

FTSE/XINHUA CHINA 25 INDEX PERFORMANCE REPORT - INTERNATIONAL INDEX November 2007

(Market performance data provided by FTSE Research)

Index Commentary

In November, the FTSE/Xinhua China 25 Index experienced the steepest decline after two months' surge. The interest rate cut from the U.S. Federal Reserve on 31 October did not stabilize the fluctuation in the U.S. stock markets which drove down the Hong Kong market as well. On 3 November, China's Premier Wen Jiao Bao said the Chinese government needed to study the risks of the "through-train" program, as well as to increase the knowledge among Chinese domestic investors and prepare regulations to protect the stock markets in Hong Kong and at home before allowing individual investors to buy Hong Kong shares. In the middle of the month, China's Statistics Bureau said that China's CPI, a main gauge of inflation, rose by 6.5% in October compared with the same period last year, and fixed-asset investment in China's urban areas rose 26.9% in the first 10 months of 2007. The decade-high CPI and accelerated fixed-asset spending draw concerns that China might raise interest rates for a sixth time this year.

The declines in Wall Street, the delay of the "through-train" program, the macro economic controls expected in China, as well as the domestic banks' control of irregular funds flowing to Hong Kong all put pressure on the Chinese stocks listed in Hong Kong. As of 22 November, the FTSE/Xinhua China 25 Index dropped 21.4%.

At the end of the month, the index rebounded after the Fed's Vice Chairman Donald Kohn's talk fueled speculation that interest rates might be cut and some investor indication to purchase more Chinese stocks as they believed the recent declines were excessive. The FTSE/Xinhua

Constituent Commentary

In terms of constituents, PetroChina (0857.HK) was the worst performing stock in the FTSE/Xinhua China 25 Index, down 22.6%.

PetroChina, China's biggest oil producer issued A-shares (601857.SH) on 5 November. At debut, it opened at RMB 48.6, a 191.1% increase from its IPO price of RMB 16.7, PetroChina's A-shares then continued to drop and finally closed at RMB 31.52.

After PetroChina's A-shares listing, its H-shares (0857.HK) followed its A-shares downward trend. The H-shares plunged by 9.1% on 5 November after a 50% surge within 6 weeks, and finally closed at HKD 15.02 at month-end.

Overall Market Performance (HKD) (Capital Return, from 31.10.2007 to 30.11.2007)



5 Highest Weighted Constituents	Local Code	% wgt
China Mobile (Red Chip)	0941	10.46
Petrochina (H)	0857	7.77
China Life Insurance (H)	2628	7.30
Industrial and Commercial Bank of China (H)	1398	7.00
China Construction Bank (H)	0939	6.73

5 Highest Performers	Local Code	Price Return (%)
China Netcom (Red Chip)	0906	5.51
China Petroleum & Chemical (H)	0386	0.51
China Unicom (Red Chip)	0762	-2.90
China Coal Energy (H)	1898	-4.64
China Shenhua Energy (H)	1088	-6.10

5 Lowest Performers	Local Code	Price Return (%)
Petrochina (H)	0857	-22.58
Aluminum Corp of China (H)	2600	-20.54
Bank of China (H)	3988	-19.96
Ping An of China (H)	2318	-19.82
Datang International Power Generation (H)	0991	-18.83

Aggregate Price Earnings Ratio	26.12*
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*Source: Nomura International; Data as of 30.11.2007

FTSE/Xinhua China 25 Index is a real-time tradable index, covering H shares and Red Chips. The Index is designed for use by the international investment community as a basis for derivatives trading both on-exchange and over-the-counter (OTC), and index tracking funds (including ETFs).

For further information about FTSE Xinhua Indices, please contact
Hong Kong +852 2230 5800 Beijing, China +86 10 5864 5277 info@ftsexinhua.com www.ftsexinhua.com

FTSE Market Reports are researched and produced on a monthly basis by FTSE Research. For more information about market analysis based on FTSE/Xinhua indices, please contact Andy Harvell, FTSE Group at andy.harvell@ftse.com.

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