



iShares Asia Trust

Semi-annual Report

30 June 2003

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Letter to the Unitholders

Dear Unitholders:

We are pleased to present the unaudited semi-annual report and financial statements for the iShares Asia Trust (the "Trust") that cover the period from 1st January 2003 to 30th June 2003. This report contains important information about the performance of the iShares MSCI China Tracker (the "Fund"), the only sub fund established in the Trust, the Fund Manager's discussion and analysis, as well as other important financial information.

During the period under review, the Greater China region suffered from the outbreak of SARS (Severe Acute Respiratory Syndrome) which has seriously affected business and traveling. From mid-April Hong Kong, together with various cities and regions in China including Beijing and the Guangdong Province, and Taiwan were placed on a travel warning issued by the World Health Organization ("WHO"). By the time the travel warning to Hong Kong was lifted on 23rd May, it was estimated that 13,300 local jobs were lost and 4,000 businesses were badly affected. The Hong Kong stock market slumped amidst the SARS crisis but staged a small rebound in June when Hong Kong was finally removed from the WHO's list of affected areas. Despite a similarly critical situation in China, quick and firm actions taken by the Chinese government to fight SARS have contained the potential damage to its economy and investor confidence.


As a result, Red Chips and H-Shares proved to be the most resilient performers among Hong Kong listed stocks, drawing on the continuous strength of the Chinese economy and its forecasted 7% growth rate. The iShares MSCI China Tracker captured some of these dramatic movements with the NAV surged to HK\$16.68 at the end of June from a historic low of HK\$13.27 on 24th April 2003. Over the six-month period under review, the Fund registered a return of 17.63% against the Benchmark Index's 15.35% gain and a miserly 2.70% return recorded by the Hang Seng Index. The positive difference between the Fund's return and that of the Benchmark Index can be explained by dividend accruals embedded in the NAV. As of 30th June 2003, total asset of the Fund amounted to HK\$216,841,263 and the number of units outstanding stood at 13,000,000.

In comparison, global equities markets showed some uneven recoveries during the first half of the year. During the six months under review, the S&P 500 registered a respectable gain of 10.78% but the FTSE 100 and the Nikkei 225 could only muster relatively modest gains of 2.30% and 5.88%, respectively (in original currency terms). Against this background, the iShares MSCI China Tracker once again proves to be a valuable source of diversification to other major global equities markets. This fact is clearly of value to international investors in view of the increasingly volatile markets being witnessed globally.

Letter to the Unitholders (continued)

We thank you for your continued support and confidence in the iShares Asia Trust and hope the Trust will continue to meet your investment needs.

Sincerely,

A handwritten signature in black ink, consisting of a vertical loop on the right side and a horizontal line extending to the left, ending in a small hook.

Joseph Ho

Director

Barclays Global Investors North Asia Limited

Report of the Manager to the Unitholders

INTRODUCTION

The iShares MSCI China Tracker (the “Fund”), the only sub fund established in the iShares Asia Trust (the “Trust”), was launched on 23rd November 2001 (the “Initial Offer Period”) and commenced trading under the stock code 2801 on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 28th November 2001 (the “First Trading Day”). The Fund was established as an index fund authorized by the Securities and Futures Commission (the “SFC”) and obtained the designation of an exchange-traded fund (“ETF”) from the Stock Exchange. The Fund is benchmarked against the MSCI China (HKD) Index (the “Benchmark Index”).

FUND PERFORMANCE

The Fund seeks to provide investment results that closely correspond with the performance of the Benchmark Index. As of the close of 30th June 2003, the NAV per unit of the Fund stood at HK\$16.68 with a total number of 13,000,000 units outstanding, giving the Fund a total size of HK\$216,841,263.

A summary of the performance of the Fund is given below:

	MSCI China Index	NAV	Total Outstanding Units	Total Net Asset
31st December 2002	14.14	14.18	19,200,000	272,344,383
30th June 2003	16.31	16.68	13,000,000	216,841,263
Period Return	15.35%	17.63%	N/A	N/A

During the period from 1st January 2003 to 30th June 2003, the total size of the Fund decreased by 20.38% due to several redemptions that took place. Nevertheless, the Benchmark Index managed to stage a strong rebound towards the latter part of the period and registered a significant gain of 15.35% overall. The Fund recorded a slight outperformance returning a gain of 17.63% primarily due to dividend accruals embedded in the NAV. Figure 1 below depicts the close resemblance of the Fund’s NAV and last traded prices versus the Benchmark Index.

Report of the Manager to the Unitholders (continued)

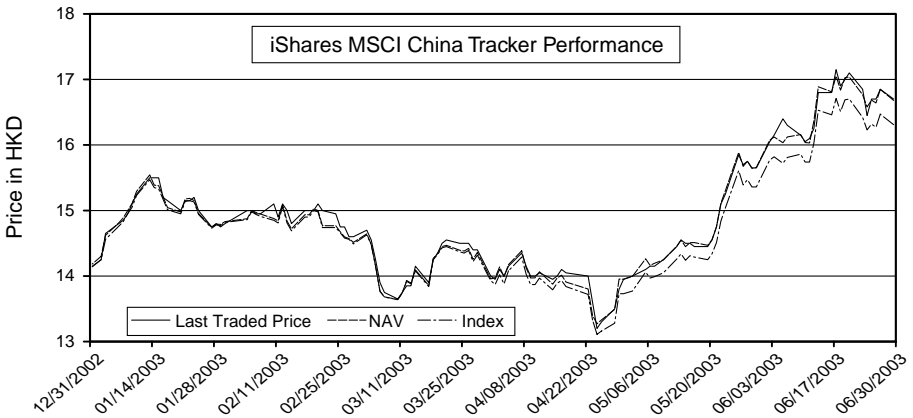


Figure 1

FUND FACTS

As a result of two changes in the Board of Directors of the Manager, we have issued an addendum on 7th May 2003. In the addendum, we disclosed that Mr. Garrett Bouton and Ms Alison Davis resigned as directors of the Manager and Mr. Andrew Graham Skirton and Mr. Francis Sean Ryan were appointed as directors of the Manager.

FUND ACTIVITIES

The average daily trading volume for the Fund during the period under review was reported by Bloomberg to be 42,573 units. Towards the latter part of the period during which the market started to pick up, there were occasionally big trading volume of more than 400,000 units per day. From experience, trading volume of ETFs tend to grow over time. More importantly, as seen in Figure 1, the last traded prices and the net asset values of the Fund were very close, indicating relatively efficient market making support performed by the two market makers: Morgan Stanley Dean Witter Hong Kong Securities Limited and Citigroup Global Markets Asia Limited (previously Salomon Smith Barney Hong Kong Limited).

Report of the Manager to the Unitholders (continued)

As far as the primary market is concerned, there were 4 redemptions recorded during the period under review. The details of which are given as follows:

Date of Order	Units Created/(Redeemed)
13th January 2003	(2,400,000)
6th February 2003	(2,600,000)
2nd May 2003	(600,000)
20th May 2003	(600,000)

INDEX ACTIVITIES

The Benchmark Index underwent two regular quarterly reviews during the period. In the first review that took place at the end of February 2003, the constituents' list was kept unchanged but outstanding shares in 9 constituent stocks (out of 43) were adjusted to reflect the current situation. During the second review that took place at the end of May 2003, the Benchmark Index made some significant changes. As of the close of 30th May 2003, China Aerospace International (stock code: 31) and Founder Holdings (stock code: 418) were deleted. At the same time, five new stocks including Sinotrans (stock code: 598), Tsingtao Brewery (stock code: 168), Beijing Capital International Airport (stock code: 694), Travelsky Technology (stock code: 696) and Cofco International (stock codes: 506) were added. The additions amounted to 3.37% of the Benchmark Index as of the close of 30th May 2003.

In view of the changes, the Fund effected rebalancing trades accordingly following both reviews.

MARKET REVIEW

The first half of 2003 presented ample challenges to the global equity markets. Globally, we witnessed the US invasion of Iraq which lasted only a few weeks. However, the consequences of which are expected to be much more long-lasting and would continue to be a key factor affecting global markets in the later half of 2003. The currency markets were equally volatile with the Euro recorded a historic high of 1.1909 Euro to 1 USD on 29th May in view of an unexpectedly large US deficit and the uncertain impacts of the war on the US economy. To fight slower growth, the Federal Reserve's Open Market Committee lowered US prime interest rate to 1.00% on 25th June 2003. This was the lowest rate seen since 1958 and was prompted by the risk of deflation. In April, the Greater China region was hit by the outbreak of SARS which lasted more than 2 months, causing a disruption to traveling to and from the region and further hindering the recovery of the global markets.

Report of the Manager to the Unitholders (continued)

The Asian markets in general showed a marked improvement during the period despite the SARS outbreak. The MSCI EMF Asia Index surged to a 10.03% gain whereas the MSCI Pacific Index improved by only 5.22%. In the US, investor confidence improved somewhat after the short-lived war and investments started to flow back into the equity markets. The S&P 500 Index resulted in a respectable gain of 10.78% over the same period. As a result, global equity markets as measured by the MSCI World Index registered a similarly respectable gain of 9.95%.

In Hong Kong, the economy suffered seriously from the SARS outbreak, especially in the travel and airlines sectors. Unemployment rate soared to a record high of 8.6% in June 2003. Moreover, CPI contracted a further 1.17% at the end of May. Political instability, fueled by the debates around the Article 23 legislation, also added to the volatility of the market. The local equity market again showed sharp divergent behaviors. The blue chip Hang Seng Index registered only a slight gain of 2.74% over this period whilst the Red Chips, as measured by the Hang Seng China Affiliated Corporation Index, gained 4.28%. In contrast, the Hang Seng China Enterprise Index, which represents Chinese State-owned enterprises whose shares trade in Hong Kong (H-Shares), surged 36.98% thanks to the continuous strength of the Chinese economy and the speculation of the introduction of the Qualified Domestic Institutional Investors (“QDII”) scheme that would allow mainland investors to participate in the Hong Kong market directly. The Fund’s Benchmark Index, which is composed of both H-Shares and Red Chips, registered a robust return of 15.35%.

Looking ahead, we expect to see continued volatilities in the global marketplace against a backdrop of improving economic conditions around the world. Development in the US market and the risk of deflation would still have great impacts on other major markets. On the contrary, despite the temporary setback of SARS, the Chinese economy remains relatively insulated and should continue to grow at a brisk pace at over 7% per annum. In this regard, we believe the Fund remains a viable diversification tool for many investors, local or foreign.

Statement of Assets and Liabilities

As at 30th June 2003 (Unaudited)

	Note	30 June 2003 HK\$	31 December 2002 HK\$
ASSETS			
Available-for-sale securities		211,533,400	272,050,080
Bank balances	5(c)	4,954,266	895,753
Dividend receivable		770,401	–
Total assets		217,258,067	272,945,833
LIABILITIES			
Management fee payable		416,804	601,450
Total liabilities		416,804	601,450
Net assets		216,841,263	272,344,383
FINANCED BY:			
Capital account		216,841,263	272,344,383
Units in issue	4	13,000,000	19,200,000
Net asset value per unit		16.68	14.18

Statement of Operations

For the period from 31st December 2002 to 30th June 2003 (Unaudited)

	Note	30 June 2003 HK\$	31 December 2002 HK\$
INCOME			
Dividend income		6,113,625	7,437,065
Interest income	5(c)	0	4,066
		<u>6,113,625</u>	<u>7,441,131</u>
EXPENSES			
Management fee	5(a)	(1,034,163)	(3,189,604)
Transaction handling fee	5(b)	(14,037)	(36,853)
Bank charges	5(b)	(59,188)	(38,381)
		<u>(1,107,388)</u>	<u>(3,264,838)</u>
Net operating income		<u>5,006,237</u>	<u>4,176,293</u>
NET INVESTMENT AND EXCHANGE GAIN/(LOSS)			
Net realised gain/(loss) on sale of available-for-sale securities		(11,929,664)	(5,542,790)
Net unrealised gain/(loss) on revaluation of available-for-sale securities		44,768,772	(45,700,198)
Exchange gain/(loss)		(465)	1,078
		<u>32,838,643</u>	<u>(51,241,910)</u>
Net gain /(loss) for the period		37,844,880	(47,065,617)
Amount transferred to the statement of distribution		0	(4,416,000)
Amount transferred from the capital account		37,844,880	51,481,617
		<u>-</u>	<u>-</u>

Statement of Changes in Capital

For the period from 31st December 2002 to 30th June 2003 (Unaudited)

	Note	30 June 2003 HK\$	31 December 2002 HK\$
Balance at the beginning of the period		272,344,383	–
Proceeds on issue of units for cash	6	0	1,174,600
Payments on redemption of units for cash	6	(459,380)	(1,056,455)
In-kind proceeds on issue of units	6	0	412,235,400
In-kind payments on redemption of units	6	(92,888,620)	(88,527,545)
		178,996,383	323,826,000
Amount transferred to the statement of operations		37,844,880	(51,481,617)
Balance at the end of the period		216,841,263	272,344,383

Statement of Cash Flows

For the period from 31st December 2002 to 30th June 2003 (Unaudited)

	Note	30 June 2003 HK\$	31 December 2002 HK\$
Net income available for distribution		5,006,237	4,176,293
Exchange gain/(loss)		(465)	1,078
Increase in dividend receivable		(770,401)	–
Increase/(Decrease) in management fee payable		(184,646)	601,450
Net cash inflow from operating activities		4,050,725	4,778,821
INVESTING ACTIVITIES			
Purchase of available-for-sale securities	6	(7,798,529)	(75,758,627)
Sale of available-for-sale securities	6	8,265,697	76,173,414
Net cash inflow from investing activities		467,168	414,787
FINANCING ACTIVITIES			
Cash component received on issue of units	6	0	1,174,600
Cash component paid on redemption of units	6	(459,380)	(1,056,455)
Final distribution paid		0	(4,416,000)
Net cash outflow from financing activities		4,058,513	(4,297,855)
Increase in cash and cash equivalents		–	895,753
Cash and cash equivalents at the beginning of the period		895,753	–
Cash and cash equivalents at the end of the period		4,954,266	895,753
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances		4,954,266	895,753

Notes to the Financial Statements

1 THE TRUST

iShares Asia Trust (the “Trust”) is an umbrella unit trust governed by its trust deed dated 16th November 2001 and authorised by the Securities & Futures Commission of Hong Kong (the “SFC”) pursuant to Section 15 of the Securities Ordinance. As at 30th June 2003, the iShares MSCI China Tracker (the “Fund”) is the only sub fund established in the Trust. The Fund is listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (a subsidiary of The Hong Kong Exchanges and Clearing Limited).

The Trust has no employees.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of Presentation

The financial statements are presented in accordance with and comply with International Accounting Standards (“IAS”) issued by the International Accounting Standards Committee. The financial statements have been prepared under the historical cost convention as modified by the fair valuation of available-for-sale securities.

(b) Available-for-sale Securities

Under International Accounting Standard 39 - Financial Instruments: Recognition and Measurement (“IAS 39”), the Trust classified its investment securities, which comprise equity investments, as available-for-sale securities. Such investments are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity, or changes in interest rates, exchange rates or equity prices. The Manager determines the appropriate classification of its investments at the time of purchase and re-evaluates such designation on a regular basis.

Notes to the Financial Statements (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Available-for-sale Securities (continued)

Available-for-sale securities consist of principally listed securities and are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on the last traded price quoted on the principal stock exchanges at the close of the business on the valuation day. This valuation basis is not in compliance with IAS 39, which requires listed investment securities to be valued based on quoted bid prices. The Trustee and the Manager have considered the reasons behind the decision and the impact of the different bases adopted by the Trust on the Trust's net asset value and consider that as the amount resulting from the different bases adopted is not significant to the Trust's net asset value, no adjustment needed to be made as at the balance sheet date.

Refer to note 8 for details of the impact of adopting a different basis of valuation on the Trust's net asset value.

Purchases and sales of investments are accounted for on trade dates. Realised and unrealised gains and losses on available-for-sale securities are recognised in the statement of operations as they arise.

(c) Dividend and Bank Interest Income

Dividend income on quoted equity securities is recognized on the ex-dividend date. Dividend income on equity securities where no ex-dividend date is quoted is recognised when the Trust's right to receive payment is established.

Interest income on bank balances is recognised on a time proportion basis, taking into account the principal amounts outstanding and interest rate applicable.

(d) Expenses

Expenses are accounted for on an accrual basis. Expenses are charged to the statement of operations except for expenses incurred on the acquisition of an investment which are included within the cost of that investment. Expenses arising on the disposal of investments are deducted from the disposal proceeds.

Notes to the Financial Statements (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(e) Translation of Foreign Currencies

Transactions in foreign currencies during the period are translated into Hong Kong Dollars (HK\$) at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into HK\$ at exchange rates ruling at period end. Translation differences arising there from are dealt with in the statement of operations.

(f) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.

(g) Segmental Information

In the opinion of the Manager, all activities of the Trust are in the single business of investment activities conducted mainly in Hong Kong. Geographical information is provided in the investment portfolio.

3 TAXATION

No provision for Hong Kong profits tax has been made as the bank interest, dividend income and realised gains on disposal of investments of the Trust are excluded from the charge to profits tax under either Section 14, Section 26 or Section 26A of the Hong Kong Inland Revenue Ordinance.

4 UNITS IN ISSUE

	Number of units
Units in issue at the beginning of the period	19,200,000
Issue of units	–
Redemption of units	(6,200,000)
Units in issue at the end of the period	<u>13,000,000</u>

Notes to the Financial Statements (continued)

5 TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS

Connected Persons of the Manager are those as defined in the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the “SFC Code”). All transactions entered into during the period between the Trust and the Manager and its Connected Persons were carried out in the normal course of business and on normal commercial terms. To the best of the Manager’s knowledge, the Trust does not have any other transactions with Connected Persons except for what is disclosed below.

(a) Management Fee

The Manager is entitled to receive a management fee, currently at the annual rate of 0.99% of the net asset value of the Fund accrued daily and calculated as at each dealing day and payable quarterly in arrears.

Apart from the fees and expenses stated in note 5(b) below, all other fees and expenses of the Trust are paid by the Manager.

(b) Fees and Charges Paid to the Trustee/Custodian and its Connected Persons

The Custodian receives a transaction handling fee for the sale and purchase transactions of the available-for-sale securities from the Fund at US\$75 each. Bank charges stated in the statement of operations are also paid by the Trust to a Connected Person of the Custodian. All other fees payable to the Custodian and its Connected Persons are borne by the Manager.

(c) Bank Balances

Bank balances are maintained with an affiliated company of the Trustee. Bank balances held with this affiliated company of the Trustee as at 30th June 2003 was HK\$4,954,266. No interest was earned during this period.

Notes to the Financial Statements (continued)

6 MAJOR NON-CASH TRANSACTIONS

Subscriptions

In accordance with the Trust Deed, units can be issued through either subscription or an in kind creation of an Application Unit. In the latter case, for each Application Unit, the Fund receives an Application Basket consisting of constituent shares as determined by the Manager on a daily basis and a cash amount equivalent to a cash component. Relevant duties and charges are paid by the participating dealers directly to the Trustee and are therefore not reflected in the financial statements. Cash component represents the difference between the aggregate net asset value of the units comprising an Application Unit and the Application Basket Value.

There were no subscriptions during this period.

Redemptions

In accordance with the Trust Deed, units can only be redeemed in kind and are not redeemable for cash. For each Application Unit redeemed, the Fund pays an Application Basket consisting of constituent shares as determined by the Manager on a daily basis and a cash amount equivalent to a cash component as defined above. Relevant duties and charges are paid by the participating dealers directly to the Trustee and are therefore not reflected in the financial statements.

During the period, the Fund redeemed 6,200,000 units in exchange for Application Baskets consisting of investments valued at a total of HK\$92,888,620 by the Manager at the time of redemption plus the cash component equal to HK\$459,380.

7 SOFT DOLLAR BENEFITS

Any cash commissions received by the Manager or any appointed investment adviser or any of their Connected Persons arising out of the sale and purchase of available-for-sale securities for the Trust will not be retained for their own use but will be credited to the Trust. However, the Manager, any appointed investment adviser and any of their Connected Persons may receive, and are entitled to retain, goods and services and other soft dollar benefits which are of demonstrable benefit to the Unitholders of the Trust (as may be permitted under relevant regulations including, but not limited to, the SFC Code) from brokers and other persons through whom the investment transactions are carried out. These goods and services include, but are not limited to, qualifying research services, computer hardware and software obtained to enhance investment decision making, and appropriate order execution services.

Notes to the Financial Statements (continued)

8 IMPACT OF ADOPTING CLOSING PRICES IN LIEU OF BID PRICES ON THE TRUST'S NET ASSET VALUE

As mentioned in note 2(b), the Trust adopts the last traded prices quoted on the principal stock exchanges at the close of the business on the valuation day in valuing its listed available-for-sale securities. Had bid prices been adopted in lieu of last traded prices in valuing available-for-sale securities as required under IAS 39, the difference in the Trust's net asset value as at 30th June 2003 would have been as follows:

	HK\$
Net asset value at last traded prices	216,841,263
Adjustment to bid market prices	(1,080,300)
Adjusted net asset value at bid market prices	<u>215,760,963</u>

9 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

The Trustee and the Manager have been granted a waiver by the SFC permitting the Manager to overweight the investment holdings of the Fund relative to their respective weightings in the Benchmark Index provided that the waiver on any overweight investment holdings must be subject to the corresponding limit as below:

Security's weight in the Benchmark Index	Maximum extra weighting to be allocated
Below 10%	4% except under the circumstances in*
10% – 30%	4%
30% – 50%	3%
Above 50%	2%

* where initial weighting of a constituent security is below 10% and that after giving an excess allocation of 4% due to optimisation, the total allocation to this constituent is still below 10%, allocation to it may be adjusted to up to a maximum 10%.

As at 30th June 2003, China Mobile accounted for 27.04% and PetroChina accounted for 10.57% of the net asset value of the Fund and their weightings in the Benchmark Index are 28.07% and 10.25% respectively on the same date.

Notes to the Financial Statements (continued)

10 FINANCIAL INSTRUMENTS

The objective of the Fund is to provide investment results that closely correspond to the performance of the Index. The risk exposures inherent in the Fund as at 30th June 2003 are summarised below.

(a) Market Price Risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Fund's investment activities expose it to the various types of market risks which are associated with the markets in which it invests and to the extent of the amount invested in equity securities totalling HK\$211,533,400 as at period end.

Details of the market exposures as at 30th June 2003 are disclosed in the investment portfolio.

(b) Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund.

Financial assets which potentially subject the Fund to concentrations of credit risk consist principally of securities and bank balances.

The Fund limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activity with broker-dealers, banks and regulated exchanges with high credit ratings that the Fund considers to be well established.

All transactions in securities are settled/paid for upon delivery using approved and reputable brokers. The risk of default is considered minimal since delivery of securities sold is only made once the broker has received payment. On a purchase, payment is made once the securities have been received by the broker. If either party fails to meet their obligation, the trade will fail.

Accordingly, the Fund has no significant concentration of credit risk.

Notes to the Financial Statements (continued)

10 FINANCIAL INSTRUMENTS (continued)

(c) **Interest Rate Risk**

The Fund is exposed to a minimal interest rate risk as the Fund invests mainly in equity securities and only the bank balances are exposed to interest rate risk which is considered to be minimal.

(d) **Currency Risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to the changes in foreign exchange rates.

The Fund has no significant currency risk because substantially all assets and liabilities are denominated in Hong Kong Dollars, the Fund's reporting currency.

(e) **Fair Values of Financial Instruments**

The Fund's carrying amounts of available-for-sale securities, other assets and liabilities approximate to their fair values. Other assets and liabilities include bank balances, accruals and other payables which are realised or settled within a short period of time.

11 DISTRIBUTION

No distribution was made during this period.

Investment Portfolio

iShares MSCI China Tracker

As at 30th June 2003 (Unaudited)

	Holdings	Market Value HK\$	% of net assets
Investments (97.55%)			
Listed Equities (97.55%)			
China (38.10%)			
Aluminum Corporation of China Ltd - H	1,300,000	2,262,000	1.04
Beijing Enterprises Holdings Ltd	260,000	1,703,000	0.79
China Petroleum & Chemical Corporation (Sinopec) - H	7,150,000	13,370,500	6.17
China Shipping Development Co Ltd - H	910,000	2,525,250	1.16
China Southern Airlines Company - H	780,000	1,599,000	0.74
China Telecom Corporation Ltd - H	5,330,000	9,540,700	4.40
Guangshen Railway Co Ltd - H	1,690,000	2,349,100	1.08
Huaneng Power Intl Inc - H	1,170,000	10,413,000	4.80
Jiangsu Expressway Co Ltd - H	1,170,000	3,451,500	1.59
Petrochina Co Ltd - H	9,750,000	22,912,500	10.57
Qingling Motors Co Ltd - H	780,000	936,000	0.43
Sinopec Yizheng Chemical Fibre Co Ltd - H	1,170,000	1,298,700	0.60
Sinotrans Ltd - H	1,040,000	2,288,000	1.06
Travelsky Technology Ltd - H	260,000	1,365,000	0.63
Yanzhou Coal Mining Co Ltd - H	780,000	2,827,500	1.30
Zhejiang Expressway Co Ltd - H	1,170,000	3,773,250	1.74
		82,615,000	38.10
Hong Kong (59.45%)			
Beijing Datang Power Generation Co Ltd - H	1,040,000	3,562,000	1.64
Brilliance China Automotive Holding Ltd	1,430,000	3,146,000	1.45
China Everbright Ltd	390,000	877,500	0.40
China Merchants Hldgs Intl Co Ltd	650,000	4,517,500	2.08
China Mobile (Hong Kong) Ltd	3,185,000	58,604,000	27.04
China Overseas Land & Investment Ltd	1,690,000	1,419,600	0.65
China Resources Land Ltd	520,000	431,600	0.20
China Resources Enterprise Ltd	650,000	4,387,500	2.02
China Travel Intl Inv HK Ltd	1,300,000	1,547,000	0.71
Citic Pacific Ltd	715,000	10,188,750	4.70
CNOOC Ltd	1,170,000	13,455,000	6.21
Cosco Pacific Ltd	780,000	6,396,000	2.95
Denway Motors Ltd	1,430,000	5,040,750	2.32
Legend Group Ltd	2,210,000	5,746,000	2.65
Shanghai Industrial Hldgs Ltd	390,000	4,290,000	1.98
Shenzhen Investment Ltd	650,000	663,000	0.31
Sinopec Shanghai Petrochemical Co Ltd - H	2,210,000	3,359,200	1.55
TCL International Hldgs Ltd	780,000	1,287,000	0.59
		128,918,400	59.45
Total investments		211,533,400	97.55
Other net assets		5,307,863	2.45
Net assets at 30 June 2003		216,841,263	100.00
Total investments, at cost		212,464,825	

Statement of Movements in Investment Portfolio

iShares MSCI China Tracker

For the period from 31st December 2002 to 30th June 2003 (Unaudited)

Investments	Holdings		Total as at
	Additions	Disposals	30 June 2003
Listed Equities			
China			
Aluminum Corporation of China Ltd - H	-	620,000	1,300,000
Beijing Enterprises Holdings Ltd	-	124,000	260,000
China Petroleum & Chemical Corporation (Sinopec) - H	260,000	3,478,000	7,150,000
China Shipping Development Co Ltd - H	-	626,000	910,000
China Southern Airlines Company - H	-	372,000	780,000
China Telecom Corporation Ltd - H	-	2,542,000	5,330,000
Guangshen Railway Co Ltd - H	650,000	496,000	1,690,000
Huaneng Power Intl Inc - H	-	558,000	1,170,000
Jiangsu Expressway Co Ltd - H	260,000	434,000	1,170,000
Petrochina Co Ltd - H	-	4,650,000	9,750,000
Qingling Motors Co Ltd - H	-	372,000	780,000
Sinopec Yizheng Chemical Fibre Co Ltd - H	-	750,000	1,170,000
Sinotrans Ltd - H	1,040,000	-	1,040,000
Travelsky Technology Ltd - H	260,000	-	260,000
Yanzhou Coal Mining Co Ltd - H	-	372,000	780,000
Zhejiang Expressway Co Ltd - H	-	558,000	1,170,000
Hong Kong			
Beijing Datang Power Generation Co Ltd - H	-	496,000	1,040,000
Brilliance China Automotive Holding Ltd	130,000	620,000	1,430,000
China Everbright Ltd	-	378,000	390,000
China Merchants Hldgs Intl Co Ltd	-	502,000	650,000
China Mobile (Hong Kong) Ltd	-	1,711,000	3,185,000
China Overseas Land & Investment Ltd	-	998,000	1,690,000
China Resources Land Ltd	-	824,000	520,000
China Resources Enterprise Ltd	-	502,000	650,000
China Travel Intl Inv HK Ltd	-	1,004,000	1,300,000
Citic Pacific Ltd	-	437,000	715,000
CNOOC Ltd	32,500	542,500	1,170,000
Cosco Pacific Ltd	-	372,000	780,000
Denway Motors Ltd	-	682,000	1,430,000
Legend Group Ltd	-	1,246,000	2,210,000
Shanghai Industrial Hldgs Ltd	130,000	220,000	390,000
Shenzhen Investment Ltd	-	694,000	650,000
Sinopec Shanghai Petrochemical Co Ltd - H	-	1,246,000	2,210,000
TCL International Hldgs Ltd	-	372,000	780,000

Performance Record

iShares MSCI China Tracker

Net Asset Values (Unaudited)

	Net asset value per unit HK\$	Net asset value of the Fund HK\$
At end of financial period dated		
31 December 2002	14.18	272,344,383
30 June 2003	16.68	216,841,263
Highest and lowest net asset value per unit		
	Highest net asset value per unit HK\$	Lowest net asset value per unit HK\$
Financial period ended		
31 December 2002 (since inception)	18.12	13.66
1 January 2003 to 30 June 2003	17.05	13.27

Management and Administration

Directors of the Manager

Andrew Graham Skirton
Francis Sean Ryan
Robert J. Haber
Joseph Ho

Manager

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Simmons & Simmons
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2 Queen's Road Central
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Registrar

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199 Des Voeux Road Central
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