

## FTSE/XINHUA CHINA 25 INDEX PERFORMANCE REPORT - INTERNATIONAL INDEX July 2008

(Market performance data provided by FTSE Research)

### Index Commentary

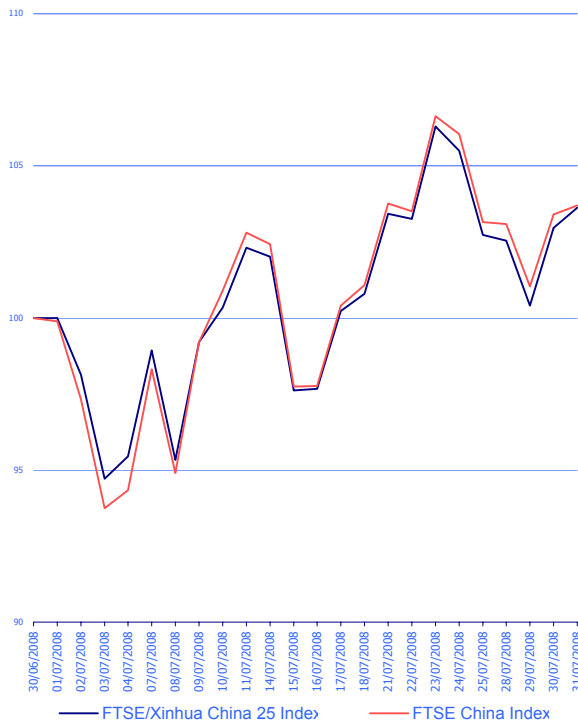
In July, the FTSE/Xinhua China 25 Index fluctuated on an upward trend. By the end of the month, the FTSE/Xinhua China 25 Index closed at 20168.2 points, up 3.7%.

Earlier this month, the FTSE/Xinhua China 25 Index slumped to its 15 week low of 18423.3 points, on concerns that rising crude oil prices will erode earnings and higher borrowing costs will dent real estate demand. China Merchants Bank Co. (3968.HK) and China Citic Bank Corp.'s (998.HK) forecast of higher earnings exceeded market expectation and showed the banks resistance to the recent domestic tightening and lending curbs. The FTSE/Xinhua China 25 Index fluctuated and rebounded, led by the Financials sector. In the middle of the month, the U.S. Government and the Federal Reserve announced their plan to rescue Fannie Mae and Freddie Mac, but investors still lost confidence. The retreat of the U.S. stock market has dragged down Hong Kong's share prices. The FTSE/Xinhua China 25 Index tumbled 4.3% on 15 July. At the latter part of the month, the Hong Kong market was still primarily affected by the ups and downs of the U.S. market. However after Citigroup Inc. posted a smaller loss than what the analysts had estimated, and oil prices fell, the index reacted positively and rose significantly on 21 July and 23 July.

### Constituent Commentary

In terms of constituents, the best performer in the FTSE/Xinhua China 25 Index was Air China (0753.HK), up 17.5%, boosted by the fall in oil prices and the upcoming Beijing Olympic Games. China Merchants Bank (3968.HK) and China Citic Bank (0998.HK) were the second and third best performers, up 16.1% and 14.0% respectively. CNOOC (0883.HK) down 12.5%, was the worst performer since oil prices fell nearly \$20 a barrel this month.

### Overall Market Performance (USD) (Capital Return, from 30.06.2008 to 31.07.2008)



5 Highest Weighted Constituents	Local Code	% wgt
China Mobile (Red Chip)	0941	9.64
Industrial and Commercial Bank of China (H)	1398	9.38
Petrochina (H)	0857	8.07
China Life Insurance (H)	2628	7.18
CNOOC (Red Chip)	0883	5.57

5 Highest Performers	Local Code	Price Return (%)
Air China (H)	0753	17.45
China Merchants Bank (H)	3968	16.12
China Citic Bank (H)	0998	13.96
China Netcom (Red Chip)	0906	12.94
China Unicom (Red Chip)	0762	11.74

5 Lowest Performers	Local Code	Price Return (%)
CNOOC (Red Chip)	0883	-12.52
Aluminum Corp of China (H)	2600	-10.79
Ping An of China (H)	2318	-5.95
China Shenhua Energy (H)	1088	-4.58
BOC Hong Kong (Holdings) (Red Chip)	2388	-4.02

Aggregate Price Earnings Ratio	14.28*
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\*Source: Nomura International; Data as of 31.07.2008

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 Jamie Perrett, FTSE Group at jamie.perrett@ftse.com.

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