FTSE Xinhua Index

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China Indices | Global Standards

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

(Market performance data provided by FTSE Research)

Index Commentary

In December, the FTSE/Xinhua China 25 Index swung dramatically between gains and losses.

Earlier this month, the Hong Kong market rose marginally under the expectation that the U.S. may cut interest rates. Hong Kong's interest rates typically move in step with the U.S. as the Hong Kong dollar is pegged to the U.S. dollar. Lower borrowing costs may also help fuel investor sentiment for real estate. On 11 December, the Fed lowered its benchmark interest rate to 4.25 percent, but at the same time indicated that the U.S. economic growth was slowing, reflecting the intensification of the housing correction as well as some softening in business and consumer spending.

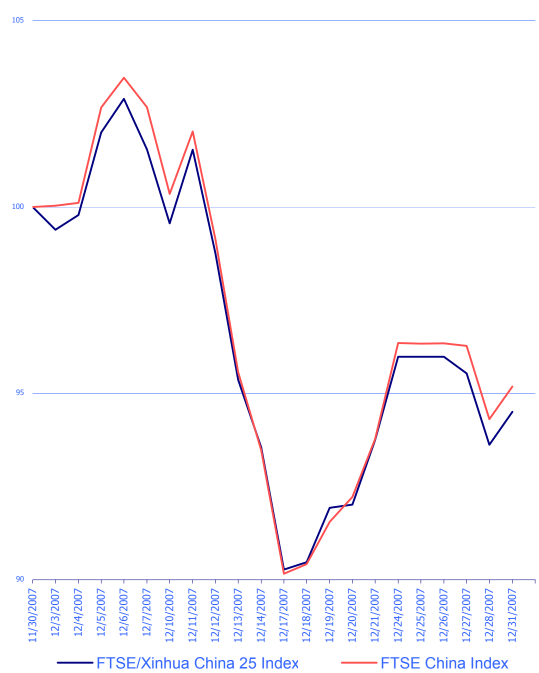
In addition, China's inflation accelerated to an 11-year high last month, and the Chinese government's move to curb bank lending and to raise interest rates to slow inflation and excessive investment has led to industrial overproduction. Worries of a U.S. recession and the macro economic control in mainland China depressed the Hong Kong market. The FTSE/Xinhua China 25 Index dropped to 24369.74 points on 17 December from 27399.09 points on 11 December, down 11.1% in just four trading days.
Later in the month, China Investment Corporation agreed to buy a stake in Morgan Stanley, partially easing concern that the fallout from the write-down of sub-prime debt by U.S. financial firms would spread. The FTSE/Xinhua China 25 Index rebounded and finally closed at 25507.18 points, down 5.4% in December.

Constituent Commentary

In terms of constituents, China COSCO Holdings (1919.HK) was the worst performing stock in the FTSE/Xinhua China 25 Index, down 25.7% in December.

The stock fell after Hong Kong billionaire Li Ka-shing's flagship companies Cheung Kong (Holdings) Ltd and Hutchison Whampoa Ltd offered to sell as much as HKD 2.2 billion of its stock. The stock selling was amid fears that an economic slowdown would dampen demand for shipments of Asian-made goods to the U.S. This year, the container cycle was impacted from inflated labor and fuel costs, particularly for the Chinese lines. Moreover, the U.S. slowdown is another major concern in the industry.

Overall Market Performance (USD) (Capital Return, from 30.11.2007 to 31.12.2007)



5 Highest Weighted Constituents	Local Code	% wgt
China Mobile (Red Chip)	0941	10.82
Petrochina (H)	0857	7.57
China Life Insurance (H)	2628	7.31
Industrial and Commercial Bank of China (H)	1398	6.70
China Construction Bank (H)	0939	6.26

5 Highest Performers	Local Code	Price Return (%)
BOC Hong Kong (Holdings) (Red Chip)	2388	7.37
China Shenhua Energy (H)	1088	0.98
China Petroleum & Chemical (H)	0386	0.51
China Telecom (H)	0728	0.00
China Coal Energy (H)	1898	-0.61

5 Lowest Performers	Local Code	Price Return (%)
China COSCO Holdings (H)	1919	-25.69
Bank of Communications (H)	3328	-11.83
China Construction Bank (H)	0939	-11.63
China Merchants Bank (H)	3968	-11.53
China Communications Construction (H)	1800	-9.31
Aggregate Price Earnings Ratio		23.79*

*Source: Nomura International; Data as of 31.12.2007

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.