

**FTSE/XINHUA CHINA 25 INDEX PERFORMANCE REPORT - INTERNATIONAL INDEX**  
**May 2008**

(Market performance data provided by FTSE Research)

**Index Commentary**

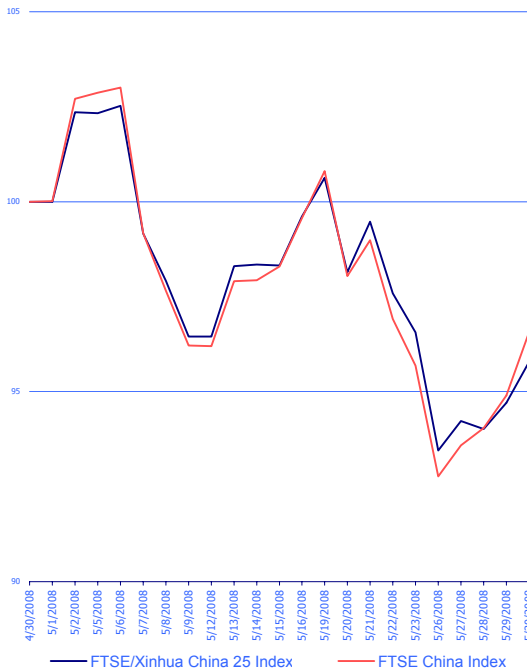
In May, the FTSE/Xinhua China 25 Index swung dramatically. By the end of the month, the FTSE/Xinhua China 25 index closed at 22287.2 points, down 4.1%.

Earlier this month, the Hong Kong market rose marginally as developers and banks benefited from the Hong Kong Monetary Authority's reduction of the base rate by a quarter of a percentage point to 3.5%, following the Federal Reserve's lead. Lower borrowing costs may help fuel investor sentiment for real estate. On 6 May, the FTSE/Xinhua China 25 Index rose to its month high of 23828.2 points. However, it started to fall on concerns that record oil prices would erode earnings and stoke inflation. On 12 May, a magnitude 8.0 earthquake struck Wenchuan in Sichuan Province. It was the nation's strongest earthquake in 58 years. In the first few days after the earthquake, the FTSE/Xinhua China 25 Index was relatively stable and increased slightly on expectations that demand for redevelopment will rise. However, the market later slumped due to the twin pressures of the credit-market turmoil and record oil prices. On 26 May, the FTSE/Xinhua China 25 Index dropped to its month low of 21742.6 points.

**Constituent Commentary**

In terms of constituents, the highest performers in the FTSE/Xinhua China 25 Index were mostly telecommunication companies, China Netcom (0906.HK) up 15.1%, China Unicom (0762.HK) up 9.5% and China Telecom (0728.HK) up 8.6%. However, China Mobile (0941.HK) was one of the worst performers, down 14.5% due to concerns that the telecommunications restructuring plans will reduce its profit.

On 24 May, the central government announced a major reshuffling of the country's telecommunications industry. The reorganization will consolidate China's six companies into three companies that will have similar telecommunication resources nationwide, and can offer both mobile and fixed-line services. The market expects the government to put regulations in place that will weaken China Mobile and strengthen the other players. On 26 May, the first trading day after the announcement, China Mobile tumbled the most in nearly seven years to 114.9HKD, down 8.2%.

**Overall Market Performance (USD) (Capital Return, from 30.04.2008 to 30.05.2008)**


5 Highest Weighted Constituents	Local Code	% wgt
Industrial and Commercial Bank of China (H)	1398	8.58
China Mobile (Red Chip)	0941	8.55
China Life Insurance (H)	2628	8.30
Petrochina (H)	0857	7.47
CNOOC (Red Chip)	0883	5.86

5 Highest Performers	Local Code	Price Return (%)
China Netcom (Red Chip)	0906	15.11
China Unicom (Red Chip)	0762	9.48
China Telecom (H)	0728	8.62
China Citic Bank (H)	0998	7.75
China Coal Energy (H)	1898	6.06

5 Lowest Performers	Local Code	Price Return (%)
China Merchant Holdings (Red Chip)	0144	-15.88
China Mobile (Red Chip)	0941	-14.47
China Merchants Bank (H)	3968	-14.13
Ping An of China (H)	2318	-12.04
Bank of Communications (H)	3328	-8.91

Aggregate Price Earnings Ratio	15.52*
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\*Source: Nomura International; Data as of 30.05.2008

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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