

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

(Market performance data provided by FTSE Research)

Index Commentary

In September, the FTSE/Xinhua China 25 Index initially stayed stable but started to surge from the middle of the month and finally closed at 26121.81 points, up 18.4%.

Early this month, the market was concerned that China will hold off allowing domestic investors to buy Hong Kong stocks directly and also the August CPI announcement might trigger an interest rate hike. The SAFE (State Administration of Foreign Exchange) first announced on 20 August that domestic investors will be allowed to invest their foreign currency into the Hong Kong market after setting up an account with the Bank of China in Tianjin's Binhai economic zone. The Hong Kong market surged after the announcement on speculation that some of China's 17 trillion yuan household savings will enter the Hong Kong market. However, the State Council held off the introduction of the program after concerns were raised by banking and securities regulators in early September. Also, the market was worried about a possible interest rate hike because China's statistics bureau announced the CPI rose 6.5% in August from a year earlier, a decade-high inflation rate. Until 11 September, the index decreased by 1.2% from the beginning of the month.

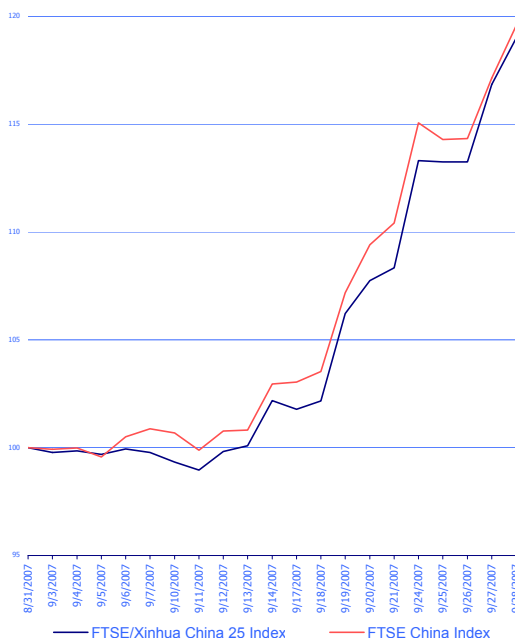
The index then quickly rebounded and continuously climbed until it reached a record high at month-end. The state-run Xinhua News Agency, citing CSRC (China Securities Regulatory Commission), reported on 12 September that China will expand the QDII (Qualified Domestic Institutional Investor) program and will focus on the Hong Kong market. China Southern Fund Management Co., China's largest asset management company, won an additional USD 2 billion quota from the government and is now allowed to invest USD 4 billion in the overseas market. Harvest Fund Management Company, a Deutsche Bank AG's partner in China, also received regulatory approval to start overseas investment under the QDII program.

Constituent Commentary

In terms of constituents, China Coal Energy (1898.HK), China's second-largest fuel producer, was the best performing stock in the FTSE/Xinhua China 25 Index. The stock surged 50.4% in September.

Since the start of this year, the share prices of Hong Kong-listed Chinese companies have usually increased after their announcement of plans to list on the mainland stock exchanges, where valuations are much higher. China Coal Energy's H-share price rose to a record high in Hong Kong after it announced that it would seek approval for an A-share IPO on the Shanghai Stock Exchange after China Shenhua Energy (1088.HK), China's largest coal producer, got approval of its A-share IPO listing.

Overall Market Performance (USD) (Capital Return, from 31.08.2007 to 28.09.2007)



| 5 Highest Weighted Constituents | Local Code | % wgt |
|---|------------|-------|
| China Mobile (Red Chip) | 0941 | 11.00 |
| China Life Insurance (H) | 2628 | 9.28 |
| Petrochina (H) | 0857 | 8.68 |
| Industrial and Commercial Bank of China (H) | 1398 | 6.10 |
| China Construction Bank (H) | 0939 | 5.74 |

| 5 Highest Performers | Local Code | Price Return (%) |
|--------------------------|------------|------------------|
| China Coal Energy (H) | 1898 | 50.39 |
| China Shenhua Energy (H) | 1088 | 38.17 |
| CNOOC (Red Chip) | 0883 | 37.04 |
| Ping An of China (H) | 2318 | 32.68 |
| China Telecom (H) | 0728 | 30.51 |

| 5 Lowest Performers | Local Code | Price Return (%) |
|---------------------------------------|------------|------------------|
| China Citic Bank (H) | 0998 | 0.83 |
| Bank of China (H) | 3988 | 3.74 |
| China Resources Enterprise (Red Chip) | 0291 | 3.94 |
| Aluminum Corp of China (H) | 2600 | 4.68 |
| BOC Hong Kong (Holdings) (Red Chip) | 2388 | 5.24 |

| Aggregate Price Earnings Ratio | 28.09* |
|--------------------------------|--------|
|--------------------------------|--------|

*Source: Nomura International; Data as of 28.09.2007

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).

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