's Top 500 Service Enterprises in terms of operation revenue.



SDIC, together with some other enterprises, was awarded the title *Pioneer of improving People's Livelihood in China 2008* in a theme party for poverty relief jointly held by China Foundation for Poverty Alleviation, CCTV News Channel and China Fortune Magazine on October 17, the International Day for Poverty Relief.



In November, SDIC was awarded the title *Organization with Outstanding Contribution to the Success of Beijing Olympic Games and Paralympics* by the local government of Xicheng District, Beijing.



On December 5, the 8th Annual Management Forum of China held an award-presentation ceremony in Beijing, in which SDIC won the title *Model Enterprise for Value Creation*.



In the annual meeting of China Beverage Industry Association on December 18, SDIC Zhonglu Fruit Juice Co., Ltd. was selected as one of Top 20 Enterprises of China Beverage Industry and its Chairman Mr. Liu Xueyi, with other 12 winners, was awarded for his outstanding contribution to China beverage industry during the 30-year period of reform and opening up in China.



On December 19, China Electricity Council held a meeting in Beijing to announce the list of the first batch of AAA credit-rated enterprises in the Chinese Power Industry. In the meeting, Xiamen Huaxia International Power Development Co., Ltd. was selected to be among the list.



On December 28, SDIC won the title *Organization with Outstanding Contribution in Poverty Relief* conferred by the Leading Group for Poverty Relief in the State Council.

Support & Cooperation





▲ On April 8, Chinese President Hu Jintao inspected SDIC Yangpu Port.



▲ On October 4, Chinese Premier Wen Jiabao inspected SDIC Qinzhou Power Co., Ltd..



▲ On April 25, Chinese Vice-Premier Li Keqiang inspected SDIC Yangpu Port.



On August 31, Mr. Zhou Yongkang, member of the Standing Committee of the CPC Political Bureau and Secretary of the Commission of Politics and Law of the CPC Central Committee, inspected Tianjin Lishen Battery Joint-stock Co., Ltd..



On December 13, Chinese Vice-Premier Zhang Dejiang led the second branch of the central government delegation to convey greetings to staff of SDIC Qinzhou Power Co., Ltd., and to celebrate the 50th anniversary of the founding of Guangxi Zhuang Autonomous Region with workers.



On December 17, Mr. Wang Lequan, member of the CPC Political Bureau and Secretary of the CPC Xinjiang Uygur Autonomous Region Committee, met with SDIC President Wang Huisheng and held a bilateral discussion on SDIC's investment and development in Xinjiang.



On July 11, SASAC's Chairman Li Rongrong inspected SDIC.



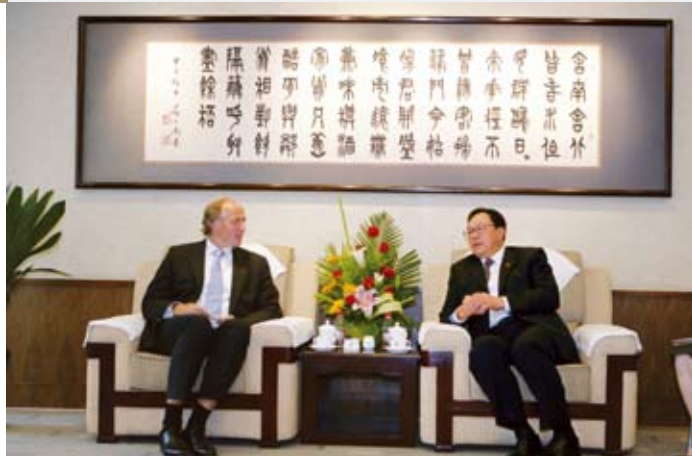
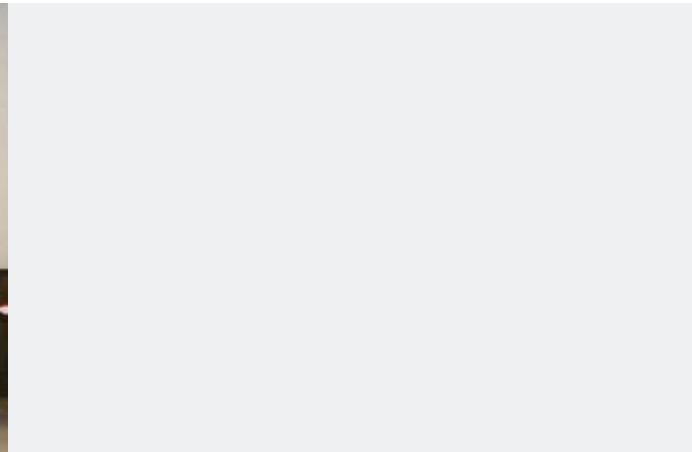
◀ On April 14, SDIC and China Textile Resources (Group) Corporation (CTRC) jointly held the "CTRC Night" reception at the Great Hall of the People in Beijing to welcome the participants of the 77th Annual Meeting of the International Wool Textile Organization (IWTO). President Wang Huisheng attended the reception and delivered a speech.

▶ President Wang Huisheng attended a luncheon party hosted by Australian Prime Minister the Hon. Mr. Kevin Rudd at the Australian Embassy in Beijing on Aug 9. The party was also attended by leaders of some other large enterprises.





▲ On June 20, President Wang Huisheng met with Mr. Vijay Choudhary, Chairman of Zoom Developers Private Ltd. of India at SDIC's head office in Beijing.



▲ On June 23, President Wang Huisheng met with Mr. John Paul Broeders, Vopak Chairman of Executive Board at SDIC head office in Beijing.



▲ On July 22, President Wang Huisheng met with Mr. Xiao Gang, Chairman of the Bank of China at SDIC's head office.



Financial Review



Auditor's Report

XYZH/2008A10003-9

To State Development & Investment Corporation,

We have audited the accompanying financial statements of State Development & Investment Corporation ("SDIC"), including Balance Sheet and Consolidated Balance Sheet as of 31st December 2008, and the Income Statement and Consolidated Income Statement, the Cash Flow Statement and Consolidated Cash Flow Statement, the Statement of Changes in Owners Equity and Consolidated Statement of Changes in Owners Equity for the year then ended.

1. Responsibility of SDIC's management

The responsibility of SDIC's management is to prepare financial statements in accordance with the standard rules on enterprise accounting, including a) designing, establishing and maintaining adequate internal control over financial statements preparation in order to ensure that the financial statements are free of material misstatement caused by fraudulency or mistakes; b) selecting and applying appropriate accounting principles; and c) making reasonable accounting estimates.

2. Responsibility of Certified Public Accountants

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards and rules on audit for certified public accounts (CPA) in China. Those standards and rules require that we, in compliance with profession ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing audit procedure to seek evidence supporting the amounts and disclosures in the financial statements. Audit procedures were selected on the basis of CPAs' judgments, including assessment of risk of material misstatement caused by fraudulency or mistakes. While making risk assessments, we took into account SDIC's internal control over financial statement preparation, in order to design appropriate audit procedures. However it was not to express an opinion on the effectiveness of SDIC's internal control. The audit also includes assessing the accounting principles used and significant estimates made by SDIC's management, as well as evaluating the overall financial statement presentation.

We believe that the evidence obtained is sufficient and appropriate, and provides a reasonable basis for our opinion.

3. Auditor's Opinion

In our opinion, the financial statements referred to above were prepared in accordance with the standard rules on enterprise accounting, and present fairly, in all material respects, the financial position of SDIC as of December 31, 2008, SDIC's results of operations and cash flow for the year then ended.



Chinese Certified
Public Accountant:

梁晓燕



Chinese Certified
Public Accountant:

田锦宏



Consolidated Balance Sheet

Prepared by SDIC

Amounts in RMB yuan

Item	As of December 31,2008	As of December 31,2007
▶ Current assets:		
Cash and cash equivalents	12,953,465,396.93	13,874,347,592.04
Tradable financial assets	46,149,606.23	485,310,031.19
Notes receivable	803,899,999.97	911,186,922.86
Accounts receivable	3,069,253,044.07	4,205,874,289.10
Advances to suppliers	5,741,446,758.86	4,337,858,309.99
Interests receivable	5,351,648.83	877,728.58
Dividends receivable	41,966,818.39	74,476,099.03
Other receivables	4,363,897,412.10	2,660,178,172.27
Inventories	3,941,357,452.65	3,502,516,409.18
Non-current assets maturing within one year	202,053,333.36	20,000.00
Other current assets	423,484.70	659,829,384.20
Total current assets	31,169,264,956.09	30,712,474,938.44
▶ Non-current assets:		
Financial assets available for sale	6,587,452,121.19	16,331,728,199.96
Held-to-maturity investment	-	-
Long-term accounts receivable	741,841,454.74	1,143,834,197.75
Long-term equity investment	15,244,594,511.20	14,473,583,684.55
Investment property	663,632,886.40	702,352,451.16
Fixed assets	68,341,933,941.52	63,365,159,142.19
Construction in progress	40,996,821,894.10	29,159,589,427.71
Construction Materials	464,854,821.55	68,968,468.45

Consolidated Balance Sheet

Prepared by SDIC

Amounts in RMB yuan

Item	As of December 31,2008	As of December 31,2007
Disposal of fixed assets	-	166,153.58
Productive biological assets	-	-
Oil and gas assets	-	-
Intangible assets	3,980,230,181.92	2,700,238,136.81
Development expenditures	-	-
Goodwill	467,206,385.99	467,206,385.99
Long-term prepaid expenses	177,047,409.92	208,487,938.55
Deferred income tax assets	778,879,766.72	481,606,171.10
Other non-current assets	1,754,871,638.85	1,540,166,046.97
Total non-current assets	140,199,367,014.10	130,643,086,404.77
▶ Total assets	171,368,631,970.19	161,355,561,343.21
▶ Current Liabilities:		
Short-term loans	14,127,927,087.99	12,258,311,626.81
Tradable financial liabilities	-	-
Notes payable	417,027,354.96	937,028,304.07
Accounts payable	6,402,612,710.77	6,104,790,641.82
Advances from customers	783,840,321.22	898,678,519.09
Payroll payable	1,611,021,014.03	1,682,447,503.96
Taxes and fees payable	1,468,374,339.94	1,179,944,839.25
Interests payable	308,015,108.77	236,705,936.49
Dividends payable	281,506,313.74	314,821,574.52
Other payables	3,448,974,809.74	2,857,939,966.35

Consolidated Balance Sheet

Prepared by SDIC

Amounts in RMB yuan

Item	As of December 31, 2008	As of December 31, 2007
Non-current liabilities due within one year	6,378,809,392.99	5,067,551,395.28
Other current liabilities	2,613,877,100.67	4,596,668,177.93
Total current liabilities	37,841,985,554.82	36,134,888,485.57
▶ Non-current liabilities:		
Long-term loans	69,784,308,061.57	61,212,654,143.45
Bonds payable	5,000,000,000.00	2,000,000,000.00
Long-term payables	1,080,541,918.72	96,793,986.86
Special payables	325,275,568.86	322,860,174.56
Projected liabilities	98,423,250.38	104,092,167.55
Deferred income tax liabilities	720,142,557.97	3,402,134,856.95
Other non-current liabilities	636,752,265.00	542,319,951.45
Total non-current liabilities	77,645,443,622.50	67,680,855,280.82
▶ Total liabilities	115,487,429,177.32	103,815,743,766.39
Owners equity (or Shareholders equity):		
Paid-in capital (or stock)	18,418,763,248.88	15,800,000,000.00
Capital reserve	10,968,047,327.77	18,600,285,288.52
Less: Treasury stock	-	-
Surplus reserve	661,884,640.07	581,961,971.64
General risk preparation	80,613,908.69	41,851,678.03
Undistributed profit	7,354,471,569.94	4,875,198,924.84
Foreign currency translation difference	-39,781.42	-1,763,178.38
▶ Owners equity attributed to parent company	37,483,740,913.93	39,897,534,684.65

Consolidated Balance Sheet

Prepared by SDIC

Amounts in RMB yuan

Item	As of December 31,2008	As of December 31,2007
Minority shareholders equity	18,397,461,878.94	17,642,282,892.17
▶ Total owners (shareholders) equity	55,881,202,792.87	57,539,817,576.82
▶ Total liabilities and owners (shareholders) equity	171,368,631,970.19	161,355,561,343.21

Consolidated Income Statement

Prepared by SDIC

Amounts in RMB yuan

Item	Year of 2008	Year of 2007
▶ 1.Operation revenue	37,926,820,767.17	27,683,739,893.09
Less: Cost of operation	27,397,715,808.72	18,499,112,578.80
Business taxes and surcharges	452,666,391.06	371,628,687.89
Selling expenses	594,364,598.64	422,974,487.54
General & administration expenses	2,783,639,513.88	2,368,889,220.01
Financial expenses	3,968,711,732.79	3,315,555,678.54
Loss on asset impairment	473,447,377.15	480,861,983.71
Add: Income from changes in fair value	-349,360,805.00	87,273,506.15
Investment income	3,116,039,923.10	2,833,918,936.10
Including: Income from investment in associated enterprises & joint ventures	459,276,453.55	375,709,434.35
▶ 2.Income from Operation	5,022,954,463.03	5,145,909,698.85
Add: Non-operating income	258,168,385.45	114,230,672.75
Less: Non-operating expenses	200,746,031.69	97,935,293.05
Including: Losses on disposal of non-current assets	20,625,931.58	10,579,030.65
▶ 3.Earning before tax	5,080,376,816.79	5,162,205,078.55
Less: Tax	1,112,287,580.86	1,117,084,793.18
▶ 4.Net profit	3,968,089,235.93	4,045,120,285.37
Including: Net profit attributed to parent company	2,866,786,234.96	2,224,822,558.28
net profit for enterprises under the same control prior to their combination into parent company		
Minority shareholders interest	1,101,303,000.97	1,820,297,727.09

Consolidated Cash Flow Statement

Prepared by SDIC

Amounts in RMB yuan

Item	Year of 2008	Year of 2007
▶ 1. Cash flow from operating activities:		
Cash received from sales of goods or rendering of services	44,254,413,909.42	29,538,457,715.10
Refund of tax and levies	303,278,345.41	191,440,354.56
Cash received from other operating related activities	2,211,744,638.04	2,353,171,453.92
Sub-total of cash inflow	46,769,436,892.87	32,083,069,523.58
Cash paid for purchase of products or services	24,337,609,727.92	14,259,635,375.70
Cash paid for staff salaries or expenditures	3,580,018,403.91	2,749,905,561.64
Cash paid for various taxes or levies	4,927,992,754.74	4,250,182,959.69
Cash paid for other operating related activities	3,166,326,345.34	3,066,574,557.26
Sub-total of cash outflow	36,011,947,231.91	24,326,298,454.29
Net cash flow from operating activities	10,757,489,660.96	7,756,771,069.29
▶ 2. Cash flows from investing activities:		
Cash received from disinvestments	9,856,654,875.26	10,709,185,860.32
Cash received from returns on investments	2,534,170,617.04	2,102,097,663.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	86,300,191.01	152,470,485.93
Cash received from disposal of subsidiaries and other operating units	141,365,825.31	22,056,083.63
Cash received from other investing activities	38,713,314.48	48,583,938.69
Sub-total of cash inflow	12,657,204,823.10	13,034,394,032.04
Cash paid to purchase fixed assets, intangible assets and other long-term assets	22,163,818,923.55	19,529,997,486.34
Cash paid for investment	9,488,314,387.99	15,168,726,559.22
Net cash paid to acquire subsidiaries and other operating units	250,787,659.41	-
Cash paid for other investing activities	281,085,372.51	-

Consolidated Cash Flow Statement

Prepared by SDIC

Amounts in RMB yuan

Item	Year of 2008	Year of 2007
Sub-total of cash outflow	32,184,006,343.46	34,698,724,045.56
Net cash flows from investing activities	-19,526,801,520.36	-21,664,330,013.52
▶ 3. Cash flows from financing activities:		
Cash received from capital contribution	3,349,601,584.27	10,911,055,967.46
Including: Cash received by subsidiaries from minority shareholders' investment	763,671,553.72	4,476,305,967.46
Cash received from borrowings	51,644,417,264.09	43,147,849,171.30
Cash received from other financing activities	77,073,044.31	5,008,450,000.00
Sub-total of cash inflow	55,071,091,892.67	59,067,355,138.76
Cash paid for amounts borrowed	40,041,712,523.15	35,373,809,155.66
Cash paid for dividends, profits and interests	7,185,725,874.50	5,483,055,446.65
Including: Cash paid to minority shareholders by subsidiaries	738,412,738.70	691,610,938.89
Cash paid for other financing activities	5,864,072.02	14,400,000.00
Sub-total of cash outflow	47,233,302,469.67	40,871,264,602.31
Net cash flow from financing activities	7,837,789,423.00	18,196,090,536.45
▶ 4. Effect of foreign currencies exchange rate changes on cash and cash equivalents	-8,077,403.96	-1,243,969.43
▶ 5. Net increase in cash and cash equivalents	-939,599,840.36	4,287,287,622.79
Add: Balance of cash and cash equivalents as of the first day of the year	13,724,742,601.11	9,437,454,978.32
▶ 6. Balance of cash and cash equivalents as of the last day of the year	12,785,142,760.75	13,724,742,601.11

Consolidated Statement of Changes in Owners (Shareholders) Equity Year of 2008

Prepared by SDIC

Item	Paid-in Capital (Capital Stock)	Capital Reserve	Less:Treasury stock	Surplus reserve	
1.Balance as of December 31, 2007	15,800,000,000.00	10,478,016,495.84		891,100,702.21	
Add: Accounting policy changes		7,558,428,846.24		-307,496,853.72	
Correction of errors of last accounting period		30,782,045.66		-1,641,876.85	
Others		533,057,900.78			
2.Balance as of January 1, 2008	15,800,000,000.00	18,600,285,288.52	-	581,961,971.64	
3.Increase and decrease for the year (decrease is marked with"-")	2,618,763,248.88	-7,632,237,960.75	-	79,922,668.43	
(1) Net profit					
(2) Gain or loss directly charged to shareholders equity	-	-7,263,368,442.49	-	-	
a.Net changes of fair value of financial assets available for sale		-9,945,266,058.39			
b.Effect of changes of other shareholders equity in invested subsidiaries on accrual basis		14,183,050.79			
c.Effect of tax charged to owners equity		2,478,042,041.63			
d.Others		189,672,523.48			
Sub-total of (1) and (2)	-	-7,263,368,442.49	-	-	
(3) Owners' invested and reduced capital	2,250,000,000.00	-106,269.38	-	-	
a.Owners' invested capital	2,250,000,000.00				
b.Share-based payments charged to shareholders equity					
c.Others		-106,269.38			
(4) Profit distribution	-	-	-	79,922,668.43	
a.Appropriation of surplus reserve				79,922,668.43	
b.Appropriation of general risk preparation					
c.Distribution to all owners (or shareholders)					
d.Others					
(5) Internal carrying over of owners equity	368,763,248.88	-368,763,248.88	-	-	
a.Capital (or capital stock) increase transferred from capital reserve	368,763,248.88	-368,763,248.88			
b.Capital (or capital stock) increase transferred from surplus reserve					
c.Losses recovered by surplus reserve					
d.Others					
4.Balance as of December 31, 2008	18,418,763,248.88	10,968,047,327.77	-	661,884,640.07	

Amounts in RMB yuan

General risk preparation	Undistributed profit	Others	Sub-total of owners equity attributed to parent company	Minority shareholders equity	Total Shareholders Equity
-	3,486,047,442.88	-2,483,995.21	30,652,680,645.72	15,875,360,416.42	46,528,041,062.14
41,851,678.03	1,464,552,364.05	720,816.83	8,716,205,173.40	1,435,839,605.70	10,152,044,779.10
	-75,400,882.09		-46,260,713.28	11,919,346.06	-34,341,367.22
			533,057,900.78	319,163,523.99	852,221,424.77
41,851,678.03	4,875,198,924.84	-1,763,178.38	39,855,683,006.62	17,642,282,892.17	57,497,965,898.79
38,762,230.66	2,479,272,645.10	1,723,396.96	-2,413,793,770.72	755,178,986.77	-1,658,614,783.95
38,762,230.66	2,866,786,234.96		2,905,548,465.62	1,101,303,000.97	4,006,851,466.59
-	-155,440,601.49	1,723,396.96	-7,417,085,647.02	-426,977,083.90	-7,844,062,730.92
			-9,945,266,058.39		-9,945,266,058.39
			14,183,050.79		14,183,050.79
			2,478,042,041.63		2,478,042,041.63
	-155,440,601.49	1,723,396.96	35,955,318.95	-426,977,083.90	-391,021,764.95
38,762,230.66		1,723,396.96	-7,222,882,814.87	674,325,917.07	-6,548,556,897.80
-	-	-	2,249,893,730.62	844,647,808.40	3,094,541,539.02
			2,250,000,000.00	844,647,808.40	3,094,647,808.40
			-		-
			-106,269.38		-106,269.38
-	-232,072,988.37	-	-152,150,319.94	-763,794,738.70	-915,945,058.64
	-79,922,668.43		-		-
	-38,762,230.66		-38,762,230.66		-38,762,230.66
	-94,520,000.00		-94,520,000.00	-763,794,738.70	-858,314,738.70
	-18,868,089.28		-18,868,089.28		-18,868,089.28
-	-	-	-	-	-
			-		-
			-		-
			-		-
80,613,908.69	7,354,471,569.94	-39,781.42	37,483,740,913.93	18,397,461,878.94	55,881,202,792.87

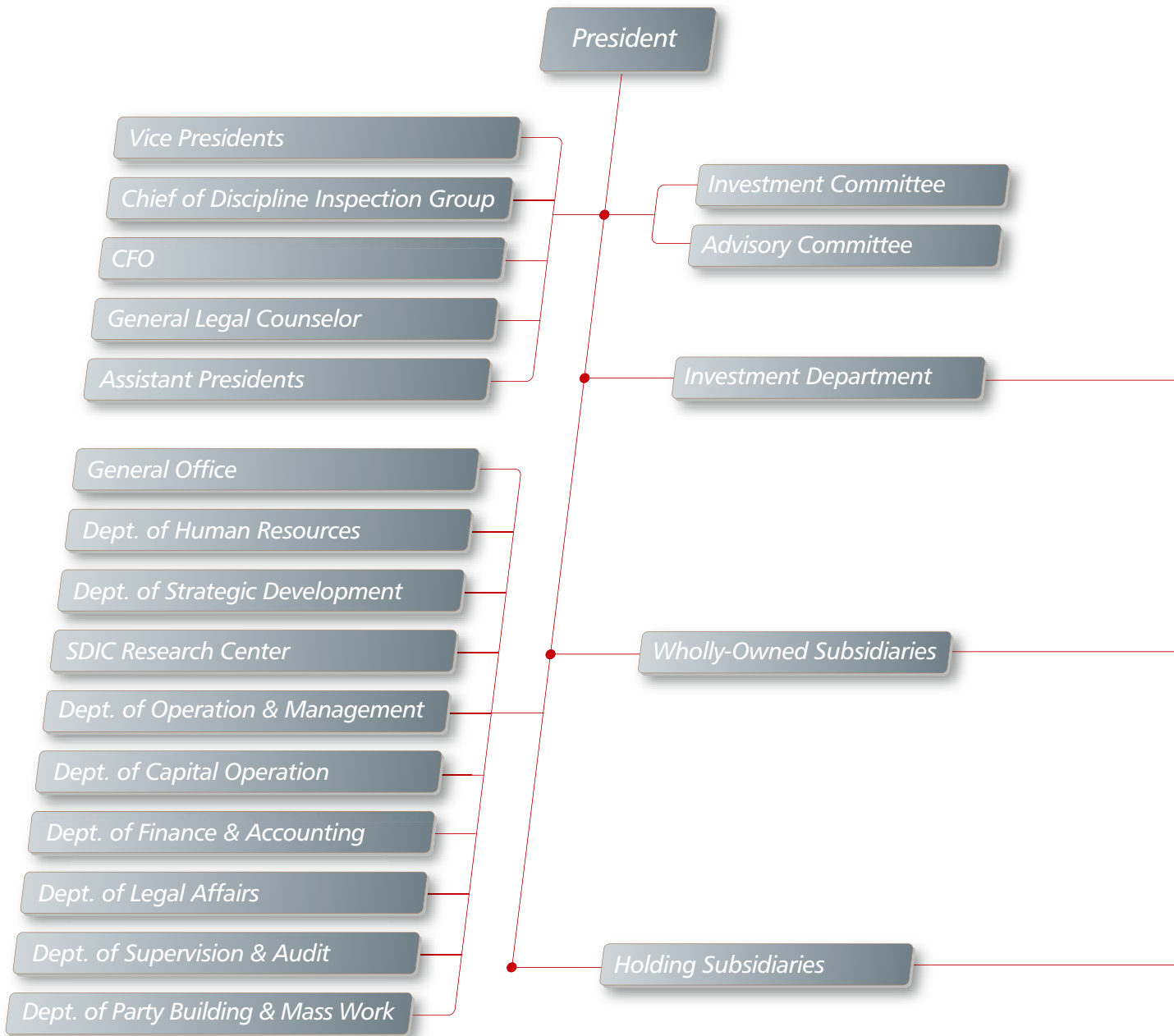
Consolidated Statement of Changes in Owners (Shareholders) Equity Year of 2007

Prepared by SDIC

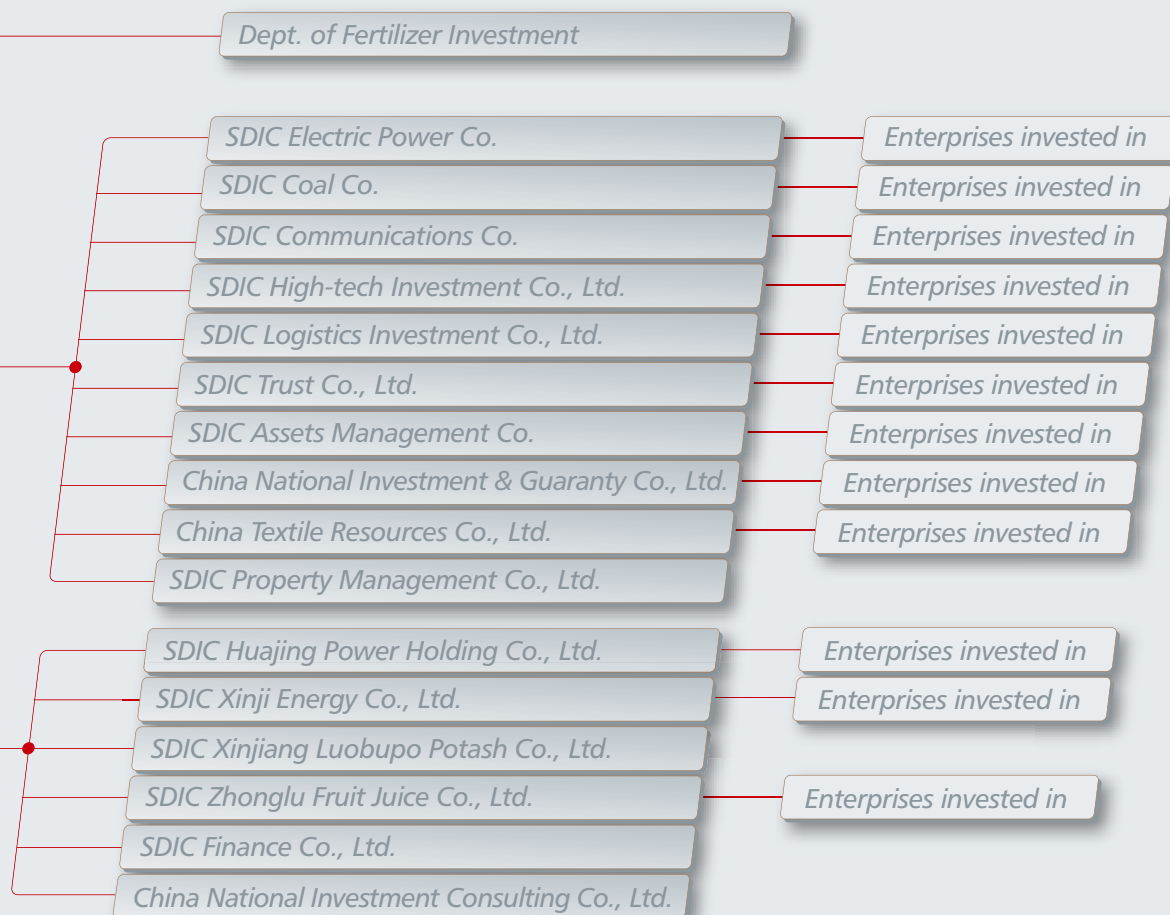
Item	Paid-in Capital (Capital Stock)	Capital Reserve	Less:Treasury stock	Surplus reserve	
1. Balance as of December 31, 2006	15,800,000,000.00	3,702,577,696.89		681,585,174.21	
Add: Accounting policy changes		1,068,307,419.73		-161,768,939.77	
Correction of errors of last accounting period		18,099,117.75		-1,570,636.85	
Others					
2. Balance as of January 1, 2007	15,800,000,000.00	4,788,984,234.37	-	518,245,597.59	
3. Increase and decrease for the year (decrease is marked with "-")	-	13,278,243,153.37	-	63,716,374.05	
(1) Net profit					
(2) Gain or loss directly charged to shareholders equity	-	8,298,308,079.70	-	-	
a. Net changes of fair value of financial assets available for sale		8,700,691,500.58			
b. Effect of changes of other shareholders equity in invested subsidiaries on accrual basis		395,725,146.61			
c. Effect of tax charged to owners equity		-2,181,056,453.14			
d. Others		1,382,947,885.65			
Sub-total of (1) and (2)	-	8,298,308,079.70	-	-	
(3) Owners' invested and reduced capital	-	4,979,935,073.67	-	-	
a. Owners' invested capital		5,000,000,000.00			
b. Share-based payments charged to shareholders equity					
c. Others		-20,064,926.33			
(4) Profit distribution	-	-	-	63,716,374.05	
a. Appropriation of surplus reserve				63,716,374.05	
b. Appropriation of general risk preparation					
c. Distribution to all owners (or shareholders)					
d. Others					
(5) Internal carrying over of owners equity	-	-	-	-	
a. Capital (or capital stock) increase transferred from capital reserve					
b. Capital (or capital stock) increase transferred from surplus reserve					
c. Losses recovered by surplus reserve					
d. Others					
4. Balance as of December 31, 2007	15,800,000,000.00	18,067,227,387.74	-	581,961,971.64	

Amounts in RMB yuan

General risk preparation	Undistributed profit	Others	Sub-total of owners equity attributed to parent company	Minority shareholders equity	Total Shareholders Equity
-	1,661,260,955.44	3,378,432.51	21,848,802,259.05	11,550,171,552.13	33,398,973,811.18
1,656,838.66	1,204,062,018.93	720,816.83	2,111,321,315.72	514,159,597.13	2,625,480,912.85
	-67,353,646.57		-50,825,165.67	98,841,583.57	48,016,417.90
					-
1,656,838.66	2,797,969,327.80	4,099,249.34	23,909,298,409.10	12,163,172,732.83	36,072,471,141.93
40,194,839.37	2,077,229,597.04	-5,862,427.72	15,453,521,536.11	5,159,946,635.35	20,613,468,171.46
	2,224,822,558.28		2,224,822,558.28	1,820,297,727.09	4,045,120,285.37
-	21,857,871.75	-5,862,427.72	8,314,303,523.73	976,330,485.42	9,290,634,009.15
			8,700,691,500.58		8,700,691,500.58
			395,725,146.61		395,725,146.61
			-2,181,056,453.14		-2,181,056,453.14
	21,857,871.75	-5,862,427.72	1,398,943,329.68	976,330,485.42	2,375,273,815.10
-	2,246,680,430.03	-5,862,427.72	10,539,126,082.01	2,796,628,212.51	13,335,754,294.52
-	-	-	4,979,935,073.67	3,412,882,831.65	8,392,817,905.32
			5,000,000,000.00	3,412,882,831.65	8,412,882,831.65
			-		-
			-20,064,926.33		-20,064,926.33
40,194,839.37	-169,450,832.99	-	-105,734,458.94	-1,049,564,408.81	-1,155,298,867.75
	-63,716,374.05		-		-
40,194,839.37	-40,194,839.37		-40,194,839.37		-40,194,839.37
	-32,950,000.00		-32,950,000.00	-1,049,564,408.81	-1,082,514,408.81
	-32,589,619.57		-32,589,619.57		-32,589,619.57
-	-	-	-	-	-
			-		-
			-		-
			-		-
41,851,678.03	4,875,198,924.84	-1,763,178.38	39,364,476,783.87	17,323,119,368.18	56,687,596,152.05



Organizational Structure



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