

FTSE/XINHUA CHINA 25 INDEX PERFORMANCE REPORT - INTERNATIONAL INDEX

January 2008

(Market performance data provided by FTSE Research)

Index Commentary

In January, the FTSE/Xinhua China 25 Index experienced its biggest drop since the index was launched in 2001 due to the market's concern of the U.S. economy sliding into a recession, and the strengthening of macro economic controls by the Chinese government.

China's central bank announced on 4 January after a two-day annual work meeting, that a tighter monetary policy in 2008 will be implemented to help prevent China's economy from overheating and to prevent increasing prices. The market was expecting more tightening measures in China which is affecting investor sentiment. In addition, the unexpected decline in U.S. retail sales stocked concerns that the U.S. economy was sliding into a recession, which would negatively impact the Hong Kong market.

The index slumped from 25533.30 points on 9 January to 19131.18 points on 22 January, down 25.1% in 9 trading days. During this period, major global benchmark indices tumbled. On 22 January, the U.S. central bank slashed the target overnight lending rate to 3.5 percent from 4.25 percent, the biggest cut in 23 years. It was also the first time since 2001 that the Fed had reduced the rate after an unscheduled meeting. The Hong Kong market rebounded on 23 January, and the FTSE/Xinhua China 25 Index finally closed at 20416.73 points, down 20.0% in January.

Constituent Commentary

In terms of constituents, Property & Casualty (2328.HK) was the worst performing stock in the FTSE/Xinhua China 25 Index in January.

PICC, China's largest non-life insurer, was seeking to get listed on the Shanghai Stock Exchange. The insurer was venturing into banking and fund management through restructuring and acquisitions. The snowstorms and the volatile domestic stock market this month had a negative impact on the share price of PICC. The market was concerned of the impact of China's worst snowstorms in decades to PICC which accounts for more than 42 percent of China's property and casualty coverage. In addition, domestic insurers risk massive redemptions and liquidity difficulties if China's stock market heads for a downturn. PICC Property & Casualty finally closed at HKD 7.14, down 36.0%.

Overall Market Performance (USD) (Capital Return, from 31.12.2007 to 31.01.2008)



5 Highest Weighted Constituents	Local Code	Index Weight (%)
China Mobile (Red Chip)	0941	10.40
Petrochina (H)	0857	9.21
Industrial and Commercial Bank of China (H)	1398	8.05
China Life Insurance (H)	2628	6.42
Bank of China (H)	3988	5.89

5 Highest Performers	Local Code	Price Return (%)
China Netcom (RED CHIP)	0906	1.49
China Unicom (Red Chip)	0762	0.45
CITIC Pacific (Red Chip)	0267	-11.25
China Telecom (H)	0728	-11.77
BOC Hong Kong (Holdings) (Red Chip)	2388	-11.85

5 Lowest Performers	Local Code	Price Return (%)
PICC Property & Casualty (H)	2328	-36.02
Ping An Insurance (H)	2318	-35.24
Aluminum Corp of China (H)	2600	-32.05
Datang International Power Generation (H)	0991	-31.18
China Life Insurance (H)	2628	-30.61

Aggregate Price Earnings Ratio	
	18.83*

*Source: Nomura International; Data as of 31.01.2008

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).

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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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