

A faint, light blue world map is visible in the background of the entire page. The map shows the outlines of continents and some major water bodies. The text is centered over the map.

iShares Asia Trust

Annual Report

For the period ended 31st December 2005

iShares Asia Trust

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iShares Asia Trust

Letter to the Unitholders

Dear Unitholders:

We are pleased to present the annual report and financial statements for the iShares Asia Trust (the “Trust”) that covers the period from 1st January 2005 to 31st December 2005. This report contains important information about the performance of the iShares MSCI China Tracker (the “MSCI China Tracker”) and the iShares FTSE/Xinhua A50 China Tracker (the “A50 China Tracker”), the two sub-funds established in the Trust, the Fund Manager’s discussion and analysis, as well as other important financial information.

The two sub-funds of the Trust present an efficient way for non-domestic Chinese investors to gain exposure to the Chinese economy. The MSCI China Tracker invests primarily in Red Chips and H-shares companies listed in Hong Kong was launched on 23rd November 2001 and first traded on the Stock Exchange of Hong Kong (“SEHK”) on 28th November 2001. The A50 China Tracker was the world’s first ETF that linked to the Chinese domestic A Shares markets. It was launched on 15th November 2004 and first traded on the SEHK on 18th November 2004. The MSCI China Tracker and the A50 China Tracker together provide an efficient platform for investing into listed Chinese companies.

The year 2005 proved to be an eventful year for Chinese financial markets. Towards the end of 1H05, the local regulator, China Securities Regulatory Commission (“CSRC”), launched a pilot program for the conversion of non-tradable shares held by Chinese companies into tradable shares. Under this scheme, existing shareholders of the freely floated tradable shares are compensated with cash, bonus shares or bonus warrants by the non-tradable shareholders. The successful conversion for the first two batches of 46 selective stocks led to the expansion of the program to cover all A-share companies on a voluntary basis. At the end of 2005, there were 17 constituent stocks in the A50 China Tracker which have completed the conversion.

Another milestone in 2005 was the implementation of the long-awaited foreign exchange reform. Starting from 21st July 2005, China moved to a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The RMB is no longer pegged to the US dollar. The exchange rate of the US dollar against the RMB was adjusted to RMB8.11 per US dollar as of the 21st July 2005. The adjustment represented a 2.01% appreciation of the RMB against the US dollar. Given the widening trade surplus registered against the US, the RMB is constantly under pressure for further appreciation.

On the global economic front, 2005 witnessed distinct economic trends marked by record high energy and commodities prices. The crude oil reached US\$60.26 per barrel and the Gold spot price hit US\$517 per oz at the end of the year, representing significant appreciations of 44.61%

iShares Asia Trust

Letter to the Unitholders (continued)

and 17.92% respectively from the end of 2004. The US economy was back on an expansionary track evidenced by the Federal Reserve's Open Market Committee raising the US prime interest rate in succession, ending with a rate of 4.25% as of the 13th December 2005, which was 2% higher than the end of last year. In Asia, market sentiment improved dramatically in Japan with continuous price appreciations and better than expected export figures. In Hong Kong, the property prices recovered strongly in the first half of the year but cooled down substantially in the second half due to interest rate hikes. The performance of global equity markets was very diverse with the S&P 500 gaining a modest 3%, the FTSE went up 16.7% and the Nikkei 225 made an impressive gain of 40.2% in respective local currency terms. Locally, the Chinese shares listed in Hong Kong, as represented by the MSCI China (HKD) Index, gained 15.65%, outperforming the Hang Seng Index which registered a modest gain of 4.54%. On the other hand, local Chinese A shares, as represented by the FTSE/Xinhua A50 Index, registered a loss of 6.69% during the period under review.

Interest for the China Tracker remained strong throughout the year but it was the A50 China Tracker that clearly stole the limelight. As of 31st December 2005, total asset of the MSCI China Tracker increased by 25% to HK\$1,094,216,415 from HK\$874,779,224 as at the end of 2004. The number of units outstanding stood at 36,800,000, representing a 6.9% rise from 34,400,000 units as of 31st December 2004. In the mean time, total asset of the A50 China Tracker increased 15 times to HK\$2,526,275,310 from HK\$168,426,793 as of the first trading day. The number of units outstanding stood at 59,400,000, representing a more than 15.6 times rise from 3,800,000 units at launch. The increase in units in both sub-funds reflects continuous interests from the investing public in using these sub-funds as viable investment vehicles to gain exposure to Chinese economic growth.

We, again, thank you for your continued support and confidence in the Trust and hope that the sub-funds will continue to meet your investment needs.

Sincerely,



Joseph Ho
Director
Barclays Global Investors North Asia Limited

Report of the Manager to the Unitholders

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

INTRODUCTION

The iShares MSCI China Tracker (the “MSCI China Tracker”) established in the iShares Asia Trust (the “Trust”) was launched on 23rd November 2001 and commenced trading under the stock code 2801 on the Stock Exchange of Hong Kong (the “SEHK”) on 28th November 2001. The MSCI China Tracker 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 SEHK. The MSCI China Tracker is benchmarked against the MSCI China (HKD) Index (the “MSCI Benchmark Index”).

FUND PERFORMANCE

The MSCI China Tracker seeks to provide investment results that closely correspond to the performance of the MSCI Benchmark Index. As of the close of 30th December 2005, the per unit NAV of the MSCI China Tracker stood at HK\$29.73 with a total number of 36,800,000 units outstanding, giving a total size of HK\$1,094,216,415.

A summary of the performance of the MSCI China Tracker is given below:

	MSCI Benchmark Index	NAV	Total Outstanding Units	Total Net Asset
31st December 2004	25.31	25.43	34,400,000	874,779,224
31st December 2005	29.27	29.73	36,800,000	1,094,216,415
Period Return	15.65%	16.91%	N/A	N/A

China related stocks, represented by H-shares and red chips, listed in Hong Kong recorded a strong gain during the period under review. Whilst the MSCI Benchmark Index registered a gain of 15.65%, the MSCI China Tracker recorded a slight outperformance of 1.26% due to cumulating dividend incomes. In the mean time, the total size of the MSCI China Tracker rose by 25% helped by moderate creation/redemption activities and market movement. Figure 1 below depicts the resemblance of the MSCI China Tracker’s NAV and last traded prices.

Report of the Manager to the Unitholders (continued)

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

FUND PERFORMANCE (continued)

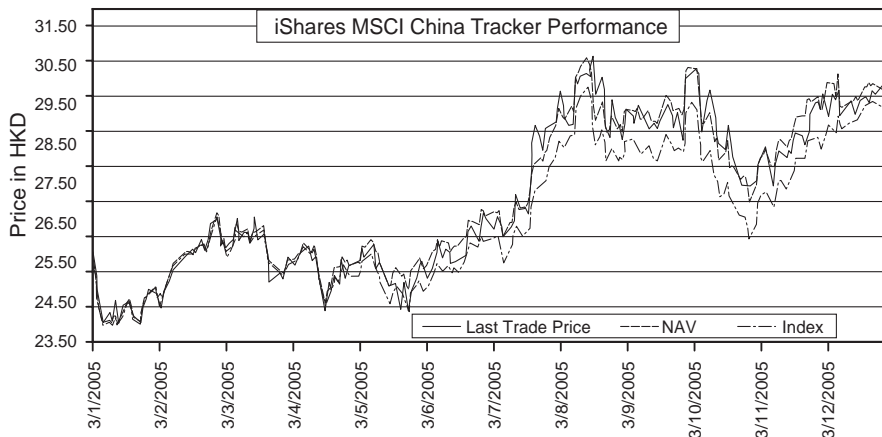


Figure 1

FUND FACTS

In June 2005, we issued an updated prospectus for the MSCI China Tracker. In August 2005, we issued an addendum regarding the revision of the maximum extra weightings with the maximum extra weighting in any constituent stock in the sub-fund revised from not exceeding 10 per cent to not exceeding 3 per cent.

FUND ACTIVITIES

The averaged daily trading volume for the MSCI China Tracker during the period under review was reported by Bloomberg to be 116,549 units, down from last year's 234,926 units. Compared this to the daily trading volume of more than 700,000 units for the A50 China Tracker, it clearly reflected a shift in focus of investors to the domestic A-shares market. Nevertheless, the MSCI China Tracker continues to serve as an efficient trading vehicle for investing in Hong Kong-listed Chinese companies supported by the market making activities of Morgan Stanley Dean Witter Hong Kong Securities Limited and Citigroup Global Markets Asia Limited.

As far as the primary market is concerned, the MSCI China Tracker experienced both creation and redemption activities during the period under review. There were three creations with a total

Report of the Manager to the Unitholders (continued)

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

FUND ACTIVITIES (continued)

of 3,000,000 new units created and three small redemptions with a total of 600,000 units redeemed. As a result, there was a net creation of 2,400,000 units. Details of which are given as follows:

Date of Order	Units Created/(Redeemed)
17th March 2005	1,400,000
22nd June 2005	(200,000)
29th June 2005	(200,000)
21st July 2005	1,000,000
19th October 2005	600,000
21st December 2005	(200,000)

INDEX ACTIVITIES

The Benchmark MSCI China (HKD) Index underwent four regular quarterly reviews during the period under review. In the first review that took place at the end of February, Air China (stock code 753) and ZTE Corporation (stock code 763) were added while TCL Communications (stock code 2618) was deleted. During the second review that took place at the end of May 2005, significant changes were made to the Benchmark Index. As of the close of 28th May 2005, eleven new stocks were added, including TPV Technology (stock code 903), Chaoda (stock code 682), Global Bio-Chem (stock code 809), Shanghai Forte Land (stock code 2337), China Resources Power (stock code 836), Weichai Power (stock code 2338), Guangdong Investment (stock code 270), China Mengniu Dairy (stock code 2319), Li Ning (stock code 2331), Gome Electric Appliance (stock code 493) and China Intl Marine Container (stock code 200039), which was a B-share. In the third review that took place at the end of August, Shanghai Electric Group (stock code 2727) was added. There was no addition or deletion in the last review that took place at the end of November.

In the marketplace, Sinopec China Petro & Chem (stock sedol 6373728) entered into a merger agreement with Sinopec Beijing Yanhua (stock code 325). Pursuant to the proposal, Sinopec China Petro & Chem paid HK\$3.80 per share in cash for the cancellation of all Sinopec Beijing Yanhua shares. Sinopec Beijing Yanhua announced on 14th April 2005 that all conditions of the acquisition were fulfilled and Sinopec Beijing Yanhua was delisted. The last day of trading was on 29th April 2005. Consequently, Sinopec Beijing Yanhua was deleted from the Benchmark Index as of the close of 29th April 2005 (effective 2nd May 2005).

Report of the Manager to the Unitholders (continued)

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

INDEX ACTIVITIES (continued)

Moreover, China Overseas Land & Investments (stock code 688) proposed to distribute as special dividend to its shareholders, shares in China State Construction International Holdings (“CSCIHL”) on the basis of 1 CSCIHL share for every 18 shares of China Overseas Land & Investments held. MSCI maintained China Overseas Land & Investments in the Benchmark Index but CSCIHL was not added. For the adjustment of the in-species distribution of CSCIHL shares, a Price Adjustment Factor (“PAF”) was applied to China Overseas Land & Investments on 24th June 2005. China O’s ea (DETACHED) was added temporarily as of the close of 24th June 2005 (effective on 27th June 2005) with 6,367,777,609 shares and a Foreign Inclusion Factor (“FIF”) of 0.5. The difference between the closing price of 23rd June 2005 and the closing price of 24th June 2005 of China Overseas Land & Investments was used as the price of China O’s ea (DETACHED). The price remained unchanged until CSCIHL starts trading on 8th July 2005. Consequently, on 8th July 2005, a Price Adjustment Factor (PAF) was applied to China O’s ea (DETACHED) based on the terms of the spin-off and the price of CSCIHL that was used for China O’s ea (DETACHED). As of the close of 8th July 2005, the number of shares of China O’s ea (DETACHED) was changed from 6,367,777,609 to 353,765,423. Thereafter, China O’s ea (DETACHED) was deleted from the MSCI Standard Indices as of the close of 8th July 2005 (effective 11th July 2005).

Finally, there were 3 early inclusions events during the period under review. Bank of Communications (stock code 3328) was added to the Benchmark MSCI China (HKD) Index as of the close of 7th July 7 2005 (effective 8th July 8 2005), with 23,064,468,136 H-shares and a Foreign Inclusion Factor (FIF) of 0.25. China Cosco Holdings (stock code 1919) was added as of the close of 14th July 2005 (effective 15th July 2005), with 2,244,000,000 shares and a Foreign Inclusion Factor (FIF) of 0.70 (excluding the over-allotment option). China Construction Bank (stock code 939) was added as of the close of November 09, 2005 (effective November 10, 2005), with 220,716,194,000 shares and a Foreign Inclusion Factor (FIF) of 0.10 (excluding the over-allotment option). Subsequently, MSCI increased the number of shares to 224,689,084,000 and the Foreign Inclusion Factor (FIF) to 0.11 as of the close of 30th November 2005 (effective 1st December 2005) .

In view of these changes, the MSCI China Tracker made the necessary rebalancing trades accordingly. As of the close of 31st December 2005, there were 75 stocks in the Benchmark MSCI China (HKD) Index.

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

INTRODUCTION

The iShares FTSE/Xinhua A50 China Tracker (the “A50 China Tracker”) established in the iShares Asia Trust (the “Trust”) was launched on 15th November 2004 and commenced trading under the stock code 2823 on the SEHK on 18th November 2004 (the “First Trading Day”). The A50 China Tracker was established as an index fund authorized by the SFC and obtained the designation of an ETF from the SEHK. The A50 China Tracker is benchmarked against the FTSE/Xinhua China A50 Index (the “A50 Benchmark Index”).

FUND PERFORMANCE

The A50 China Tracker seeks to provide investment results that correspond to the performance of the A50 Benchmark Index subject to RMB vs. HKD fluctuation. As of the close of 30th December 2005, the NAV per unit of the A50 China Tracker stood at HK\$42.53 with a total number of 59,400,000 units outstanding, giving a total size of HK\$2,526,275,310.

A summary of the performance of the A50 China Tracker is given below:

	FTSE/Xinhua China A50 Index	NAV	Total Outstanding Units	Total Net Asset
18th November 2004	4433.56	44.32	3,800,000	168,426,793
31st December 2005	3904.89	42.53	59,400,000	2,526,275,310
Period Return*	(11.92%)	(4.04%)	N/A	N/A

*Performance is calculated from the close of the First Trading Day.

The China domestic A-shares underwent significant volatilities during the period under review. Despite the uncertainties, investors’ interest in the A50 China Tracker grew dramatically, spurred on by the positive reaction to the non-tradable shares conversion program. This was evidenced by the total size of the A50 China Tracker increased by 15 times as a result of substantial creation activities. Whilst the A50 Benchmark Index registered a loss of 11.92%, the A50 China Tracker recorded a more moderate loss of 4.04% thanks to the combined effect of the RMB appreciation in July, the bonus shares received for non-tradable shares conversion, and dividend incomes. As we mentioned in the Letter to Unitholders, the Chinese financial markets underwent two significant events in 2005. The adoption of a new RMB foreign exchange regime and the conversion of non-tradable shares pilot program both asserted substantial impact on the performance of A50 China Tracker.

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

FUND PERFORMANCE (continued)

Figure 2 below depicts the A50 China Tracker's NAV and last traded prices versus the A50 Benchmark Index. It is worth noting that during the period since the sub-fund was launch to June, the sub-fund tracked remarkably well. Last traded prices also corresponded to the NAV tightly. The divergence between the trading prices and the NAVs started from June 2005 when the non-tradable shares program was introduced. The divergence was a direct result of the suspension of various underlying constituent A-shares that were included in the non-tradable shares conversion pilot program. Hence, speculation on of higher prices after resumption of trading plus the difficulties in hedging by the market maker resulted in a higher than usual trading premium. Whilst we would expect the trading band to narrow after the conversion program is completed, the limitation on QFII quotas is likely to cause the A50 China Tracker to trade at premiums if demand remains high.

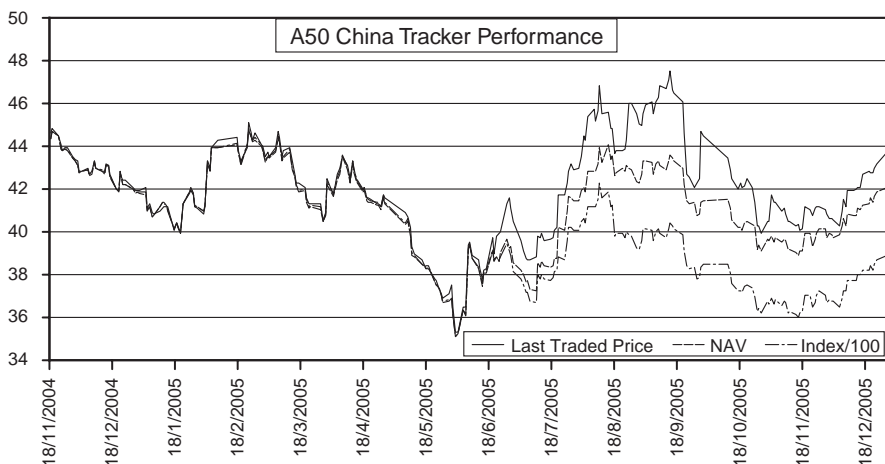


Figure 2

FUND FACTS

On 24th February 2005, we have issued an addendum to the prospectus of the A50 China Tracker. In the addendum, we clarified that the first audited report issued for the A50 China Tracker will be for the period starting from the establishment of the sub-fund up to 31st December 2005. And the first half-yearly unaudited report will be prepared up to the last Dealing Day in June 2005.

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

FUND FACTS (continued)

On 4th November 2005, we further issued a press release regarding the appointment of a new participating dealer, Barclays Capital Asia Limited, in respect of the A50 China Tracker. The issuer of the Chinese A-share Access Products ("CAAP") is Barclays Bank PLC, which has been approved by the CSRC as a Qualified Foreign Institutional Investor ("QFII"). As of November 2005, Barclays Bank PLC's long term obligations were rated AA by Standard & Poor's Rating Services, Aa1 by Moody's Investors Services, Inc. and AA+ by Fitch Ratings Limited. We have updated the prospectus accordingly on the same day.

FUND ACTIVITIES

The trading volume for the A50 China Tracker reflects very strong interest on the domestic A-Shares markets from non-domestic Chinese investors. The average daily trading volume for the first half of 2005 was reported by Bloomberg to be 363,750 units. However, the average daily trading volume surged to 1,052,285 units in the ensuing six months, underscoring the heightened interests and the positive response to the non-tradable shares conversion program. Thanks to the market making activities of Citigroup Global Markets Asia Limited, the A50 China Tracker serves as an efficient trading vehicle to gain access to the A-Shares markets.

As far as the primary market is concerned, the A50 China Tracker experienced spectacular creation activities during the period under review. There were 19 creations with a total of 55,600,000 new units created and no redemption recorded. Details of which are given as follows:

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

FUND ACTIVITIES (continued)

Date of Order	Units Created/(Redeemed)
19th November 2004	1,200,000
7th January 2005	1,200,000
16th February 2005	1,200,000
10th March 2005	2,000,000
9th May 2005	2,000,000
3rd June 2005	2,000,000
22nd June 2005	2,000,000
28th June 2005	4,000,000
12th July 2005	2,000,000
14th July 2005	4,000,000
28th July 2005	4,000,000
9th August 2005	4,000,000
25th August 2005	4,000,000
7th September 2005	2,000,000
12th September 2005	4,000,000
30th September 2005	4,000,000
8th November 2005	4,000,000
24th November 2005	4,000,000
22nd December 2005	4,000,000

INDEX ACTIVITIES

The Benchmark FTSE/Xinhua China A50 Index underwent four regular quarterly reviews during the period under review. In the first review that became effective on 24th January 2005, Shanxi Xishan Coal and Electricity Power (stock sedol 6281519), Shenzhen Chiwan Wharf Holdings (stock sedol 6803463) and Tsingtao Brewing (stock sedol 6902854) were added while BOE Technology Group (stock sedol 6314697), FAW Car (stock sedol 6003531) and Shanghai Lujiazui Fin & Trade (stock sedol 6514475) were deleted. During the second review that became effective on 18th April 2005, two stocks were added including Yantai Wanhua Polyurethane (stock sedol 6314932) and Shanghai Zhenhua Port Machinery (stock sedol 6313854) while Sichuan Changhong Electric (stock sedol 6818207) and Inner Mongolia Mengdian POW (stock sedol 6459446) were deleted. Moreover, following the completion of the equity offer of Baoshan Iron & Steel (stock sedol 6307954), the shares in issue was increased to 17,512,000,000 and the investability weighting was increased to 30% on 16th May 2005. In the third review that became

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

INDEX ACTIVITIES (continued)

effective on 18th July 2005, Anhui Expressway (stock sedol 6579366) was added while TCL (stock sedol 6731133) was deleted. Finally, during the fourth review in October 2005, there was no change in the constituents. Effective from 19 December, the shares in issue of China Vanke (stock sedol 6803708) was changed to 3,003,060,000 and China Minsheng Bank (stock sedol 6310747) was changed to 7,258,592,412. In view of these changes, the A50 China Tracker made the rebalance trades accordingly.

In June, the China Securities Regulatory Commission announced that forty-two stocks would be included in the non-tradable shares conversion pilot program on top of the four announced earlier. Seven stocks out of the forty-two were A50 Benchmark Index constituent stocks including Baoshan Iron & Steel (stock sedol 6307954), China Yangtze Power (stock sedol 6711630), Citic Securities (stock sedol 6579355), Guangzhou Development Industry (Holdings) (stock sedol 6012816), Shanghai Oriental Pearl (Group) (stock sedol 6817129), Shanghai Port Container (stock sedol 6267638) and Shenergy Co (stock sedol 6817958). At times, these affected stocks were suspended from trading. However, their suspension did not have material impact the index calculation and fund valuation at all. The success of the first two batches of conversion led to the expansion of this program to all stocks in the A-Shares market. As of 30th December 2005, there were 17 stocks in the A50 Benchmark Index which had completed the conversion. Besides the seven stocks mentioned above, Angang New Steel (stock sedol 6087331), Beijing Shougang (stock sedol 6242390), China Minsheng Banking (stock sedol 6310747), China Shipping Development (stock sedol 6344627), China Vanke (stock sedol 6803708), Shanghai Automotive (stock sedol 6086874), Shanghai Electric Power (stock sedol 6709828), Shanxi Xishan Coal & Elec (stock sedol 6281519), Wuhan Iron & Steel (stock sedol 6165011) and ZTE Corp (stock sedol 6073062) had completed the conversion with Guangdong Electric Power (stock sedol 6388551) still being suspended.

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Funds of iShares Asia Trust)

MARKET REVIEW

Global equity markets performance was relatively modest during the first half of 2005. Nevertheless, strong recoveries were recorded in many markets in the second half thanks to the expectation that the interest rate hike cycle would come to end soon. The MSCI World Index registered a slight loss of 1.76% in the first half but ended up with a gain of 7.56% for the whole year. In respective local currency terms, the S&P 500 was up 3.0% while the FTSE made a relatively impressive 16.71% gain during the year. The Nikkei 225 was mainly flat in the first half but managed to make a very impressive yearly return of 40.24%. Elsewhere, the Asian markets were equally strong. The emerging Asian markets, as represented by the MSCI EM Asia Index, was up 23.54% whereas the developed Asian markets, as represented by the MSCI Pacific Index registered an equally impressive, but less stellar increase of 20.59%.

On the global economic front, 2005 witnessed distinct economic trends marked by record high energy and commodities prices. The crude oil reached US\$60.26 per barrel and the Gold spot price hit US\$517 per oz at the end of the year, representing significant appreciations of 44.61% and 17.92% respectively from the end of 2004. The US economy was back on an expansionary track evidenced by the Federal Reserve's Open Market Committee raising the US prime interest rate in succession, ending with a rate of 4.25% as of the 13th December 2005, which was 2% higher than the end of last year. In Asia, market sentiment improved dramatically in Japan with continuous price appreciations and better than expected export figures.

In Hong Kong, the property prices recovered strongly in the first half of the year but cooled down substantially in the second half due to interest rate hikes. Unemployment rate shrank to 5.3% at the end of November. Meanwhile, CPI registered a healthy increase of 1.52% since the end of last year, which further supported the view that the economy was on track to recovery. In the equity market, there were a few large China related primary listings like the Bank of Communication IPO. The China related shares outperformed the blue chips Hang Seng Index by a substantial margin. The Red Chips, as measured by the Hang Seng China Affiliated Corporation Index, were the best performer with a impressive gain of 24.28%. The H-shares, as represented by the Hang Seng China Enterprise Index, registered a gain of 12.42% whereas the Hang Seng Index made a relatively modest gain of 4.54% during the period under review. The Chinese shares listed in Hong Kong, as represented by the MSCI China (HKD) Index, was up 15.65% during the same period. In contrast, the local Chinese A shares, as represented by the FTSE/Xinhua A50 Index, registered a loss of 6.65% during the year under review.

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Funds of iShares Asia Trust)

MARKET REVIEW (continued)

In the currency markets, the USD rebounded strongly across the board but showed increasing volatility in the second half of the year. For 2005 as a whole, the Euro lost 12.58%, the GBP lost 10.17% and the JPY retreated 12.84% against the USD in spite of the large trade and budget deficits recorded in the US.

The year 2005 proved to be an eventful year for the Chinese financial markets. Towards the end of the first half of the year, the China Securities Regulatory Commission launched the pilot program for the conversion of non-tradable shares held by local Chinese enterprises into freely floated tradable shares. Under this scheme, existing shareholders of tradable shares were compensated by cash, bonus shares or bonus warrants issued by the non-tradable shares holders. The successful conversion of the first two batches of a total of 46 stocks led to the expansion of the program to cover all other A-shares companies on a voluntary basis. During the year, seventeen constituent stocks in the A50 China Tracker have completed the conversion.

Another milestone reached in 2005 for China was the long-awaited foreign exchange reform. Starting from 21st July 2005, China moved into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. The RMB was no longer pegged to the US dollar. The exchange rate of the US dollar against the RMB was adjusted to RMB8.11 per US dollar at 19:00 hours of 21st July 2005. This represented an appreciation of 2.01% for the RMB against the US dollar. Interest in the A50 China Tracker was significantly enhanced by these two groundbreaking events with creation activities and trading volume both increased dramatically as a consequence.

Looking ahead, we expect to see a continued trend in rising commodity prices and higher volatility in global equity marketplaces. The speculation on further RMB appreciation and the ongoing large current account deficit in the US would continue to weigh on the currency markets. High interest rates cycle would probably slow global economic growth with Asia, including Japan, continue to capture investors' imagination.

Report of the Trustee to the Unitholders of iShares Asia Trust

We hereby confirm that, in our opinion, the Manager of the iShares Asia Trust (the “Trust”) has, in all material respects, managed the Trust in accordance with the provisions of the Trust Deed, as amended, dated 16th November 2001 for the year ended 31st December 2005.

HSBC Institutional Trust Services (Asia) Limited

21 April, 2006

iShares Asia Trust

Statement of Responsibilities of the Manager and the Trustee

MANAGER'S RESPONSIBILITIES

The Manager of the iShares Asia Trust (the "Trust") is required by the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong and the Trust Deed dated 16th November 2001, as amended, to prepare financial statements for each annual accounting year which give a true and fair view of the financial position of the Trust at the end of that year and of the transactions for the year then ended. In preparing these financial statements the Manager is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are prudent and reasonable; and
- prepare the financial statements on the basis that the Trust will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Trust in accordance with the Trust Deed and takes reasonable steps for the prevention and detection of fraud and other irregularities.

iShares Asia Trust (the "Trust") is an umbrella unit trust governed by its Trust Deed. As at 31st December 2005, the Trust has established two sub-funds, namely iShares MSCI China Tracker (the "MSCI China Tracker") and iShares FTSE/Xinhua A50 China Tracker ("A50 China Tracker").

TRUSTEE'S RESPONSIBILITIES

The Trustee of the Trust is required to:

- ensure that the Trust is managed by the Manager in accordance with the Trust Deed and that the investment and borrowing powers are complied with;
- satisfy itself that sufficient accounting and other records have been maintained;
- safeguard the property of the Trust and rights attaching thereto; and
- report to the Unitholders for each annual accounting year on the conduct of the Manager in the management of the Trust.

Report of the Auditors to the Unitholders of iShares Asia Trust (the “Trust”)

We have audited the financial statements on pages 18 to 37 which have been prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16th November 2001, as amended, the relevant disclosure requirements set out in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities & Futures Commission of Hong Kong (the “Code”) and International Financial Reporting Standards.

Respective responsibilities of the Manager and the Auditors

The Manager of the Trust is responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. In addition, the Code requires the financial statements of the Trust to contain the relevant disclosures set out in Appendix E of the Code.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Manager in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust’s circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements of the Trust give a true and fair view of the financial position of the Trust at 31st December 2005 and of its transactions and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16th November 2001, as amended, and the relevant disclosure requirements set out in Appendix E of the Code.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong,

21 April, 2006

iShares Asia Trust

Statement of Assets and Liabilities

As at 31st December 2005

		iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker
	Note	2005 HK\$	2004 HK\$	2005 HK\$
ASSETS				
Bank balances	6(c)	9,491,030	9,799,329	33,538,746
Dividend receivable		—	—	1,173,184
Securities		1,079,183,000	866,940,200	2,498,804,500
Total assets		1,088,674,030	876,739,529	2,533,516,430
LIABILITIES				
Management fee payable		2,474,203	1,957,973	4,943,876
Other accounts payable		2,132	2,332	2,297,244
Liabilities (excluding net assets attributable to unitholders)		2,476,335	1,960,305	7,241,120
Net assets attributable to unitholders (at bid market prices)		1,086,197,695	874,779,224	2,526,275,310
Adjustments from bid market prices to last traded market prices	3	8,018,720	—	—
Net assets attributable to unitholders (at last traded market prices)		1,094,216,415	874,779,224	2,526,275,310

The notes on pages 23 to 37 form part of these financial statements.

iShares Asia Trust

Statement of Operations

For the year/period ended 31st December 2005

		iShares MSCI China Tracker	iShares FTSE/ Xinhua A50 China Tracker 18.11.2004 (Date of inception) to 31.12.2005
	Note	2005 HK\$	2004 HK\$
INCOME			
Dividend income		31,600,538	25,045,842
Interest income		64,341	—
Net gain/(loss) on investments	4	145,918,564	(43,086,167)
		177,583,443	(18,040,325)
EXPENSES			
Management fee	6(a)	(9,655,380)	(9,131,048)
Transaction handling fee	6(b)	(40,182)	(76,295)
Transaction costs on investments		(546,944)	(1,150,674)
Bank charges		(216,466)	(234,580)
Preliminary expense		—	—
Other expenses		—	—
		(10,458,972)	(10,592,597)
OPERATING PROFIT/(LOSS)		167,124,471	(28,632,922)
Adjustments from bid market prices to last traded market prices	3	8,018,720	—
Increase/(decrease) in net assets attributable to unitholders		175,143,191	(28,632,922)
Earnings/(losses) per unit for profit/(loss) attributable to the unitholders (expressed in HK\$ per unit)	8	4.88	(0.75)

The notes on pages 23 to 37 form part of these financial statements.

iShares Asia Trust

Statement of Changes in Net Assets Attributable to Unitholders

For the year/period ended 31st December 2005

		iShares MSCI China Tracker	iShares FTSE/ Xinhua A50 China Tracker 18.11.2004 (Date of inception) to 31.12.2005
	Note	2005 HK\$	2004 HK\$
Balance at the beginning of the year/period		874,779,224	707,946,146
Proceeds on issue of units			
– in-kind	7	80,960,735	464,278,915
– cash component	7	383,265	2,793,085
Payment on redemption of units			
– in-kind	7	(16,520,225)	(247,868,725)
– cash component	7	(179,775)	(3,097,275)
		939,423,224	924,052,146
Amount transferred to the statement of distributions		(20,350,000)	(20,640,000)
Increase/(decrease) in net assets attributable to unitholders		175,143,191	(28,632,922)
Balance at the end of the year/period		1,094,216,415	874,779,224

The notes on pages 23 to 37 form part of these financial statements.

iShares Asia Trust

Statement of Cash Flows

For the year ended 31st December 2005

		iShares MSCI China Tracker	iShares FTSE/ Xinhua A50 China Tracker
			18.11.2004 (Date of inception) to 31.12.2005
	Note	2005 HK\$	2004 HK\$
OPERATING ACTIVITIES			
Purchase of securities	7	(166,588,632)	(273,096,158)
Sale of securities	7	164,706,593	286,294,019
Dividend received		31,600,538	25,045,842
Interest received		64,341	—
Exchange (loss)/gain		(1,686)	3,802
Management fee paid		(9,139,151)	(8,136,332)
Transaction cost paid		(546,944)	(1,150,674)
Other fees paid		(256,848)	(388,875)
Net cash inflow from operating activities		19,838,211	28,571,624
FINANCING ACTIVITIES			
Cash component received on issue of units	7	383,265	2,793,085
Cash component paid on redemption of units	7	(179,775)	(3,097,275)
Final distribution paid		(20,350,000)	(20,640,000)
Net cash (outflow)/inflow from financing activities		(20,146,510)	(20,944,190)
(Decrease)/increase in cash and cash equivalents		(308,299)	7,627,434
Cash and cash equivalents at the beginning of the year/period		9,799,329	2,171,895
Cash and cash equivalents at the end of the year/period		9,491,030	9,799,329
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Bank balances		9,491,030	9,799,329

Please refer to note 7 on page 31 for details of major non-cash transactions.

The notes on pages 23 to 37 form part of these financial statements.

iShares Asia Trust

Statement of Distributions

For the year ended 31st December 2005

	Note	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker 18.11.2004 (Date of inception) to 31.12.2005
		2005 HK\$	2004 HK\$	HK\$
Amount transferred from the statement of operations		20,350,000	20,640,000	19,390,000
Final distribution				
– HK\$0.60 on 34,400,000 units paid on 22nd December 2004	12	—	(20,640,000)	—
– HK\$0.55 on 37,000,000 units paid on 22nd December 2005	12	(20,350,000)	—	—
– HK\$0.35 on 55,400,000 units paid on 22nd December 2005	12	—	—	(19,390,000)
		<u>—</u>	<u>—</u>	<u>—</u>
		<u><u>—</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

iShares Asia Trust

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, as amended, and authorised by the Securities & Futures Commission of Hong Kong (the “SFC”) pursuant to Section 104(1) of the Securities and Futures Ordinance.

As at 31st December 2005 the Trust has established two sub-funds, namely iShares MSCI China Tracker (“MSCI China Tracker”) and iShares FTSE/Xinhua A50 China Tracker (“A50 China Tracker”) (the “Sub-Funds”). MSCI China Tracker and A50 China Tracker began its operation on 28th November 2001 and 18th November 2004 respectively. These financial statements are in respect of both the Sub-Funds.

The Sub-Funds are also listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Sub-Funds have no employees.

MSCI China Tracker

The objective of the MSCI China Tracker is to provide investment results that closely correspond to the performance of the MSCI China (HKD) Index (the “MSCI Benchmark Index”).

A50 China Tracker

The objective of the A50 China Tracker is to provide investment results that closely correspond to the performance of the FTSE/Xinhua China A50 Index (the “A50 Benchmark Index”).

2 PRINCIPAL ACCOUNTING POLICIES

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

iShares Asia Trust

Notes to the Financial Statements (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of Presentation

The financial statements are presented in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention as modified by the fair valuation of securities.

The Sub-Funds have changed certain of its accounting policies following its adoption of new/revised International Accounting Standards ("IFRS") which became effective for accounting periods commencing on or after 1 January 2005. Key changes in accounting policies are as follows:

IAS 32 Financial Instruments: Disclosure and Presentation

IAS 32 has affected the presentation of net assets attributable to unitholders, now classified as a financial liability. Refer to Note 3.

(b) Securities

Securities consist of principally listed securities and are initially recognized at fair value, excluding transaction costs which are expensed as incurred and are subsequently re-measured at fair value based on the bid price quoted on the principal stock exchanges at the close of the business on the valuation day.

Purchases and sales of investments are accounted for on trade dates. Realized and unrealized gains and losses on securities are recognized in the statement of operations as they arise.

Transaction costs on purchase and sale of investments are accounted for in the Statement of Operations.

iShares Asia Trust

Notes to the Financial Statements (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(c) Dividend and 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 recognized when the Sub-Funds' right to receive payment is established.

Interest income on bank balances is recognized 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.

(e) 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.

(f) Segmental Information

In the opinion of the Manager, all activities of the Sub-Funds are in the single business of investment activities conducted mainly in Hong Kong by MSCI China Tracker and in China by A50 China Tracker. Geographical information is provided in the investment portfolio.

iShares Asia Trust

Notes to the Financial Statements (continued)

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(g) Proceeds and payments on allotment and redemption of units

The net asset value per unit is computed for each dealing day. The price at which units are allotted or redeemed is calculated by reference to the net asset value per unit as at the close of business on the relevant dealing day. Units in the Sub-Funds are classified as a financial liability in the Statement of Net Assets and are stated at fair value representing the price at which unitholders can redeem the units from the Sub-Funds.

(h) Preliminary expenses

Preliminary expenses are recognised as an expenses in the Statement of Operations at the year when it was incurred.

(i) Comparative figures

Due to the adoption of the new/revised accounting standards during the year, the accounting and presentations of certain items and balances in the accounts have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform to the current period's presentation.

(j) Use of estimates

The preparation of accounts in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the accounts and accompanying notes. Actual results could differ from those estimates.

iShares Asia Trust

Notes to the Financial Statements (continued)

3 NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT

MSCI China Tracker

In accordance with the provisions of the Trust's Trust Deed dated 16 November 2001, as amended, listed investments and investments with prices quoted in over the counter markets or by market makers are stated at the last traded price on the valuation day for the purpose of determining net asset value per unit for subscriptions and redemptions and for various fee calculation. However, as stated in note 2(b) the accounting policy of the Trust for the purpose of compliance with IAS 39 and for reporting purpose is to value its investments at the relevant bid market prices on the Statement of Net Assets date. As at 31 December 2005, the difference between the valuation stated in the financial statement of investments and the valuation methodology indicated in the Trust's Trust Deed, results in a decrease in value of investment by HK\$8,018,720.

Net assets attributable to unitholders represent a liability in the balance sheet, carried at the redemption amount that would be payable at the balance sheet date if the unitholder exercised the right to redeem the unit to the Sub-Fund.

iShares Asia Trust

Notes to the Financial Statements (continued)

3 NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS PER UNIT (continued)

	iShares MSCI China Tracker Number of units	iShares FTSE/ Xinhua A50 China Tracker Number of units	
	01.01.2005 to 31.12.2005	01.01.2004 to 31.12.2004	18.11.2004 (Date of inception) to 31.12.2005
Units in issue at the beginning of the period	34,400,000	27,600,000	—
Issue of units	3,000,000	18,000,000	59,400,000
Redemption of units	(600,000)	(11,200,000)	—
Units in issue at the end of the period	<u>36,800,000</u>	<u>34,400,000</u>	<u>59,400,000</u>
	HK\$	HK\$	HK\$
Net assets attributable to unitholders	<u>1,094,216,415</u>	<u>874,779,224</u>	<u>2,526,275,310</u>
Net assets attributable to unitholders per unit	<u>29.73</u>	<u>25.43</u>	<u>42.53</u>

iShares Asia Trust

Notes to the Financial Statements (continued)

4 NET GAIN/(LOSS) ON INVESTMENTS

	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker
	01.01.2005 to 31.12.2005	01.01.2004 to 31.12.2004	18.11.2004 to 31.12.2005
	HK\$	HK\$	HK\$
Change in unrealized gain/(loss) in value of investments	120,863,995	(69,405,214)	71,393,590
Realized gain/(loss) on sale of investments	25,056,255	26,315,245	20,213,262
Exchange (loss)/gain	(1,686)	3,802	(22,599)
	<u>145,918,564</u>	<u>(43,086,167)</u>	<u>91,584,253</u>

5 TAXATION

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

iShares Asia Trust

Notes to the Financial Statements (continued)

6 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 Sub-Funds 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 Sub-Funds do 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 each Sub-Fund. The fee is accrued daily and calculated as at each dealing day and payable quarterly in arrears.

Apart from the fees and expenses stated in note 6(b) below, all other fees and expenses of the each Sub-Fund is paid by the Manager.

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

MSCI China Tracker

With effect from 1st December 2005, the Custodian reduced transaction handling fees for the sale and purchase transactions of the securities received from the Sub-Fund from US\$50 to US\$35 each.

A50 China Tracker

With effect from 1st December 2005, the Custodian reduced transaction handling fees for the sale and purchase transactions of the securities received from the Sub-Fund from US\$25 to US\$20 each.

For each Sub-Fund the bank charges stated in the statement of operations are also paid by the Sub-Funds to a Connected Person of the Custodian.

All other fees payable to the Custodian and its Connected Persons are borne by the Manager.

iShares Asia Trust

Notes to the Financial Statements (continued)

6 TRANSACTIONS WITH THE MANAGER AND ITS CONNECTED PERSONS (continued)

(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 31st December 2005 amounted to HK\$9,491,030 (as at 31st December 2004: HK\$9,799,329) for MSCI China Tracker and amounted to HK\$33,538,746 for A50 China Tracker.

7 MAJOR NON-CASH TRANSACTIONS

(a) Subscriptions

In accordance with the Trust Deed of each of the Sub-Funds, units can be issued through either cash subscription or an in kind creation of an Application Unit. In the latter case, for each Application Unit, the Sub-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.

MSCI China Tracker

During the year, all units issued were through in kind creation and the Sub-Fund issued 3,000,000 units (31st December 2004: 18,000,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$80,960,735 (31st December 2004: HK\$464,278,915) by the Manager at the time of issue plus the cash component equal to HK\$383,265 (31st December 2004: HK\$2,793,085).

iShares Asia Trust

Notes to the Financial Statements (continued)

7 MAJOR NON-CASH TRANSACTIONS (continued)

(a) Subscriptions (continued)

A50 China Tracker

During the period, all units issued were through in kind creation and the Sub-Funds issued 59,400,000 units in exchange for Application Baskets consisting of investments valued at a total of HK\$2,421,915,812 by the Manager at the time of issue plus the cash component equal to HK\$24,635,788.

(b) Redemptions

In accordance with the Trust Deed of each of the Sub-Fund, units can only be redeemed in kind and are not redeemable for cash. For each Application Unit redeemed, the Sub-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 was paid by the participating dealers directly to the Trustee and are therefore not reflected in the financial statements.

MSCI China Tracker

During the year, the Sub-Fund redeemed 600,000 units (31st December 2004: 11,200,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$ 16,520,225 (31st December 2004: HK\$247,868,725) by the Manager at the time of redemption plus the cash component equal to HK\$ 179,775 (31st December 2004: HK\$3,097,275).

A50 China Tracker

During the period, the Sub-Fund had no redemptions.

iShares Asia Trust

Notes to the Financial Statements (continued)

8 EARNINGS/LOSSES PER UNIT

Earnings or losses per unit is calculated by dividing the profit or loss attributable to unitholders of the Sub-Funds by the weighted average of outstanding units during the year.

	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker
	01.01.2005 to 31.12.2005	01.01.2004 to 31.12.2004	18.11.2004 to 31.12.2005
Profit/(loss) attributable to unitholders of the Sub-Fund	175,143,191	(28,632,922)	99,113,710
Weighted average number of outstanding units	35,855,890	37,941,530	23,555,340
Earnings/(losses) per unit (HK\$ per unit)	4.88	(0.75)	4.21

9 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 securities for the Sub-Funds will not be retained for their own use but will be credited to the Sub-Funds. 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 Sub-Funds (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.

iShares Asia Trust

Notes to the Financial Statements (continued)

10 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

MSCI China Tracker

Pursuant to the SFC's Guidelines for Regulating Index Tracking Exchange Traded Funds (the "ETF Guidelines"), the Manager is permitted to overweight the holdings of the MSCI China Tracker relative to their respective weightings in the MSCI Benchmark Index, on the condition that the maximum extra weighting in any constituent will not exceed 3%.

The Manager and Trustee hereby confirm that the Sub-Fund has complied with this limit during the year.

The following lists those constituent stocks that each account for more than 10% of net asset value of the Sub-Fund and their respective weightings of the MSCI Benchmark Index as at 31st December 2005:

	Respective weighting in the Index (%)		% of net asset value	
	31.12.2005	31.12.2004	31.12.2005	31.12.2004
China Mobile (Hong Kong) Ltd	18.50	19.27	18.47	19.70
Petrochina Co Ltd	12.32	9.77	12.08	9.95

A50 China Tracker

Pursuant to the ETF Guidelines, the A50 China Tracker is permitted to overweight holdings of Index CAAPs* relative to the respective weightings in the A50 Benchmark Index to which such Index CAAPs are linked, subject to a maximum limit of 2%.

The Manager and Trustee hereby confirm that the Sub-Fund has complied with this limit during the period.

There were no constituent CAAPs that account for more than 10% of the net asset value of the Sub-Fund as at 31st December 2005.

* Index CAAPs means Chinese A Share Access Products (such as a warrant, note or participating certificate) linked to the A Shares of those PRC companies which are at the relevant time the constituent companies of the Index of the A50 China Tracker.

iShares Asia Trust

Notes to the Financial Statements (continued)

11 FINANCIAL INSTRUMENTS

The objective of the Sub-Funds is to provide investment results that closely correspond to the performance of their respective Indexes. The general risk exposures inherent in the Sub-Funds as at 31st December 2005 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 Sub-Funds' 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\$1,079,183,000 (as at 31st December 2004: HK\$866,940,200) for the MSCI China Tracker, and totalling HK\$2,498,804,500 for the A50 China Tracker as at year end.

Details of the market exposures as at 31st December 2005 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 Sub-Funds.

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

The Trust 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 Trust 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.

iShares Asia Trust

Notes to the Financial Statements (continued)

11 FINANCIAL INSTRUMENTS (continued)

(b) Credit Risk (continued)

In addition, the A50 China Tracker may be exposed to counterparty credit risk. As at the date of this Report, two Participating Dealers have been appointed.

(c) Interest Rate Risk

The Sub-Funds are exposed to a minimal interest rate risk as the Sub-Funds invest 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 MSCI China Tracker has no significant currency risk because substantially all its assets and liabilities are denominated in Hong Kong Dollars, the Sub-Fund's reporting currency. As the A50 China Tracker holds CAAPs, Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to the Chinese A shares which are denominated in Chinese Renminbi, the Sub-Fund is exposed to currency risk related to the Hong Kong Dollar against Chinese Renminbi.

(e) Fair Values of Financial Instruments

The Sub-Funds' carrying amounts of securities, other assets and liabilities approximate to their fair values. Other assets and liabilities include bank balances, accruals and other payables which are realized or settled within a short period of time.

iShares Asia Trust

Notes to the Financial Statements (continued)

12 DISTRIBUTION

MSCI China Tracker

The Sub-Fund made a distribution of HK\$20,350,000 with respect to 37,000,000 units, which was equivalent to HK\$0.55 per unit on 22nd December 2005. During 2004, the Sub-Fund made a distribution of HKD\$20,640,000 with respect to 34,400,000 units, which was equivalent to HK\$0.60 per unit on 22nd December 2004.

A50 China Tracker

The Sub-Fund made a distribution of HK\$19,390,000 with respect to 55,400,000 units, which was equivalent to HK\$0.35 per unit on 22nd December 2005. No distribution was made during 2004.

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

Investment Portfolio

As at 31st December 2005

Investments (98.63%)	Holdings	Market value HK\$	% of net assets
Listed Equities (98.63%)			
China (56.43%)			
Air China Ltd	2,576,000	6,311,200	0.58
Aluminum Corp of China Ltd — H	3,312,000	19,375,200	1.77
Angang New Steel Co Ltd — H	1,472,000	6,108,800	0.56
Anhui Conch Cement Co Ltd — H	368,000	3,477,600	0.32
Avichina Industry & Technology Co Ltd	1,472,000	581,440	0.05
Bank of Communications Ltd — H	6,624,000	23,349,600	2.13
Beijing Capital International Airport Co Ltd — H	1,104,000	3,864,000	0.35
BYD Co Ltd — H	92,000	1,090,200	0.10
China Construction Bank — H	26,680,000	71,369,000	6.52
China Cosco Hldgs Co Ltd — H	1,472,000	5,004,800	0.46
China Life Insurance Co — H	7,728,000	52,550,400	4.80
China Petroleum & Chemical Corp — H	19,504,000	74,602,800	6.82
China Shipping Container Lines Company Ltd — H	2,024,000	5,414,200	0.49
China Shipping Development Co Ltd — H	1,840,000	10,396,000	0.95
China Southern Airlines Co Ltd — H	1,472,000	3,238,400	0.30
China Telecom Corp Ltd — H	15,824,000	44,702,800	4.09
Datang Intl Power Gen Co Ltd — H	1,840,000	10,396,000	0.95
Guangshen Railway Co Ltd — H	1,840,000	4,232,000	0.39
Huaneng Power International Inc — H	4,416,000	22,521,600	2.06
Jiangsu Express Co Ltd — H	1,840,000	8,004,000	0.73
Li Ning Co Ltd	368,000	1,987,200	0.18
Maanshan Iron & Steel — H	2,576,000	6,182,400	0.57
Petrochina Co Ltd — H	20,976,000	132,148,800	12.08
PICC Property And Casualty Co Ltd	2,944,000	6,476,800	0.59
Ping An Insurance (Group) Co Of China Ltd — H	1,288,000	18,354,000	1.68
Qingling Motors Co — H	1,104,000	1,313,760	0.12
Shanghai Electric Group Corp — H	3,312,000	8,694,000	0.79
Shanghai Industrial Hldgs Ltd	552,000	8,887,200	0.81
Sinopec Shanghai Petrochemical Co Ltd — H	3,312,000	9,770,400	0.89
Sinopec Yizheng Chemical Fibre Co Ltd — H	2,576,000	4,276,160	0.39
Sinotrans Ltd	1,840,000	5,658,000	0.52
Travelsky Technology Ltd — H	368,000	2,612,800	0.24
Weichai Power Co Ltd — H	184,000	2,392,000	0.22
Weiqiao Textile Co Ltd	552,000	5,796,000	0.53
Yanzhou Coal Mining Co Ltd — H	2,576,000	12,751,200	1.16
Zhejiang Expressway Co Ltd — H	1,840,000	8,786,000	0.80
ZTE Corporation — H	184,000	4,793,200	0.44
		617,469,960	56.43

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

Investment Portfolio (continued)

As at 31st December 2005

	Holdings	Market value HK\$	% of net assets
Hong Kong (42.20%)			
Brilliance China Automotive	2,944,000	3,326,720	0.30
Chaoda Modern Agriculture	1,840,000	5,888,000	0.54
China Everbright Ltd	736,000	2,318,400	0.21
China Mengniu Dairy Co Ltd	1,104,000	7,231,200	0.66
China Merchants Hldgs International Co Ltd	1,104,000	18,492,000	1.69
China Mobile (Hong Kong) Ltd	5,520,000	202,032,000	18.47
China Overseas Land & Inv	4,416,000	14,683,200	1.34
China Resources Enterprise	1,104,000	15,124,800	1.38
China Resources Land Ltd	1,104,000	3,532,800	0.32
China Resources Power Holdings Co Ltd	1,472,000	6,403,200	0.59
China Travel International Inv HK	2,576,000	4,765,600	0.44
Citic Pacific Ltd	1,288,000	27,563,200	2.52
Cnooc Ltd	15,456,000	79,598,400	7.28
Cosco Pacific Ltd	1,104,000	15,511,200	1.42
Denway Motors Ltd	4,784,000	12,199,200	1.11
Global Bio-chem Technology Group Co Ltd	1,104,000	3,726,000	0.34
Gome Electrical Appliances Hldgs Ltd	552,000	2,842,800	0.26
Guangdong Investments Ltd	2,576,000	7,406,000	0.68
Lenovo Group Ltd	4,784,000	17,102,800	1.56
Semiconductor Manufacturing Intl Corp	8,280,000	8,362,800	0.76
Shenzhen Investment Ltd	1,840,000	1,968,800	0.18
TCL Multimedia Technology Holdings Ltd	1,472,000	1,633,920	0.15
		461,713,040	42.20
Total investments		1,079,183,000	98.63
Other net assets		15,033,415	1.37
Net assets attributable to unitholders at 31st December 2005		1,094,216,415	100.00
Total investments, at cost		859,932,373	

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio

For the year ended 31st December 2005

	Holdings			
	2004	Additions	Disposals	2005
Investments				
Listed Equities				
China				
Air China Ltd	—	2,992,000	416,000	2,576,000
Aluminum Corp Of China Ltd — H	3,440,000	300,000	428,000	3,312,000
Angang New Steel Co Ltd — H	1,720,000	150,000	398,000	1,472,000
Anhui Conch Cement Co Ltd — H	688,000	60,000	380,000	368,000
Avichina Industry & Technology Co Ltd	2,064,000	180,000	772,000	1,472,000
Bank Of Communications Ltd — H	—	6,660,000	36,000	6,624,000
Beijing Capital International Airport Co Ltd — H	—	1,110,000	6,000	1,104,000
BYD Co Ltd — H	172,000	15,000	95,000	92,000
China Construction Bank — H	—	26,825,000	145,000	26,680,000
China Cosco Hldgs Co Ltd — H	—	1,480,000	8,000	1,472,000
China Life Insurance Co — H	8,772,000	725,000	1,769,000	7,728,000
China Petroleum & Chemical Corp — H	18,232,000	1,930,000	658,000	19,504,000
China Shipping Container Lines Company Ltd — H	1,720,000	335,000	31,000	2,024,000
China Shipping Development Co Ltd — H	2,064,000	180,000	404,000	1,840,000
China Southern Airlines Co Ltd — H	1,720,000	150,000	398,000	1,472,000
China Telecom Corp Ltd — H	17,888,000	1,496,000	3,560,000	15,824,000
Datang Intl Power Gen Co Ltd — H	2,064,000	180,000	404,000	1,840,000
Guangshen Railway Co Ltd — H	2,064,000	180,000	404,000	1,840,000
Huaneng Power International Inc — H	4,128,000	734,000	446,000	4,416,000
Jiangsu Express Co Ltd — H	2,064,000	180,000	404,000	1,840,000
Li Ning Co Ltd	—	748,000	380,000	368,000
Maanshan Iron & Steel — H	2,752,000	240,000	416,000	2,576,000
Petrochina Co Ltd — H	20,984,000	2,116,000	2,124,000	20,976,000
PICC Property And Casualty Co Ltd	3,440,000	284,000	780,000	2,944,000
Ping An Insurance (Group) Co of China Ltd — H	1,720,000	130,000	562,000	1,288,000
Qingling Motors Co — H	2,064,000	148,000	1,108,000	1,104,000
Shanghai Electric Grp Corp — H	—	3,330,000	18,000	3,312,000
Shanghai Industrial Hldgs Ltd	516,000	45,000	9,000	552,000
Sinopec Shanghai Petrochemical Co Ltd — H	4,128,000	328,000	1,144,000	3,312,000
Sinopec Yizheng Chemical Fibre Co Ltd — H	2,752,000	240,000	416,000	2,576,000
Sinotrans Ltd	1,892,000	165,000	217,000	1,840,000
Travelsky Technology Ltd — H	516,000	45,000	193,000	368,000
Weichai Power Co Ltd — H	—	187,000	3,000	184,000
Weiqiao Textile Co Ltd	774,000	63,500	285,500	552,000
Yanzhou Coal Mining Co Ltd — H	1,376,000	1,381,200	181,200	2,576,000
Zhejiang Expressway Co Ltd — H	2,064,000	180,000	404,000	1,840,000
ZTE Corporation — H	—	186,600	2,600	184,000

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2005

	Holdings			
	2004	Additions	Disposals	2005
Investments (continued)				
Listed Equities (continued)				
Hong Kong				
Beijing Enterprises Hldgs	344,000	30,000	374,000	—
Brilliance China Automotive	3,096,000	270,000	422,000	2,944,000
Chaoda Modern Agriculture	—	1,866,000	26,000	1,840,000
China Everbright Ltd	1,032,000	90,000	386,000	736,000
China Mengniu Dairy Co Ltd	—	1,116,000	12,000	1,104,000
China Merchants Hldgs International	1,376,000	120,000	392,000	1,104,000
China Mobile (Hong Kong) Ltd	6,536,000	529,500	1,545,500	5,520,000
China Overseas Land & Inv	4,472,000	390,000	446,000	4,416,000
China Resources Enterprise	1,376,000	120,000	392,000	1,104,000
China Resources Land Ltd	1,376,000	120,000	392,000	1,104,000
China Resources Power Holdings Co Ltd	—	1,492,000	20,000	1,472,000
China State Construction International Holdings Limited	—	257,111	257,111	—
China Travel International Inv HK	2,752,000	240,000	416,000	2,576,000
Citic Pacific Ltd	1,548,000	127,000	387,000	1,288,000
Cnooc Ltd	16,512,000	1,377,000	2,433,000	15,456,000
Cosco Pacific Ltd	1,376,000	120,000	392,000	1,104,000
Denway Motors Ltd	4,128,000	730,000	74,000	4,784,000
Global Bio-chem Technology Group Co Ltd	—	1,496,000	392,000	1,104,000
Gome Electrical Appliances Hldgs Ltd	—	748,000	196,000	552,000
Guangdong Investments Ltd	—	2,992,000	416,000	2,576,000
Lenovo Group Ltd	4,816,000	420,000	452,000	4,784,000
Semiconductor Manufacturing Intl Corp	7,568,000	845,000	133,000	8,280,000
Shenzhen Investment Ltd	2,064,000	180,000	404,000	1,840,000
TCL Multimedia Technology Holdings Ltd	1,720,000	150,000	398,000	1,472,000

iShares MSCI China Tracker (Sub-Fund of iShares Asia Trust) Performance Record

Net Asset Values

	Net asset value per unit HK\$	Net asset value of the Sub-Fund HK\$
At end of financial period dated		
31st December 2003	25.65	707,946,146
31st December 2004	25.43	874,779,224
31st December 2005	29.73	1,094,216,415

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		
31st December 2002 (since inception)	18.12	13.66
31st December 2003	25.65	13.27
31st December 2004	27.29	19.33
31st December 2005	30.70	23.96

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Investment Portfolio

As at 31st December 2005

Investments (98.91%)	Holdings	Market value HK\$	% of net assets
China (98.91%)			
Listed CAAPs* issued by Barclays Bank Plc			
Angang New Steel Co—A	516,000	1,955,640	0.08
Anhui Conch Cement Co Ltd—A	154,000	1,418,340	0.06
Anhui Expressway Co Ltd—A	218,000	1,257,860	0.05
Baoshan Iron & Steel Co Ltd—A	3,298,000	13,060,080	0.52
Beijing Capital Co Ltd—A	414,000	2,223,180	0.09
Beijing Shougang Co Ltd—A	290,000	684,400	0.03
China Eastern Airlines Corp Ltd—A	206,000	477,920	0.02
China Intl Marine Containers (Group) Ltd—A	380,000	3,081,800	0.12
China Merchants Bank Co Ltd—A	1,934,000	12,222,880	0.48
China Minsheng Banking Corp Ltd—A	900,000	3,510,000	0.14
China Petroleum & Chemical Corp—A	2,194,000	9,829,120	0.39
China Shipping Development Co Ltd—A	327,660	1,733,321	0.07
China Southern Airlines Co Ltd—A	802,000	2,045,100	0.08
China United Telecommunication Corp Ltd—A	3,992,000	10,738,480	0.43
China Vanke Co Ltd—A	1,798,000	7,443,720	0.29
China Yangtze Power Co Ltd—A	2,056,000	13,672,400	0.54
Chongqing Changan Automobile Co Ltd—A	226,000	791,000	0.03
Citic Securities Co Ltd—A	310,000	1,537,600	0.06
GD Power Development Co Ltd—A	426,000	2,551,740	0.10
Guangzhou Development Industry (Holdings) Co Ltd—A	258,000	1,019,100	0.04
Guandong Electric Power Development Co Ltd—A	250,000	1,147,500	0.05
Huaneng Power International Inc—A	338,000	1,865,760	0.07
Huaxia Bank Co Ltd—A	790,000	3,602,400	0.14
Jiangxi Copper Co Ltd—A	188,000	917,440	0.04
Kweichow Moutai Co Ltd—A	88,000	3,857,920	0.15
Maanshan Iron & Steel Co Ltd—A	384,000	1,006,080	0.04
Shandong Infrastructure Co Ltd—A	422,000	1,578,280	0.06
Shanghai Automotives Co Ltd—A	616,000	1,958,880	0.08
Shanghai Electric Power Co Ltd—A	196,000	738,920	0.03
Shanghai Intl Airport Co Ltd—A	484,000	6,708,240	0.27
Shanghai Municipal Raw Water Co Ltd—A	354,000	1,805,400	0.07
Shanghai Oriental Pearl (Group) Co Ltd—A	180,000	2,134,800	0.08
Shanghai Port Container Co Ltd—A	338,000	3,674,060	0.15
Shanghai Pudong Development Bank Co Ltd—A	490,000	4,591,300	0.18
Shanxi Xishan Coal and Electricity Co Ltd—A	304,000	1,647,680	0.07
Shanghai Zhenhua Port Machinery Co Ltd—A	228,000	1,858,200	0.07
Shenergy Company Ltd—A	506,000	2,691,920	0.11
Shenzhen Chiwan Wharf Holdings Ltd—A	58,000	742,400	0.03
Shenzhen Development Bank—A	916,000	5,404,400	0.21

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Investment Portfolio (continued)

As at 31st December 2005

	Holdings	Market value HK\$	% of net assets
China (98.91%) (continued)			
Listed CAAPs* issued by Barclays Bank Plc (continued)			
Shenzhen Energy Investment Co Ltd—A	302,000	1,959,980	0.08
Shenzhen Yantian Port Holdings Co Ltd—A	234,000	2,220,660	0.09
Sinopec Petrochem—A	458,000	1,841,160	0.07
Sinopec Qilu Co Ltd—A	244,000	2,059,360	0.08
Sinopec Yangzi Petrochemical Co Ltd Regs—A	292,000	3,293,760	0.13
Tsingtao Brewery Co Ltd—A	122,000	976,000	0.04
Wuhan Iron & Steel Co Ltd—A	984,000	2,558,400	0.10
Wuhan Iron & Steel Co Ltd—A Call warrant 21/11/2006	241,000	231,360	0.01
Wuhan Iron & Steel Co Ltd—A Put warrant 21/11/2006	241,000	233,770	0.01
Wuliangye Yibin Co Ltd—A	510,000	3,559,800	0.14
Yanzhou Coal Mining Co Ltd—A	184,000	1,046,960	0.04
Yantai Wanhua Polyurethane Co Ltd—A	212,000	2,862,000	0.11
ZTE Corp—A	250,000	6,675,000	0.26
		168,703,471	6.68

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker (Sub-Fund of iShares Asia Trust) Investment Portfolio (continued)

As at 31st December 2005

		Market value HK\$	% of net assets
	Holdings		
China (98.91%) (continued)			
Listed CAAPs* issued by Citigroup			
Angang New Steel Co—A	7,146,600	27,085,614	1.07
Anhui Conch Cement Co Ltd—A	2,132,900	19,644,009	0.78
Anhui Expressway Co Ltd—A	3,019,300	17,421,361	0.69
Baoshan Iron & Steel Co Ltd—A	45,677,300	180,882,108	7.16
Beijing Capital Co Ltd—A	5,733,900	30,791,043	1.22
Beijing Shougang Co Ltd—A	4,016,500	9,478,940	0.38
China Eastern Airlines Corp Ltd—A	2,853,100	6,619,192	0.26
China Intl Marine Containers (Group) Ltd—A	5,263,000	42,682,930	1.69
China Merchants Bank Co Ltd—A	26,785,900	169,286,888	6.70
China Minsheng Banking Corp Ltd—A	12,465,000	48,613,500	1.92
China Petroleum & Chemical Corp—A	30,386,900	136,133,312	5.39
China Shipping Development Co Ltd—A	4,538,091	24,006,501	0.95
China Southern Airlines Co Ltd—A	11,107,700	28,324,635	1.12
China United Telecommunication Corp Ltd—A	55,289,200	148,727,948	5.89
China Vanke Co Ltd—A	24,902,300	103,095,522	4.08
China Yangtze Power Co Ltd—A	28,475,600	189,362,740	7.49
Chongqing Changan Automobile Co Ltd—A	3,130,100	10,955,350	0.43
Citic Securities Co Ltd—A	4,293,500	21,295,760	0.84
Guandong Electric Power Development Co Ltd—A	3,462,500	15,892,875	0.63
GD Power Development Co Ltd—A	5,900,100	35,341,600	1.40
Guangzhou Development Industry (Holdings) Co Ltd—A	3,573,300	14,114,535	0.56
Huaxia Bank Co Ltd—A	10,941,500	49,893,240	1.97
Huaneng Power International Inc—A	4,681,300	25,840,776	1.02
Jiangxi Copper Co Ltd—A	2,603,800	12,706,544	0.50
Kweichow Moutai Co Ltd—A	1,218,800	53,432,192	2.12
Maanshan Iron & Steel Co Ltd—A	5,318,400	13,934,208	0.55
Shandong Infrastructure Co Ltd—A	5,844,700	21,859,178	0.87
Shanghai Automotives Co Ltd—A	8,531,600	27,130,488	1.07
Shanghai Electric Power Co Ltd—A	2,714,600	10,234,042	0.41
Shanghai Intl Airport Co Ltd—A	6,703,400	92,909,124	3.68
Shanghai Municipal Raw Water Co Ltd—A	4,902,900	25,004,790	0.99
Shanghai Oriental Pearl (Group) Co Ltd—A	2,493,000	29,566,980	1.17
Shanghai Port Container Co Ltd—A	4,681,300	50,885,731	2.01
Shanghai Pudong Development Bank Co Ltd —A	6,786,500	63,589,505	2.52
Shanghai Zhenhua Port Machinery Co Ltd—A	3,157,800	25,736,070	1.02
Shanxi Xishan Coal and Electricity Co Ltd—A	4,210,400	22,820,368	0.90
Shenergy Company Ltd—A	7,008,100	37,283,092	1.48

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Investment Portfolio (continued)

As at 31st December 2005

	Holdings	Market value HK\$	% of net assets
China (98.91%) (continued)			
Listed CAAPs* issued by Citigroup (continued)			
Shenzhen Chiwan Wharf Holdings Ltd—A	803,300	10,282,240	0.41
Shenzen Development Bank—A	12,686,600	74,850,940	2.96
Shenzhen Energy Investment Co Ltd—A	4,182,700	27,145,723	1.07
Shenzhen Yantian Port Holdings Co Ltd—A	3,240,900	30,756,141	1.22
Sinopec Qilu Co Ltd—A	3,379,400	28,522,136	1.13
Sinopec Shanghai Petrochemical Co Ltd—A	6,343,300	25,500,066	1.01
Sinopec Yangzi Petrochemical Co Ltd—A	4,044,200	45,618,576	1.81
Tsingtao Brewery Co Ltd—A	1,689,700	13,517,600	0.54
Wuhan Iron & Steel Co Ltd—A	13,628,400	35,433,840	1.40
Wuliangye Yibin Co Ltd—A	7,063,500	49,303,230	1.95
Yanzhou Coal Mining Co Ltd—A	2,548,400	14,500,396	0.57
Yantai Wanhua Polyurethane Co Ltd—A	2,936,200	39,638,700	1.57
ZTE Corp—A	3,462,500	92,448,750	3.66
		<u>2,330,101,029</u>	<u>92.23</u>
Total investments		2,498,804,500	98.91
Other net assets		<u>27,470,810</u>	<u>1.09</u>
Net assets attributable to unitholders at 31st December 2005		<u><u>2,526,275,310</u></u>	<u><u>100.00</u></u>
Total investments, at cost		<u><u>2,427,410,910</u></u>	

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio

For the year ended 31st December 2005

	Additions	Holdings Disposals	2005
Investments			
China			
Listed CAAPs* issued by Barclays Bank Plc			
Angang New Steel Co—A	630,000	114,000	516,000
Anhui Conch Cement—A	154,000	—	154,000
Anhui Expressway Co Ltd—A	218,000	—	218,000
Baoshan Iron & Steel Co—A	3,298,000	—	3,298,000
Beijing Capital Co Ltd—A	414,000	—	414,000
Beijing Shougang Co Ltd—A	352,160	62,160	290,000
China Eastern Airlines Co Ltd—A	206,000	—	206,000
China Intl Marine Containers (Group) Ltd—A	430,000	50,000	380,000
China Merchants Bank Co Ltd—A	1,934,000	—	1,934,000
China Minsheng Banking Corp Ltd—A	1,148,000	248,000	900,000
China Petroleum & Chemical Corp—A	2,194,000	—	2,194,000
China Shipping Development Co Ltd—A	327,660	—	327,660
China Southern Airlines Co Ltd—A	802,000	—	802,000
China United Telecommunication Corp Ltd—A	3,992,000	—	3,992,000
China Vanke Co Ltd—A	1,798,000	—	1,798,000
China Yangtze Power Co Ltd—A	2,056,000	—	2,056,000
Chongqing Changan Automobile Co Ltd—A	226,000	—	226,000
Citic Securities Co Ltd—A	310,000	—	310,000
GD Power Development Co Ltd—A	426,000	—	426,000
Guangzhou Development Industry (Holdings) Co Ltd—A	258,000	—	258,000
Guandong Electric Power Development Co Ltd—A	250,000	—	250,000
Huaneng Power International—A	338,000	—	338,000
Huaxia Bank Co Ltd—A	790,000	—	790,000
Jiangxi Copper Co Ltd—A	188,000	—	188,000
Kweichow Moutai Co Ltd—A	88,000	—	88,000
Maanshan Iron & Steel Co Ltd—A	384,000	—	384,000
Shandong Infrastructure Co Ltd—A	422,000	—	422,000
Shanghai Automotives Co Ltd—A	808,000	192,000	616,000
Shanghai Electric Power Co Ltd—A	253,440	57,440	196,000
Shanghai Intl Airport Co Ltd—A	484,000	—	484,000
Shanghai Municipal Raw Water Co Ltd—A	354,000	—	354,000
Shanghai Oriental Pearl (Group) Co Ltd—A	180,000	—	180,000
Shanghai Port Container Co Ltd—A	338,000	—	338,000
Shanghai Pudong Development Bank Co Ltd—A	490,000	—	490,000
Shanxi Xishan Coal and Electricity Co Ltd—A	382,000	78,000	304,000
Shanghai Zhenhua Port Machinery Co Ltd—A	228,000	—	228,000

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iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2005

	Additions	Holdings Disposals	2005
China (continued)			
Listed CAAPs* issued by Barclays Bank Plc (continued)			
Shenergy Company Ltd—A	506,000	—	506,000
Shenzhen Chiwan Wharf Holdings Ltd—A	58,000	—	58,000
Shenzen Development Bank—A	916,000	—	916,000
Shenzhen Energy Investment Co Ltd—A	302,000	—	302,000
Shenzhen Yantian Port Holdings Co Ltd—A	234,000	—	234,000
Sinopec Petrochem—A	458,000	—	458,000
Sinopec Qilu Co Ltd—A	244,000	—	244,000
Sinopec Yangzi Petrochemical Co Ltd—A	292,000	—	292,000
Tsingtao Brewery Co Ltd—A	122,000	—	122,000
Wuhan Iron & Steel Co Ltd—A	1,205,000	221,000	984,000
Wuhan Iron & Steel Co Ltd—A Call warrant 21/11/2006	241,000	—	241,000
Wuhan Iron & Steel Co Ltd—A Put warrant 21/11/2006	241,000	—	241,000
Wuliangye Yibin Co Ltd—A	510,000	—	510,000
Yanzhou Coal Mining Co Ltd—A	184,000	—	184,000
Yantai Wanhua Polyurethane Co Ltd—A	212,000	—	212,000
ZTE Corp—A	250,000	—	250,000

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2005

	Additions	Holdings Disposals	2005
Investments			
China			
Listed CAAPs* issued by Citigroup			
Angang New Steel Co—A	971,460	971,460	—
Angang New Steel Co—A	8,726,100	1,579,500	7,146,600
Anhui Conch Cement Co Ltd—A	2,169,200	36,300	2,132,900
Anhui Expressway Co Ltd—A	3,019,300	—	3,019,300
Baoshan Iron & Steel Co Ltd—A	51,632,010	5,954,710	45,677,300
Baoshan Iron & Steel Co Ltd—A	2,697,500	2,697,050	—
Beijing Capital Co Ltd—A	5,781,600	47,700	5,733,900
Beijing Shougang Co Ltd—A	4,881,996	865,496	4,016,500
Boe Technology Group Co Ltd—A	151,900	151,900	—
China Eastern Airlines Corp Ltd—A	2,900,800	47,700	2,853,100
China Intl Marine Containers (Group) Ltd—A	5,990,500	727,500	5,263,000
China Merchants Bank Co Ltd—A	27,080,400	294,500	26,785,900
China Minsheng Banking Corp Ltd—A	9,224,820	9,224,820	—
China Minsheng Banking Corp Ltd—A	15,649,973	3,184,973	12,465,000
China Petroleum & Chemical Corp—A	30,890,400	503,500	30,386,900
China Shipping Development Co Ltd—A	4,596,191	58,100	4,538,091
China Southern Airlines Co Ltd—A	11,290,200	182,500	11,107,700
China United Telecommunication Corp Ltd—A	56,197,700	908,500	55,289,200
China Vanke Co Ltd—A	25,173,500	271,200	24,902,300
China Yangtze Power Co Ltd—A	28,699,100	223,500	28,475,600
China Vanke Co Ltd—A	18,113,360	18,113,360	—
Chongqing Changan Automobile Co Ltd—A	3,182,500	52,400	3,130,100
Citic Securities Co Ltd—A	5,254,540	961,040	4,293,500
Faw Car Company Ltd—A	663,400	663,400	—
Guandong Electric Power Development Co Ltd—A	3,519,000	56,500	3,462,500
GD Power Development Co Ltd—A	5,998,600	98,500	5,900,100
Guangzhou Development Industry (Holdings) Co Ltd—A	4,215,876	642,576	3,573,300
Huaxia Bank Co Ltd—A	11,123,000	181,500	10,941,500
Huaneng Power International—A	4,753,900	72,600	4,681,300
Inner Mongolia—A	609,400	609,400	—
Jiangxi Copper Co Ltd—A	2,645,800	42,000	2,603,800
Kweichow Moutai Co Ltd—A	1,238,840	20,040	1,218,800
Maanshan Iron & Steel Co Ltd—A	5,405,500	87,100	5,318,400
Shandong Infrastructure Co Ltd—A	5,939,100	94,400	5,844,700
Shanghai Automotives Co Ltd—A	11,157,016	2,625,416	8,531,600

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2005

	Additions	Holdings Disposals	2005
China (continued)			
Listed CAAPs* issued by Citigroup (continued)			
Shanghai Electric Power Co Ltd—A	3,498,364	783,764	2,714,600
Shanghai Intl Airport Co Ltd—A	6,816,400	113,000	6,703,400
Shanghai Lujiazui Finance & Trade Zone Development Co Ltd—A	164,300	164,300	—
Shanghai Municipal Raw Water Co Ltd—A	4,985,900	83,000	4,902,900
Shanghai Oriental Pearl (Group) Co Ltd—A	3,122,440	629,440	2,493,000
Shanghai Port Container Co Ltd—A	5,369,484	688,184	4,681,300
Shanghai Pudong Development Bank Co Ltd —A	6,899,500	113,000	6,786,500
Shanghai Zhenhua Port Machinery Co Ltd—A	3,180,600	22,800	3,157,800
Shanxi Xishan Coal and Electricity Co Ltd—A	5,250,664	1,040,264	4,210,400
Shenergy Company Ltd—A	8,448,012	1,439,912	7,008,100
Shenzhen Chiwan Wharf Holdings Ltd—A	814,700	11,400	803,300
Shenzhen Development Bank—A	12,898,700	212,100	12,686,600
Shenzhen Energy Investment Co Ltd—A	4,249,600	66,900	4,182,700
Shenzhen Yantian Port Holdings Co Ltd—A	3,297,400	56,500	3,240,900
Sichuan Changhong Electric Co Ltd—A	1,666,800	1,666,800	—
Sinopec Qilu Co Ltd—A	3,435,900	56,500	3,379,400
Sinopec Shanghai Petrochemical Co Ltd —A	6,447,500	104,200	6,343,300
Sinopec Yangzi Petrochemical Co Ltd Regs—A	4,112,100	67,900	4,044,200
TCL Corp A Sha—A	4,108,600	4,108,600	—
Tsingtao Brewery Co Ltd—A	1,712,500	22,800	1,689,700
Wuhan Iron & Steel Co Ltd—A Call warrant 21/11/2006	2,855,850	2,855,850	—
Wuhan Iron & Steel Co Ltd—A Put warrant 21/11/2006	2,855,850	2,855,850	—
Wuhan Iron & Steel Co Ltd—A	16,690,750	3,062,350	13,628,400
Wuliangye Yibin Co Ltd—A	7,181,200	117,700	7,063,500
Yanzhou Coal Mining Co Ltd—A	2,575,900	27,500	2,548,400
Yantai Wanhua Polyurethane Co Ltd—A	2,976,100	39,900	2,936,200
ZTE Corp—A	3,510,200	47,700	3,462,500

* CAAP - Chinese A Share Access Product, being a Security (such as a warrant, note or participating certificate) linked to an A Share.

iShares FTSE/Xinhua A50 China Tracker (Sub-Fund of iShares Asia Trust) Performance Record

Net Asset Values

	Net asset value per unit HK\$	Net asset value of the Sub-Fund HK\$
At end of financial period dated		
31st December 2004	41.79 *	208,929,323 *
31st December 2005	42.53	2,526,275,310

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		
31st December 2004 (since inception)	44.70 *	41.79 *
31st December 2005	44.75	35.14

* These are unaudited figures

iShares Asia Trust

Management and Administration

Directors of the Manager

Francis Sean Ryan
Nigel Grenville Williams
Robert J. Haber
Joseph Ho

Manager

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