



**iShares MSCI China Tracker and  
iShares FTSE/Xinhua A50 China Tracker  
(Sub-Funds of iShares Asia Trust)**

**Annual Report**

**For the period ended 31st December 2006**

# **iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker**

## **(Sub-Funds of 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 1 January 2006 to 31 December 2006 (the "Period"). 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 first two sub-funds established under the Trust, the portfolio manager's discussion and analysis, as well as other important financial information. The third sub-fund of the Trust, the iShares BSE SENSEX India Tracker, was launched and started trading in Hong Kong on 2 November 2006, as such the first published accounts for this sub-fund will be covered in the Trust's 2007 Semi-Annual Report.

On 11 December 2006, China celebrated its fifth anniversary of entering the World Trade Organization ("WTO"). Over the last five years, China has made significant inroads in its promise to gradually open up the capital markets. Many notable reforms have been made in the financial sector, including in foreign exchange rate, exchange control, foreign ownership and direct access to China's capital markets. Year 2006 also marked the first time that China's foreign reserve surpassed US\$1 trillion. It is expected that China's new found confidence and international pressure will see continuing financial reforms in the years ahead.

Despite the ongoing reforms, direct access to China's domestic equity markets remains a challenge for foreign capital and the Qualified Foreign Institutional Investor ("QFII") program remains the sole channel. The remarkable performance of the A-shares markets in the past year and a strengthening Renminbi ("RMB") have sustained a very high demand for the QFII quota. However, with the overall approved QFII quota rapidly approaching US\$10 billion and a relatively lackluster response to the Qualified Domestic Institutional Investor ("QDII") program which was designed to help balance the capital flows, many perceive a serious bottleneck developing.

The first two sub-funds of the Trust continue to provide an easy and efficient way for foreign investors to gain exposure to the Chinese economy. The MSCI China Tracker, investing primarily in Red Chips and H-share companies listed in Hong Kong, was launched on 23 November 2001 and first traded on the Stock Exchange of Hong Kong ("SEHK") on 28 November 2001. The A50 China Tracker was the world's first exchange traded fund ("ETF") to provide exposure to the Chinese domestic A-share markets. Launched on 15 November 2004, it was first traded on the SEHK on 18 November 2004. The MSCI China Tracker and the A50 China Tracker together made up an efficient platform for investing into Chinese companies listed within and outside of China.

In 2005, the China Securities Regulatory Commission ("CSRC") launched a pilot program for the conversion of non-tradable shares into tradable shares. Under this system, existing shareholders of the free-floating tradable shares are compensated with cash, bonus shares or bonus warrants by the non-tradable shareholders. By the end of 2006, 1,303 listed companies which accounted for more than 98% of the total market value, have completed the reform

# iShares Asia Trust

## Letter to the Unitholders (continued)

exercise or were in the midst of completing their non-tradable share reform.<sup>1</sup> This share reform program was credited with lifting the overall A-shares markets as investors were happy to see the overhang of the non-tradable shares removed once and for all in a systematic and beneficial manner. Market liquidity has also greatly expanded reflecting the bullishness among investors.

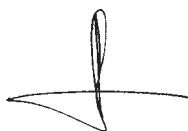
Throughout 2006, the Chinese currency continued its gradual appreciation against the US currency. As of 31 December 2006, Renminbi has appreciated 3.4% against the US Dollar ("USD") from a year ago which made a total appreciation of 6.8% since the implementation of the currency reform in July 2005. RMB is now pegged to a basket of foreign currencies including the US Dollar, British Pound Sterling, Japanese Yen and the Euro. In comparison, the Hong Kong Dollar ("HKD") remains closely pegged to the USD at around HKD7.8 per USD throughout 2006. Given the widening trade surplus registered against the United States, the RMB will likely to continue to be under pressure for further appreciation.

Both the MSCI China Tracker and the A50 China Tracker saw growth in assets in 2006, riding on similarly strong showings in 2005. The total number of outstanding units in the MSCI China Tracker closed the year at 42.4 million shares, representing a 15% rise from the previous year. Assets under management ("AUM") for the MSCI China Tracker grew by 104% to HK\$2.2 billion as at year end 2006. The A50 China Tracker more than quadrupled its AUM to HK\$14.1 billion as at year end 2006 from HK\$2.5 billion at the end of 2005. Both the surging underlying A-shares' prices and strong creation activities contributed to the AUM growth. Total number of outstanding units in the A50 China Tracker stood at 134.2 million shares as at the end of 2006, representing a strong 126% increase over 2005.

The increase in units and assets in both the MSCI China Tracker and A50 China Tracker reflects continuous interests from investors utilising these funds as viable investment vehicles to gain exposure to China's economic growth.

On behalf of the Manager, we thank you for your continued support and confidence in the Trust. This period has been an exciting time for iShares, and we look forward to building on this success in the years to come.

On behalf of the Directors of  
Barclays Global Investors North Asia Limited



**Joseph Ho**  
Director

<sup>1</sup> JP Morgan Worldwide Securities Service, 5 Jan, 2007

# Report of the Manager to the Unitholders

## iShares MSCI China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### INTRODUCTION

The iShares MSCI China Tracker (the “MSCI China Tracker”), a sub-fund of the iShares Asia Trust (the “Trust”), was launched on 23 November 2001 and commenced trading under the stock code 2801 on the Stock Exchange of Hong Kong (the “SEHK”) on 28 November 2001. The MSCI China Tracker is a Hong Kong unit trust authorized under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The MSCI China Tracker is benchmarked against the MSCI China Index. The manager of the MSCI China Tracker is Barclays Global Investors North Asia Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited is the Trustee.

#### FUND PERFORMANCE

The MSCI China Tracker seeks to provide investment results that closely correspond to the performance of the MSCI China Index before fees and taxes. As at 31 December 2006, the NAV per-unit of the MSCI China Tracker was HK\$52.56 with a total of 42,400,000 units outstanding, aggregating to a total AUM size of HK\$2,228,703,612.

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

Total Return (as of 31 December 2006)	1-Month	3-Month	1-Year	Since Inception
MSCI China Index	14.49%	35.42%	78.68%	216.78%
<b>iShares MSCI China Tracker (NAV)</b>	<b>12.86%</b>	<b>32.45%</b>	<b>76.82%</b>	<b>218.8%</b>
iShares MSCI China Tracker (MKT)	11.15%	34.65%	76.76%	220.3%

The MSCI China Tracker consists of H-shares and red chips which are China related stocks listed in Hong Kong. The MSCI China Index registered a strong gain of 78.68% as at year end 2006, while the MSCI China Tracker recorded a slight underperformance of 1.86% to the MSCI China Index. Nonetheless, despite the slight underperformance, the MSCI China Tracker managed a one-year return of 76.82% and total fund assets rose by 104%, with the help of moderate net creation activities and strong market movements. Figure 1 below depicts the close tracking of the MSCI China Tracker’s NAV and traded price on the secondary market to the MSCI China Index.

# Report of the Manager to the Unitholders (continued)

## iShares MSCI China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### FUND PERFORMANCE (continued)

Please note that past performance figures shown are not indicative of the future performance of the MSCI China Tracker.

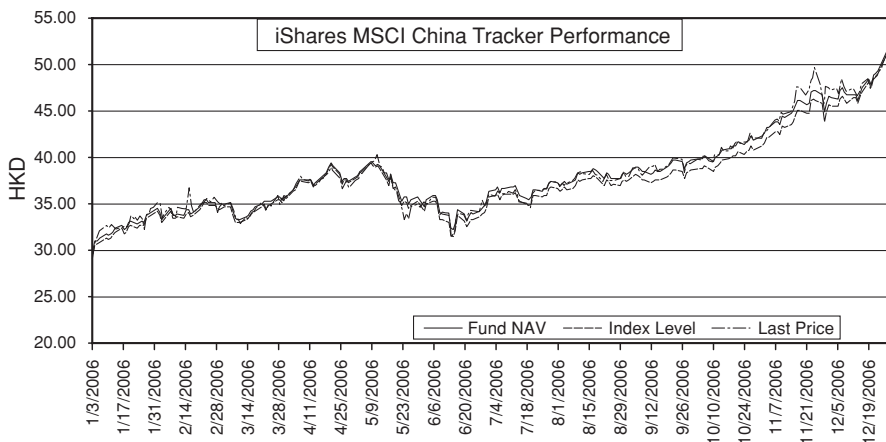


Figure 1

Source: BGI

#### FUND ACTIVITIES

The average daily trading volume for the MSCI China Tracker during the Period was reported by Bloomberg to be 244,906 units, more than doubled the previous twelve-month period of 115,609 units.

As far as the primary market was concerned, the MSCI China Tracker experienced both creation and redemption activities during the Period. There were 26 creations with a total of 15,200,000 new units created and 9 redemptions with a total of 9,600,000 units redeemed. As a result, there was a net creation of 5,600,000 units, details of which are provided as follows:

# Report of the Manager to the Unitholders (continued)

## iShares MSCI China Tracker

(a Sub-Fund of iShares Asia Trust)

### FUND ACTIVITIES (continued)

Date of Order	Units Created/(Redeemed)	
9-Jan-06		200,000
12-Jan-06		200,000
23-Jan-06		600,000
27-Jan-06		400,000
3-Feb-06		3,000,000
6-Feb-06		200,000
16-Feb-06		400,000
28-Feb-06		200,000
1-Mar-06		200,000
7-Mar-06		200,000
20-Mar-06		(600,000)
6-Apr-06		200,000
3-May-06		(200,000)
5-Jun-06		(400,000)
15-Jun-06		(400,000)
16-Jun-06		(400,000)
20-Jun-06		(200,000)
21-Jun-06		600,000
23-Jun-06		200,000
27-Jun-06		600,000
26-Oct-06		200,000
7-Nov-06		1,000,000
16-Nov-06		200,000
20-Nov-06		200,000
21-Nov-06		600,000
24-Nov-06		400,000
27-Nov-06		1,600,000
28-Nov-06		200,000
29-Nov-06		600,000
30-Nov-06		1,400,000
1-Dec-06		1,400,000
4-Dec-06		(7,000,000)
6-Dec-06		200,000
22-Dec-06		(200,000)
27-Dec-06		(200,000)
	<b>Total</b>	<b>Total</b>
	<b>Outstanding Units</b>	<b>Net Asset (HK\$)</b>
<b>31 December 2005</b>	36,800,000	1,094,216,415
<b>31 December 2006</b>	42,400,000	2,228,703,612

# Report of the Manager to the Unitholders (continued)

## iShares MSCI China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### INDEX ACTIVITIES

The MSCI China Index underwent four regular reviews and one ad-hoc index change during the course of 2006. In the first review on 28 February 2006, the following index changes were made:

Bloomberg Code	Security Name	Index	Fund
489 HK	Dongfeng Motor Group (H)	Addition	Added
3383 HK	Agile Property Hldgs	Addition	Added

In the second review on 28 May 2006, the following index changes were made:

Bloomberg Code	Security Name	Index	Fund
754 HK	Hopson Development	Addition	Not Added
2777 HK	Guangzhou R&F Property (H)	Addition	Added
297 HK	Sinochem Hong Kong	Addition	Not Added
2626 HK	Hunan Nonferrous Metal (H)	Addition	Not Added
2688 HK	Xinao Gas Holdings	Addition	Not Added
1175 HK	Fu Ji Food & Catering	Addition	Not Added
2357 HK	AviChina Ind & Tech (H)	Deletion	Deleted
1093 HK	China Pharmaceutical Grp	Deletion	No Holdings
1122 HK	Qingling Motors Co (H)	Deletion	Deleted
861 HK	Digital China Holdings	Deletion	No Holdings

On 30 November 2006, Industrial and Commercial Bank of China (ICBC) was included in the MSCI China Index and the MSCI China Tracker also added this stock to its portfolio.

Bloomberg Code	Security Name	Changes	Manager's Action
1398 HK	ICBC (H)	Addition	Added

The following index changes were announced for the August 2006 and November 2006 rebalances. It was the Manager's decision, after carefully analyzing the impact to the overall tracking of the MSCI China Tracker, not to make the two additions to save transaction costs.

Bloomberg Code	Security Name	Changes	Manager's Action
2689 HK	Nine Dragons Paper	Addition	Not Added
813 HK	Shimao Property Holdings	Addition	Not Added

As at 31 December 2006, the MSCI China Tracker held 63 stocks versus 82 constituents in the MSCI China Index.



# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### INTRODUCTION

The iShares FTSE/Xinhua A50 China Tracker (the “A50 China Tracker”), a sub-fund of the iShares Asia Trust (the “Trust”), was launched on 15 November 2004 and commenced trading under the stock code 2823 on the SEHK on 18 November 2004. The A50 China Tracker is a Hong Kong unit trust authorized under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The A50 China Tracker is benchmarked against the FTSE/Xinhua China A50 Index (the “A50 Index”). The manager of the A50 China Tracker is Barclays Global Investors North Asia Limited (the “Manager”) and HSBC Institutional Trust Services (Asia) Limited is the Trustee.

The A50 China Tracker presently replicates holding A Shares directly by holding Chinese A Share Access Products, or CAAPs, issued by connected persons of the participating dealers. This is because currently under PRC law, A Shares may not be held directly by non PRC persons, such as the A50 China Tracker, unless the person is a qualified foreign institutional investor (“QFII”). In view of current PRC law, the QFII may be liable for any income or other tax levied on dividend, transfers or disposals of A Shares by the QFIIs even when on behalf of third parties. However, under arrangements with the participating dealers and the terms of the CAAPs, such liability may be passed on and borne by the A50 China Tracker notwithstanding the fact that the A50 China Tracker owns CAAPs and not the A Shares directly.

In light of recent market reports that the PRC State Administration of Taxation (the “SAT”) may levy income tax on QFIIs, the Manager has had cause to assess the likelihood and materiality of any adverse change in taxation imposed on QFIIs which may have a subsequent impact on the net asset value of the A50 China Tracker. In this regard, the Manager has considered (i) the current position of the SAT and PRC income tax on QFIIs, (ii) the possible implications for the A50 China Tracker should an income tax ruling for QFIIs be enacted in the PRC, and (iii) the independent advice of tax counsel. Accordingly the Manager has concluded as follows:

- The Manager believes, having also considered current market practice, there are at present insufficient grounds to reasonably justify making an adjustment to the A50 China Tracker’s financial statements for any tax exposure which may arise if income tax is to be levied on QFIIs. However, while there is no existing tax regulation or pending tax ruling in the PRC pertaining to any income tax to be levied on QFIIs, should retrospective income tax apply, the A50 China Tracker may potentially be exposed (through the CAAPs and arrangements with the participating dealers) to a tax charge, from 18 November 2004 (date of inception) to the year ended 31 December 2006, of approximately HK\$63,720,000 representing 0.45% of the A50 China Tracker’s net asset value as at 31 December 2006.

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### INTRODUCTION (continued)

- Until such time as the SAT officially makes a ruling on the tax position for QFIs, the Manager will reserve its decision not make any provision for the estimated retrospective tax exposure or prospective tax exposure.

The Manager will continue to monitor the progress of any income or other tax applicable to QFIs which may affect the A50 China Tracker. Unitholders will be informed of any actual impact on the A50 China Tracker accordingly.

We remind unitholders to carefully consider the risks associated with investing in the A50 China Tracker, including any potential adverse tax change imposed on QFIs which may have subsequent impact on the A50 China Tracker. Please refer to the A50 China Tracker's prospectus for more details on the risk factors associated with investing in the A50 China Tracker.

#### FUND PERFORMANCE

The A50 China Tracker seeks to provide investment results that correspond to the performance of the A50 Index subject to the Renminbi Yuan ("RMB") versus Hong Kong dollar ("HKD") fluctuations (as the A50 Index is quoted in RMB and the A50 China Tracker in HKD). As of 31 December 2006, the NAV per unit of the A50 China Tracker stood at HK\$105.33 with a total number of 134,200,000 units outstanding, aggregating a total AUM size of HK\$14,135,633,054.

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

Total Return (as of 31 December 2006)	1-Month	3-Month	1-Year	Since Inception
FTSE/Xinhua China A50 Index	27.05%	67.21%	135.79%	107.68%
<b>iShares FTSE/Xinhua A50 China Tracker (NAV)</b>	<b>26.13%</b>	<b>66.20%</b>	<b>147.68%</b>	<b>137.68%</b>
iShares FTSE/Xinhua A50 China Tracker (MKT)	40.43%	83.24%	159.14%	157.4%

Please note that past performance figures shown are not indicative of the future performance of the A50 China Tracker.

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### FUND PERFORMANCE (continued)

In 2006, Chinese domestic A-shares demonstrated strong resilience against broad world market volatility. In May 2006, the A50 China Tracker was able to squeeze out a small gain despite most other emerging market indices were down by double digits. As a result, investor interests in the A50 China Tracker grew, spurred on by the positive reaction to the non-tradable shares conversion program. This was evidenced by the total number of outstanding units of the A50 China Tracker which more than doubled as a result of substantial creation activities over the Period. While the A50 Index registered a remarkable gain of 135.79% over the Period, the A50 China Tracker recorded an even stronger gain of 147.68%, reaping the benefits of the combined effects of the RMB appreciation, dividend incomes and some of the bonus shares received for non-tradable shares conversion that is not reflected in the A50 Index. As mentioned in the Letter to the Unitholders, the Chinese financial market is currently undergoing two significant events: the adoption of a new RMB foreign exchange regime and the conversion of non-tradable shares pilot program, both of which have asserted favorable impact on the performance of A50 China Tracker in the course of 2006.

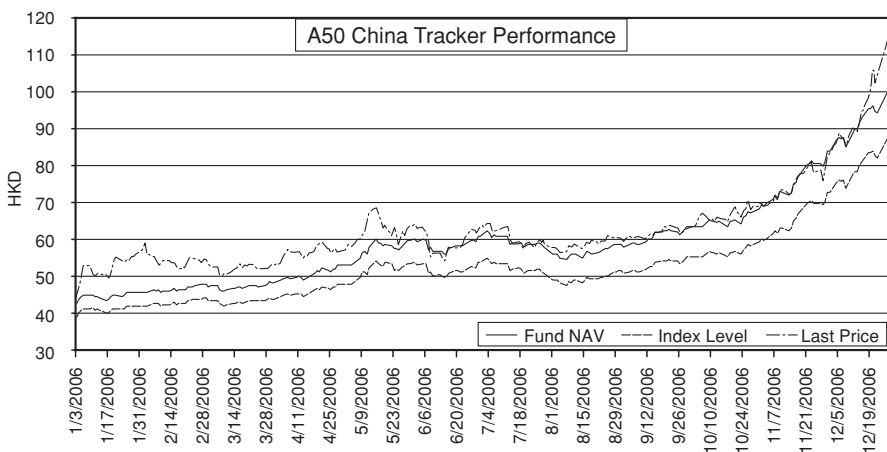


Figure 2

Source: BGI

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### FUND PERFORMANCE (continued)

Figure 2 above depicts the A50 China Tracker's NAV and last traded prices versus the A50 Index over the Period. The divergence between the trading prices and the NAV started from June 2005 when the non-tradable shares program was introduced. It was a direct result of the suspension of various underlying constituent A-shares that were included in the non-tradable shares conversion pilot program. When the market went through a correction in May 2006, the premium disappeared as buyers fled the market but only to widen to almost 15% in December 2006 along with the 26% gain of the A50 China Tracker. Future volatilities can be expected as total QFII quota now approaches the US\$10 billion mark which many consider may trigger the CSRC to review the QFII program.

#### FUND ACTIVITIES

The trading volume for the A50 China Tracker reflected strong interests in the domestic A-Share markets from foreign investors. The average daily trading volume for the year surged to 2,377,021 units compared to 690,410 units a year ago, underscoring the heightened interests and the positive responses to the non-tradable shares conversion program and better than expected market returns.

As far as the primary market is concerned, the A50 China Tracker experienced an exceptionally strong level of creation activities during the Period. There were 18 creations and 1 redemption with a total of 74,800,000 net units created recorded, details of which are provided as follows:

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

(a Sub-Fund of iShares Asia Trust)

### FUND ACTIVITIES (continued)

	Date of Order	Units Created/(Redeemed)
	5-Jan-06	4,000,000
	6-Jan-06	10,000,000
	13-Jan-06	6,000,000
	19-Jan-06	6,000,000
	23-Jan-06	7,000,000
	25-Jan-06	6,000,000
	17-Feb-06	7,000,000
	6-Apr-06	2,000,000
	5-Jun-06	2,600,000
	7-Jun-06	10,000,000
	9-Jun-06	10,000,000
	28-Jul-06	(4,000,000)
	16-Aug-06	1,000,000
	18-Aug-06	1,000,000
	28-Aug-06	1,000,000
	26-Oct-06	1,000,000
	18-Dec-06	1,000,000
	20-Dec-06	2,000,000
	28-Dec-06	1,200,000
	<b>Total</b>	<b>Total</b>
	<b>Outstanding Units</b>	<b>Net Asset</b>
<b>31 December 2005</b>	59,400,000	2,526,275,310
<b>31 December 2006</b>	134,200,000	14,135,633,054

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### INDEX ACTIVITIES

The A50 Index underwent four regular quarterly reviews and five ad-hoc changes during the Period. In the first review on 20 January 2006, the following index changes were made:

<b>Security Name</b>	<b>Index</b>	<b>Fund</b>
Shenzhen Overseas Chinese Town Holdings Co (A)	Addition	Added
Offshore Oil Engineering (A)	Addition	Added
Tianjin Port (Group) (A)	Addition	Added
Hunan Valin Steel Tube and Wire (A)	Addition	Added
Shanxi Xishan Coal And Electricity Power (A)	Deletion	Deleted
Shanghai Electric Power (A)	Deletion	Deleted
Beijing Shougang Co Ltd	Deletion	Deleted
Chongqing Changan Automobile (A)	Deletion	Deleted

During the second review on 21 April 2006, four stocks were added and four were removed from the A50 Index. The A50 China Tracker was rebalanced accordingly.

<b>Security Name</b>	<b>Index</b>	<b>Fund</b>
Yantai Changyu Pioneer Wine (A)	Addition	Added
Shandong Aluminum Industry (A)	Addition	Added
Suning Appliance Chain Store (A)	Addition	Added
Handan Iron & Steel (A)	Addition	Added
Sinopec Yangzi Petrochemical (A)	Deletion	Deleted
Qilu Petrochemical (A)	Deletion	Deleted
China Eastern Airlines (A)	Deletion	Deleted
Hunan Valin Steel Tube and Wire (A)	Deletion	Deleted

In the third review on 21 July 2006, four stocks were added and four were removed from the A50 Index. The A50 China Tracker was rebalanced accordingly.

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### INDEX ACTIVITIES (continued)

Security Name	Index	Fund
Jiangsu Express (A)	Addition	Added
Qinghai Salt Lake Potash (A)	Addition	Added
Shanghai Lujiazui Fin&trade (A)	Addition	Added
Shenzhen Energy Investment (A)	Deletion	Deleted
Guangzhou Development Industry Holdings (A)	Deletion	Deleted
Anhui Expressway (A)	Deletion	Deleted

In the last regular quarterly review on 20 October 2006, one addition and one deletion were made.

Security Name	Index	Fund
Poly Real Estate Group (A)	Addition	Added
Shenzhen Yantian Port Holding (A)	Deletion	Deleted

In addition to the quarterly reviews, the A50 China Tracker also saw five ad-hoc changes due to changes in the A50 Index: Bank of China, Daqin Railway, Air China, Poly Real Estate, and ICBC were added to the A50 Index after five days of undergoing its initial public offering.

Date	Security Name	Index	Fund
12-Jul-2006	BOC (A)	Addition	Added
12-Jul-2006	ShenZhen Chiwan Wharf	Deletion	Deleted
7-Aug-2006	Daqin Railway	Addition	Added
7-Aug-2006	Handan Iron & Steel	Deletion	Deleted
24-Aug-2006	Air China	Addition	Added
24-Aug-2006	Beijing Capital	Deletion	Deleted
20-Oct-2006	Poly Real Estate Group	Addition	Added
20-Oct-2006	ShenZhen Yan Tian Port	Deletion	Deleted
3-Nov-2006	ICBC (A)	Addition	Added
3-Nov-2006	Shanghai RAW Water	Deletion	Deleted

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### MARKET REVIEW AND OUTLOOK

Overall, 2006 proved to be a banner year for international equity markets with credit to a healthy global economy, robust growth in corporate earnings, boom in M&A activities and a relative lack of major natural disasters. The emerging markets were again favored with the MSCI Emerging Markets Index returning 32% for the year. As a result, the MSCI Emerging Markets Index enjoyed its fourth year of consecutive gains after posting 34%, 26% and 56% in the three preceding years<sup>2</sup>.

In comparison, the S&P 500 registered a modest annual return of 11% for 2006 while the FTSE 100 Index increased 9%. Locally, the Hang Seng Index performed strongly with a 24% return while, the Nikkei 225 lagged its peers with only a 3.5% return after outperforming most of its regional neighbors in 2005.

For China, 2006 witnessed a net investment flow of US\$7.8 billion, up from US\$3.1 billion in 2005 and US\$594 million in 2004. In November 2006 alone, investors pumped a net US\$1.1 billion into Chinese investments followed on from record high net injection of US\$2.5 billion the month before.<sup>3</sup> It was also another banner year in terms of economic growth. China's gross domestic product in 2Q06 posted a strong 11.3% YoY increase, following increases of 10.3% in 1Q06, 9.9% in 4Q05 and 9.8% in 3Q05, registering the fastest growth since March 1995 (Figure 3).<sup>4</sup> It dipped though by more than 1 percentage point in the subsequent two quarters to 10.4% after China's central bank announced a series of property price control measures and new foreign investment capital restrictions.

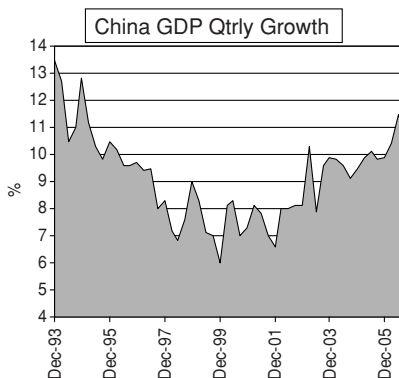


Figure 3  
Source: Bloomberg



Figure 4  
Source: Bloomberg

<sup>2</sup> MSCI

<sup>3</sup> Nomura Intl Quant Research

<sup>4</sup> Bloomberg



# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### MARKET REVIEW AND OUTLOOK (continued)

These control measures are not unwarranted however. Figure 4 shows the average earnings in China, which has more than doubled since 1999, demonstrating increasing labor costs resulting in a shrinking profit margin. The National Bureau of Statistics reported that the per capita disposable income of urban residents reached RMB 11,759 yuan (\$1,513) in 2006, up 12.1 percent in nominal terms from 2005.<sup>5</sup>

Over the past 15 years, China has made tremendous inroads in international trade because of its relatively cheap labor force and low commodity prices. Although China is slowly transforming itself into a multi-faceted supplier, it still relies heavily on raw material prices. So when commodities entered its current bull market in 1998, China suddenly found itself in the midst of fighting for more resources and curbing new spending.

As a result, the Chinese government raised the bank lending rate by 27 basis points in April 2006 and continues to consider new rate hikes in the face of renewed acceleration in the economy. The monetary measures and fiscal policy changes by various Chinese authorities are slowly adding teeth to the repeated “cool down” talks. Inflation in the mean time remains in check despite the surging labor cost and shrinking profit margin. After drastically cutting inflation in the mid-90s, China enjoyed a steady inflation rate throughout the Dotcom boom and bust period and is currently at 2.8% in 4Q06 (as measured by the Consumer Price Index in Figure 5). However, as the economy moves further away from state-controlled planning, Chinese companies would more likely be sensitive to market cycles which could potentially come as a surprise to the optimism and complacency that most part of this world came to enjoy about China.

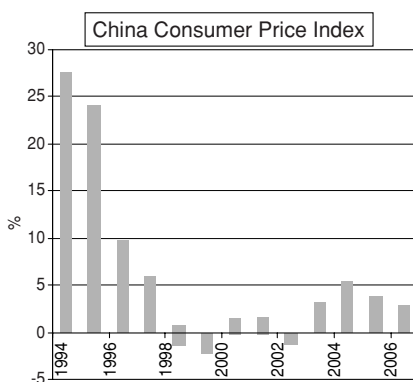


Figure 5

Source: Bloomberg

<sup>5</sup> Reuters

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

### (a Sub-Fund of iShares Asia Trust)

#### MARKET REVIEW AND OUTLOOK (continued)

Nonetheless, in 2006, China's current account surplus rose to over 9% of GDP while foreign reserve accumulation averaged almost US\$20 billion per month for the past two and a half years, largely as a result of high trade surplus with the US. October 2006 witnessed the reserve exceeding USD\$1 trillion for the first time (Figure 6) which created much liquidity in the banking system. China may look to use its foreign reserves to hedge any potential economic downturn, for example US consumer demand decreases or the raw material supply shortage.

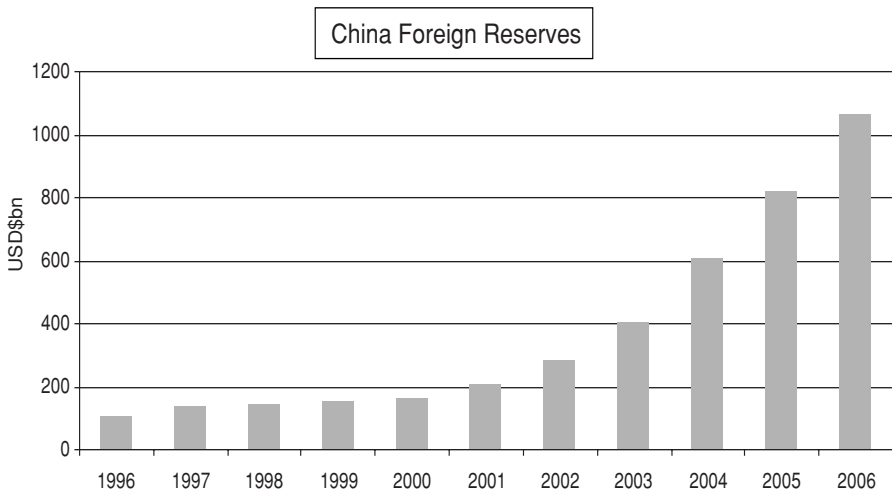


Figure 6

Source: Bloomberg

The investment returns between the MSCI China Tracker and the A50 China Tracker have become more correlated over the years, from a negative 0.3 to the highest of 0.47 in December 2006. Top Chinese companies previously listed their shares in Hong Kong to gain access to a much more liquid and mature capital market. For years the A-share market lagged behind the H-share market because of the lack of China's premium large caps and the lack of trading. In 2006, this trend was reversed with the A-shares rising much higher and faster. For example, with the Bank of China, Air China and ICBC moving their listings back to the mainland and China Life and Bank of Communications waiting to be listed in the first half of 2007, the connection between the A-share market and the H-share market is moving closer (Figure 7).

# Report of the Manager to the Unitholders (continued)

## iShares FTSE/Xinhua A50 China Tracker

(a Sub-Fund of iShares Asia Trust)

### MARKET REVIEW AND OUTLOOK (continued)

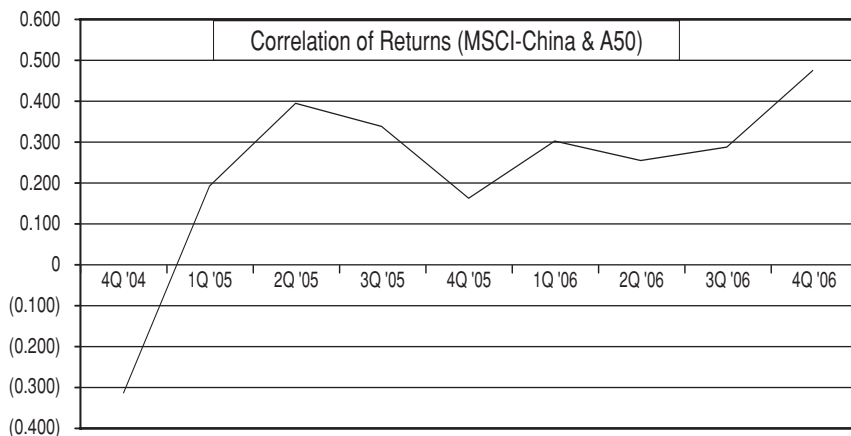


Figure 7

Source: BGI

Given the momentum in China's GDP growth, ample inflation fighting ammunition by China's central bank and solid support from its foreign reserves, it is expected that Chinese companies will sustain its current growth rate in 2007 and investor enthusiasm for long-awaited public offerings of prominent Chinese companies will likely continue.

With China's GDP expanded by more than ten-fold in the last 20 years, the world will undoubtedly continue to look forward to China's continuing growth in the years to come. However, factors such as increasing labor costs, volatile commodity prices and tightening monetary policies could potentially dampen China's growth and propagate to the economies of other countries in the Asian region. Despite China rapidly emerging as a fiercer and more efficient competitor, investors should remain aware that China's red hot growth today could experience a gradual slow down as its capital markets develop more profoundly and economic cycles become more pronounced.

#### Kai Zhang

Portfolio Manager

Barclays Global Investors North Asia Limited

# **iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker (Sub-Funds of iShares Asia Trust) Report of the Trustee to the Unitholders**

We hereby confirm that, in our opinion, the Manager of the iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker (the Sub-Funds of iShares Asia Trust, the “Sub-Funds”) 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 2006.

HSBC Institutional Trust Services (Asia) Limited

30 April, 2007

# **iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker**

## **(Sub-Funds of iShares Asia Trust)**

### **Statement of Responsibilities of the Manager and the Trustee**

#### **MANAGER'S RESPONSIBILITIES**

The Manager of the iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker (the Sub-Funds of iShares Asia Trust) (the "Sub-Funds") 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 Sub-Funds 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 Sub-Funds will continue in operation unless it is inappropriate to presume this.

The Manager is also required to manage the Sub-Funds 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 2006, the Trust has established three sub-funds, namely iShares MSCI China Tracker (the "MSCI China Tracker"), iShares FTSE/Xinhua A50 China Tracker ("A50 China Tracker") and iShares BSE SENSEX India Tracker ("SENSEX India Tracker").

#### **TRUSTEE'S RESPONSIBILITIES**

The Trustee of the Sub-Funds is required to:

- ensure that the Sub-Funds 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 Sub-Funds 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 Sub-Funds.

# **Independent Auditor’s Report**

## **To the Unitholders of iShares MSCI China Tracker and the iShares FTSE/Xinhua A50 China Tracker (Sub-Funds of iShares Asia Trust) (the “Sub-Funds”)**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the Sub-Funds set out on pages 22 to 43, which comprise the Statement of Assets and Liabilities as at 31st December 2006, and Statement of Operations, Statement of Changes in Net Assets Attributable to Unitholders, Statement of Cash Flows and Statement of Distributions for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **MANAGER’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Manager (the “Management”) of the Sub-Funds is responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and is responsible for ensuring that the financial statements have been properly prepared in accordance with the relevant disclosure provisions of the Trust Deed dated 16th November 2001, as amended, and the relevant financial statements disclosure specified in Appendix E of the Code on Unit Trusts and Mutual Funds established by the Securities and Futures Commission of Hong Kong (the “SFC Code”). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **AUDITOR’S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to the unitholders as a body and for no other purpose. We do not assume responsibility towards or accept liabilities to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

# **Independent Auditor’s Report (continued)**

## **To the Unitholders of iShares MSCI China Tracker and the iShares FTSE/Xinhua A50 China Tracker (Sub-Funds of iShares Asia Trust) (the “Sub-Funds”)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **OPINION**

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Funds as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

### **REPORT ON OTHER LEGAL AND REGULATORY DISCLOSURE REQUIREMENTS**

We report that the financial statements have been properly prepared in accordance with the relevant disclosures provisions of the Trust Deed and the relevant financial statements disclosures provisions specified in the SFC Code.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 30 April, 2007

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Statement of Assets and Liabilities

As at 31st December 2006

	Note	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker	
		2006	2005	2006	2005
		HK\$	HK\$	HK\$	HK\$
<b>ASSETS</b>					
Investments		2,189,653,708	1,079,183,000	14,032,059,605	2,498,804,500
Bank balances	6(d)	40,392,446	9,491,030	134,154,766	33,538,746
Dividend receivable		—	—	831,805	1,173,184
Amount due from unitholder		—	—	751,428	—
<b>Total assets</b>		<u>2,230,046,154</u>	<u>1,088,674,030</u>	<u>14,167,797,604</u>	<u>2,533,516,430</u>
<b>LIABILITIES</b>					
Management fee payable		4,431,639	2,474,203	24,480,098	4,943,876
Other accounts payable		141,000	2,132	7,684,452	2,297,244
<b>Liabilities (excluding net assets attributable to unitholders)</b>	3	<u>4,572,639</u>	<u>2,476,335</u>	<u>32,164,550</u>	<u>7,241,120</u>
<b>Net assets attributable to unitholders (at bid market prices)</b>		2,225,473,515	1,086,197,695	14,135,633,054	2,526,275,310
<b>Adjustments from bid market prices to last traded market prices</b>		3,230,097	8,018,720	—	—
<b>Net assets attributable to unitholders (at last traded market prices)</b>		<u>2,228,703,612</u>	<u>1,094,216,415</u>	<u>14,135,633,054</u>	<u>2,526,275,310</u>

Approved by the Trustee and the Manager on 30 April, 2007.  
HSBC Institutional Trust Services (Asia) Limited as the Trustee of the Trust.

Barclays Global Investors North Asia Limited as the Manager of the Trust.

The notes on pages 27 to 43 form part of these financial statements.



# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Statement of Operations

For the year ended 31st December 2006

	Note	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker	
		2006 HK\$	2005 HK\$	2006 HK\$	18.11.2004 to 31.12.2005 HK\$ (Date of inception)
<b>INCOME</b>					
Dividend income		42,082,817	31,600,538	220,196,615	23,316,439
Interest income		367,239	64,341	2,458,107	91,966
Net gain/(loss) on investments	4	950,398,005	145,918,564	7,699,272,683	91,584,253
Total investment income		<u>992,848,061</u>	<u>177,583,443</u>	<u>7,921,927,405</u>	<u>114,992,658</u>
<b>EXPENSES</b>					
Management fee	6(a)	(15,805,347)	(9,655,380)	(69,423,352)	(10,553,097)
Transaction handling fee	6(b)	(14,409)	(40,182)	(83,075)	(59,565)
Transaction costs on investments		(893,156)	(546,944)	(29,861,839)	(1,138,687)
Bank charges		(335,329)	(216,466)	(1,078,332)	(155,785)
Preliminary expenses		—	—	—	(750,000)
CAAP maintenance charge	6(c)	—	—	(21,093,063)	(3,221,814)
Total operating expenses		<u>(17,048,241)</u>	<u>(10,458,972)</u>	<u>(121,539,661)</u>	<u>(15,878,948)</u>
NET OPERATING PROFIT		<u>975,799,820</u>	<u>167,124,471</u>	<u>7,800,387,744</u>	<u>99,113,710</u>
Adjustments from bid market prices to last traded market prices	3	<u>(4,788,623)</u>	<u>8,018,720</u>	<u>—</u>	<u>—</u>
Increase in net assets attributable to unitholders		<u>971,011,197</u>	<u>175,143,191</u>	<u>7,800,387,744</u>	<u>99,113,710</u>

The notes on pages 27 to 43 form part of these financial statements.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 31st December 2006

	Note	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker	
		2006 HK\$	2005 HK\$	2006 HK\$	18.11.2004 to 31.12.2005 HK\$
Balance at the beginning of the year		1,094,216,415	874,779,224	2,526,275,310	—
Proceeds on issue of units					
– in-kind	7	597,752,998	80,960,735	4,041,784,906	2,421,915,812
– cash component	7	12,509,002	383,265	63,665,094	24,635,788
Payment on redemption of units					
– in-kind	7	(409,523,895)	(16,520,225)	(228,574,360)	—
– cash component	7	(11,582,105)	(179,775)	(2,905,640)	—
		1,283,372,415	939,423,224	6,400,245,310	2,446,551,600
Amount transferred to the statement of distributions		(25,680,000)	(20,350,000)	(65,000,000)	(19,390,000)
Increase in net assets attributable to unitholders		971,011,197	175,143,191	7,800,387,744	99,113,710
Balance at the end of the year		2,228,703,612	1,094,216,415	14,135,633,054	2,526,275,310

The notes on pages 27 to 43 form part of these financial statements.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Statement of Cash Flows

For the year ended 31st December 2006

	Note	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker	
		2006 HK\$	2005 HK\$	2006 HK\$	18.11.2004 (Date of inception) to 31.12.2005 HK\$
<b>OPERATING ACTIVITIES</b>					
Purchase of investments	7	(245,224,591)	(166,588,632)	(3,517,447,515)	(213,824,960)
Sale of investments	7	273,377,615	164,706,593	3,496,384,029	228,543,124
Dividend received		42,082,817	31,600,538	220,537,994	22,143,255
Interest received		367,239	64,341	2,458,107	91,966
Exchange gain/(loss)		3,376	(1,686)	291,610	(22,599)
Management fee paid		(13,847,911)	(9,139,151)	(49,887,130)	(5,453,592)
Transaction cost paid		(893,156)	(546,944)	(29,861,839)	(1,138,687)
Other fees paid		(210,870)	(256,848)	(16,867,262)	(2,045,549)
Net cash generated from operating activities		55,654,519	19,838,211	105,607,994	28,292,958
<b>FINANCING ACTIVITIES</b>					
Cash component received on issue of units	7	12,509,002	383,265	62,913,666	24,635,788
Cash component paid on redemption of units	7	(11,582,105)	(179,775)	(2,905,640)	—
Final distribution paid		(25,680,000)	(20,350,000)	(65,000,000)	(19,390,000)
Net cash (used in)/generated from financing activities		(24,753,103)	(20,146,510)	(4,991,974)	5,245,788
Increase/(decrease) in cash and cash equivalents		30,901,416	(308,299)	100,616,020	33,538,746
Cash and cash equivalents at the beginning of the year		9,491,030	9,799,329	33,538,746	—
Cash and cash equivalents at the end of the year		40,392,446	9,491,030	134,154,766	33,538,746
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>					
Bank balances		40,392,446	9,491,030	134,154,766	33,538,746

Please refer to note 7 on page 37 for details of major non-cash transactions.

The notes on pages 27 to 43 form part of these financial statements.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Statement of Distributions

For the year ended 31st December 2006

	Note	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker	
		2006 HK\$	2005 HK\$	2006 HK\$	18.11.2004 to 31.12.2005 (Date of inception) HK\$
Amount transferred from the statement of operations		25,680,000	20,350,000	65,000,000	19,390,000
Final distribution					
- HK\$0.55 on 37,000,000 units paid on 22nd December 2005	12	-	(20,350,000)	-	-
- HK\$0.60 on 42,800,000 units paid on 28th December 2006	12	(25,680,000)	-	-	-
- HK\$0.35 on 55,400,000 units paid on 22nd December 2005	12	-	-	-	(19,390,000)
- HK\$0.50 on 130,000,000 units paid on 28th December 2006	12	-	-	(65,000,000)	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker (Sub-Funds of 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 2006, the Trust has established three sub-funds, namely iShares MSCI China Tracker (“MSCI China Tracker”), iShares FTSE/Xinhua A50 China Tracker (“A50 China Tracker”) and iShares BSE SENSEX India Tracker (“SENSEX India Tracker”) (the “Sub-Funds”). The Sub-Funds are all listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). MSCI China Tracker was listed on 28th November 2001, A50 China Tracker listed on 18th November 2004 and SENSEX India Tracker was listed on 2nd November 2006.

These financial statements are in respect of MSCI China Tracker and A50 China Tracker on a stand alone basis only. The financial statements for SENSEX India Tracker are not included in this respect. The first financial statement of SENSEX India Tracker will be prepared in the accounting year as at 31 December 2007.

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 China 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”).

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

## 2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (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 investments.

Standards that are not early adopted by the Sub-Funds

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, were not early adopted in 2006. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Sub-Funds’ financial instruments. In accordance with the requirements of the Amendment to IAS 1, additional disclosures have been provided on the Sub-Funds’ objectives and policies for its capital, which is represented by the net assets attributable to the holders of redeemable shares. The Sub-Funds consider these standards are relevant to the financial statements of the Sub-Funds but are not yet in a position to state whether these new IFRSs would have a significant impact on the result of operations and financial position of the Sub-Funds.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

## 2 PRINCIPAL ACCOUNTING POLICIES (continued)

### (b) Investments

The Sub-Funds classify its investments in equity securities as financial assets or financial liabilities at fair value through profit or loss.

Investments consist of principally listed securities and are initially recognized at bid price, 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.

### (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.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

## 2 PRINCIPAL ACCOUNTING POLICIES (continued)

### (e) Cash and Cash Equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short term, highly liquid investments with original maturities of three months or less and bank overdrafts.

### (f) Distributions payable to the unitholders

Distributions to holders of redeemable units are recognised in the Statement of Operations when they are approved by the Trustee. The distribution on these redeemable units is recognised in the Statement of Operations as finance cost.

### (g) Translation of foreign currencies

#### Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (“the functional currency”). The performance of the Sub-Funds are measured and reported to the holders of redeemable units in Hong Kong dollar. The Management considers the Hong Kong dollars as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Hong Kong dollars, which is the Sub-Funds’ functional and presentation currency.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognized in the income statement within the fair value net gain or loss.



# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

## 2 PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Proceeds and payments on allotment and redemption of units

The Sub-Funds issues redeemable units, which are redeemable at the holder's option and are classified as financial liabilities. Redeemable units can only redeem in-kind equal to a proportionate share of the Fund's net asset value plus a cash component. The redeemable unit is carried at the redemption amount that is payable at the balance sheet date if the holder exercises the right to put the unit back to the Fund.

Redeemable units are issued and redeemed at the holder's option at prices based on the Sub-Funds' net assets value per unit at the time of issue or redemption. The Sub-Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of redeemable units with the total number of outstanding redeemable units. In accordance with the provisions of the Sub-Funds' Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for creations and redemptions.

### (i) 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. Geographical information is provided in the investment portfolio.

### (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 MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker**

## **(Sub-Funds of iShares Asia Trust)**

### **Notes to the Financial Statements (continued)**

#### **3 NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS**

##### 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 Sub-Funds 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 2006, the difference between the valuation of investments stated in the financial statement and the valuation methodology indicated in the Sub-Funds' Trust Deed, results in a decrease in value of investment by HK\$3,230,097 (2005: 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 MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

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

	iShares MSCI China Tracker		iShares FTSE/Xinhua A50 China Tracker	
	Number of units		Number of units	
				18.11.2004
	01.01.2006	01.01.2005	01.01.2006	(Date of inception)
	to	to	to	to
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
Units in issue at the beginning of the year	36,800,000	34,400,000	59,400,000	—
Issue of units	15,200,000	3,000,000	78,800,000	59,400,000
Redemption of units	(9,600,000)	(600,000)	(4,000,000)	—
Units in issue at the end of the year	<u>42,400,000</u>	<u>36,800,000</u>	<u>134,200,000</u>	<u>59,400,000</u>
	HK\$	HK\$	HK\$	HK\$
Net assets attributable to unitholders	<u>2,228,703,612</u>	<u>1,094,216,415</u>	<u>14,135,633,054</u>	<u>2,526,275,310</u>
Net assets attributable to unitholders per unit	<u>52.56</u>	<u>29.73</u>	<u>105.33</u>	<u>42.53</u>

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

#### 4 NET GAIN ON INVESTMENTS

	iShares MSCI China Tracker		iShares FTSE/ Xinhua A50 China Tracker	
	01.01.2006	01.01.2005	01.01.2006	18.11.2004
	to	to	to	to
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	HK\$	HK\$	HK\$	HK\$
Change in unrealized gain/(loss) in value of investments	714,629,054	120,863,995	7,065,569,962	71,393,590
Realized gain/(loss) on sale of investments	235,765,574	25,056,255	633,411,111	20,213,262
Exchange (loss)/gain	3,377	(1,686)	291,610	(22,599)
	<u>950,398,005</u>	<u>145,918,564</u>	<u>7,699,272,683</u>	<u>91,584,253</u>

#### 5 TAXATION

No provision for Hong Kong profits tax has been made for the Sub-Funds 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.

For the A50 China Tracker, in light of current PRC law, should qualified foreign institutional investors ("QFIs") be liable for any income or other tax levied on dividends, transfers or disposals of A Shares by the QFIs, such tax exposure may be passed on and borne by the A50 China Tracker, notwithstanding the fact that the A50 China Tracker owns Chinese A Share Access Products and not the A Shares directly. The Manager believes there are at present insufficient grounds to reasonably justify making any adjustment to the A50 China Tracker's financial statement for such tax exposure, as such no provision for PRC tax has been made for the year ended 31 December 2006.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker (Sub-Funds of 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 investments 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 investments received from the Sub-Fund from US\$25 to US\$20 each.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker (Sub-Funds of iShares Asia Trust) Notes to the Financial Statements (continued)

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

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

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.

### (c) CAAP Maintenance Charge

#### A50 China Tracker

Qualified Foreign Institutional Investor (“QFII”) is entitled to deduct a Chinese A Share Access Product (“CAAP”) maintenance charge, payable at the end of each quarter. The CAAP maintenance charge equals to 0.3% per annum of the average net asset value (at the close of business) of the Index CAAPS held by A50 China Tracker during the year. If at any time after the first six months following the listing of the A50 China Tracker, the net asset value falls below US\$10 million during a year, the maintenance charge is subject to a minimum amount of US\$30,000 per annum for that year. The relevant QFIIs are Barclays Capital Asia Limited and Citigroup Global Markets Asia Limited.

### (d) 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 2006 amounted to HK\$40,392,446 (as at 31st December 2005: HK\$9,491,030) for MSCI China Tracker and amounted to HK\$134,154,766 (as at 31st December 2005: HK\$33,538,746) for A50 China Tracker.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

#### 7 MAJOR NON-CASH TRANSACTIONS

##### (a) Subscriptions

In accordance with the Trust Deed of each of the Sub-Fund, 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-Funds 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 period, all units issued were through in kind creation and the Sub-Fund issued 15,200,000 units (31st December 2005: 3,000,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$597,752,998 (31st December 2005: HK\$80,960,735) by the Manager at the time of issue plus the cash component equal to HK\$12,509,002 (31st December 2005: HK\$383,265).

##### A50 China Tracker

During the period, all units issued were through in kind creation and the Sub-Funds issued 78,800,000 units (31st December 2005: 59,400,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$4,041,784,906 (31st December 2005: HK\$2,421,915,812) by the Manager at the time of issue plus the cash component equal to HK\$63,665,094 (31st December 2005: HK\$24,635,788).

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

#### 7 MAJOR NON-CASH TRANSACTIONS (continued)

##### (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-Funds 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 period, the Sub-Fund redeemed 9,600,000 units (31st December 2005: 600,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$409,523,895 (31st December 2005: HK\$16,520,225) by the Manager at the time of redemption plus the cash component equal to HK\$11,582,105 (31st December 2005: HK\$179,775).

##### A50 China Tracker

During the period, the Sub-Fund redeemed 4,000,000 units in exchange for Application Baskets consisting of investments valued at a total of HK\$228,574,360 (31st December 2005: nil) by the Manager at the time of redemption plus the cash component equal to HK\$2,905,640 (31st December 2005: nil).



# **iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker**

## **(Sub-Funds of iShares Asia Trust)**

### **Notes to the Financial Statements (continued)**

#### **8 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.

#### **9 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 China 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 period.

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 China Index as at 31st December 2006:

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

#### 9 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (continued)

	Respective weighting in the Index (%)		% of net asset value	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
China Mobile (Hong Kong) Ltd	15.20	18.50	15.88	18.47
Petrochina Co Ltd	9.51	12.32	9.93	12.08

#### 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 Index CAAPs that accounted for more than 10% of the net asset value of the Sub-Fund as at 31st December 2006.

\* 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 MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

#### 10 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 2006 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\$2,189,653,708 (as at 31st December 2005: HK\$1,079,183,000) for the MSCI China Tracker, and totalling HK\$14,032,059,605 (as at 31st December 2005: HK\$2,498,804,500) for the A50 China Tracker as at period ended.

Details of the market exposures as at 31st December 2006 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 Sub-Funds limit their exposure to credit risk by transacting the majority of their securities and contractual commitment activity with broker-dealers, banks and regulated exchanges with high credit ratings that the Sub-Funds consider to be well established.

# iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker

## (Sub-Funds of iShares Asia Trust)

### Notes to the Financial Statements (continued)

#### 10 FINANCIAL INSTRUMENTS (continued)

##### (b) Credit Risk (continued)

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.

The A50 China Tracker may be exposed to the counterparty credit risk. As at the date of this Report, two Participating Dealers have been appointed: Citigroup Global Markets Asia Limited and Barclays Capital Asia Limited.

##### (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.

# **iShares MSCI China Tracker and iShares FTSE/Xinhua A50 China Tracker**

## **(Sub-Funds of iShares Asia Trust)**

### **Notes to the Financial Statements (continued)**

#### **10 FINANCIAL INSTRUMENTS (continued)**

##### **(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.

#### **11 DISTRIBUTION**

##### MSCI China Tracker

The Sub-Fund made a distribution of HK\$ 25,680,000 with respect to 42,800,000 units, which was equivalent to HK\$ 0.60 per unit on 28th December 2006. During 2005, 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.

##### A50 China Tracker

The Sub-Fund made a distribution of HK\$ 65,000,000 with respect to 130,000,000 units, which was equivalent to HK\$ 0.50 per unit on 28th December 2006. During 2005, 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.

#### **12 EVENTS AFTER THE BALANCE SHEET DATE**

There was no post balance-sheet event.

#### **13 APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Trustee and the Manager on 30 April, 2007.

# iShares MSCI China Tracker

## (a Sub-Fund of iShares Asia Trust)

### Investment Portfolio

As at 31st December 2006

Investments (98.25%)	Holdings	Fair value HK\$	% of net assets
<b>Listed Equities (98.25%)</b>			
<b>China (61.58%)</b>			
Air China Ltd	2,968,000	12,465,600	0.56
Aluminum Corp of China Ltd — H	3,816,000	27,513,360	1.23
Angang Steel Co Ltd — H	903,100	10,295,340	0.46
Anhui Conch Cement Co Ltd — H	424,000	10,833,200	0.49
Bank of China Ltd — H	22,531,500	95,984,190	4.31
Bank of Communications Ltd — H	6,099,000	57,208,620	2.56
Beijing Capital International Airport Co Ltd — H	1,272,000	7,733,760	0.35
China Construction Bank — H	25,080,100	123,895,694	5.56
China Cosco Hldgs Co Ltd — H	1,696,000	8,564,800	0.38
China Life Insurance Co — H	7,173,000	189,367,200	8.50
China Petroleum & Chemical Corp—H	17,027,100	122,595,120	5.50
China Shipping Container Lines Company Ltd — H	2,332,000	4,897,200	0.22
China Shipping Development Co Ltd — H	1,315,400	15,653,260	0.70
China Southern Airlines Co Ltd — H	1,696,000	5,342,400	0.24
China Telecom Corp Ltd — H	14,670,000	62,494,200	2.80
Datang Intl Power Gen Co Ltd — H	2,120,000	16,981,200	0.76
Dongfeng Motor Group Co Ltd — H	2,488,000	9,354,880	0.42
Guangshen Railway Co Ltd — H	2,120,000	11,236,000	0.50
Guangzhou R&F Properties Co Ltd — H	740,900	12,417,484	0.56
Huaneng Power International Inc — H	3,394,000	23,554,360	1.06
Hunan Non-ferrous Metal Corp Ltd — H	1,356,000	6,102,000	0.27
Industrial and Commercial Bank of China — H	30,735,000	148,757,400	6.67
Jiangsu Express Co Ltd — H	2,120,000	10,366,800	0.47
Maanshan Iron & Steel — H	2,968,000	12,643,680	0.57
Petrochina Co Ltd — H	20,077,000	221,248,540	9.93
Picc Property and Casualty Co Ltd	3,392,000	13,466,240	0.60
Ping An Insurance (Group) Co of China Ltd — H	1,082,500	46,439,250	2.08
Semiconductor Manufacturing Intl Corp	9,540,000	9,540,000	0.43
Shanghai Electric Grp Corp — H	3,816,000	12,478,320	0.56
Shanghai Forte Land Co Ser — H	1,720,000	5,968,400	0.27
Sinopec Shanghai Petrochemical Co Ltd — H	3,394,000	12,999,020	0.58
Sinopec Yizheng Chemical Fibre Co Ltd — H	2,968,000	5,194,000	0.23
Sinotrans Ltd	2,120,000	5,936,000	0.27
Travelsky Technology Ltd — H	424,000	4,960,800	0.22
Weiqiao Textile Co Ltd	636,000	6,588,960	0.30
Yanzhou Coal Mining Co Ltd — H	1,987,800	12,483,384	0.56
Zhejiang Expressway Co Ltd — H	2,120,000	12,614,000	0.57
Zijin Mining Group Co Ltd — H	2,570,000	13,929,400	0.63
ZTE Corporation — H	221,800	7,929,350	0.36
		1,398,033,412	62.73

# iShares MSCI China Tracker

## (a Sub-Fund of iShares Asia Trust)

### Investment Portfolio

As at 31st December 2006

	Holdings	Fair value HK\$	% of net assets
<b>Hong Kong (36.67%)</b>			
Agile Property Hldgs Ltd	1,266,000	9,229,140	0.41
Brilliance China Automotive	3,392,000	4,409,600	0.20
Chaoda Modern Agriculture	2,120,000	10,536,400	0.47
China Everbright Ltd	848,000	7,699,840	0.35
China Mengniu Dairy Co Ltd	902,400	18,228,480	0.82
China Merchants Hldgs International Co Ltd	1,272,000	40,576,800	1.82
China Mobile Ltd	5,254,000	353,856,900	15.88
China Overseas Land & Inv	3,402,000	35,312,760	1.58
China Resources Enterprise Ltd	1,272,000	28,365,600	1.27
China Resources Land Ltd	1,272,000	11,842,320	0.53
China Resources Power Holdings Co Ltd	1,159,500	13,728,480	0.62
China Travel International Inv HK	2,968,000	7,538,720	0.34
Citic Pacific Ltd	1,159,500	31,074,600	1.39
Cnooc Ltd	15,388,500	113,567,130	5.10
Cosco Pacific Ltd	1,272,000	23,124,960	1.04
Denway Motors Ltd	5,512,000	17,252,560	0.77
Global Bio-chem Technology Group Co Ltd	1,382,000	3,607,020	0.16
Gome Electrical Appliances Hldgs Ltd	917,000	5,547,850	0.25
Guangdong Investments Ltd	2,968,000	10,388,000	0.47
Lenovo Group Ltd	3,453,100	10,911,796	0.49
Li Ning Co Ltd	886,000	10,915,520	0.49
Shanghai Industrial Hldgs Ltd	636,000	10,506,720	0.47
Shenzhen Investment Ltd	2,120,000	6,868,800	0.31
TPV Technology Ltd	1,330,000	6,530,300	0.29
		791,620,296	35.52
Total investments		2,189,653,708	98.25
Other net assets		39,049,904	1.75
Net assets attributable to unitholders at 31st December 2006		2,228,703,612	100.00
Total investments, at cost		1,255,774,027	

# iShares MSCI China Tracker

## (a Sub-Fund of iShares Asia Trust)

### Statement of Movements in Investment Portfolio

#### For the year ended 31st December 2006

	2005	Additions	Holdings Bonus	Disposals	2006
<b>Investments</b>					
<b>Listed Equities</b>					
Agile Property Hldgs Ltd	—	1,554,000	—	288,000	1,266,000
Air China Ltd	2,576,000	1,064,000	—	672,000	2,968,000
Aluminum Corp Of China Ltd — H	3,312,000	1,368,000	—	864,000	3,816,000
Angang Steel Co Ltd — H	1,472,000	482,200	—	1,051,100	903,100
Anhui Conch Cement Co Ltd — H	368,000	152,000	—	96,000	424,000
Avichina Industry & Technology Co Ltd	1,472,000	232,000	—	1,704,000	—
Bank Of China Ltd — H	—	26,996,100	—	4,464,600	22,531,500
Bank Of Communications Ltd — H	6,624,000	2,464,000	—	2,989,000	6,099,000
Beijing Capital International Airport Co Ltd — H	1,104,000	456,000	—	288,000	1,272,000
Brilliance China Automotive	2,944,000	1,216,000	—	768,000	3,392,000
Byd Co Ltd — H	92,000	14,500	—	106,500	—
Chaoda Modern Agriculture	1,840,000	760,000	—	480,000	2,120,000
China Construction Bank — H	26,680,000	9,910,700	—	11,510,600	25,080,100
China Cosco Hldgs Co Ltd — H	1,472,000	608,000	—	384,000	1,696,000
China Everbright Ltd	736,000	304,000	—	192,000	848,000
China Life Insurance Co — H	7,728,000	2,852,000	—	3,407,000	7,173,000
China Mengniu Dairy Co Ltd	1,104,000	394,800	—	596,400	902,400
China Merchants Hldgs International Co Ltd	1,104,000	456,000	—	288,000	1,272,000
China Mobile Ltd	5,520,000	2,058,000	—	2,324,000	5,254,000
China Overseas Land & Inv	4,416,000	1,526,000	—	2,540,000	3,402,000
China Overseas Land & Inv — WTS	—	—	616,000	616,000	—
China Petroleum & Chemical Corp — H	19,504,000	6,948,200	—	9,425,100	17,027,100
China Resources Enterprise Ltd	1,104,000	456,000	—	288,000	1,272,000
China Resources Land Ltd	1,104,000	456,000	—	288,000	1,272,000
China Resources Power Holdings Co Ltd	1,472,000	523,000	—	835,500	1,159,500
China Shipping Container Lines Company Ltd — H	2,024,000	836,000	—	528,000	2,332,000
China Shipping Development Co Ltd — H	1,840,000	630,800	—	1,155,400	1,315,400
China Southern Airlines Co Ltd — H	1,472,000	608,000	—	384,000	1,696,000
China Telecom Corp Ltd — H	15,824,000	5,914,000	—	7,068,000	14,670,000
China Travel International Inv HK	2,576,000	1,064,000	—	672,000	2,968,000
Citic Pacific Ltd	1,288,000	481,000	—	609,500	1,159,500
Cnooc Ltd	15,456,000	5,913,000	—	5,980,500	15,388,500
Cosco Pacific Ltd	1,104,000	456,000	—	288,000	1,272,000
Datang Intl Power Gen Co Ltd — H	1,840,000	760,000	—	480,000	2,120,000



# iShares MSCI China Tracker

## (a Sub-Fund of iShares Asia Trust)

### Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2006

	2005	Additions	Holdings Bonus	Disposals	2006
<b>Investments (continued)</b>					
<b>Listed Equities (continued)</b>					
Denway Motors Ltd	4,784,000	1,976,000	—	1,248,000	5,512,000
Dongfeng Motor Group Co Ltd — H	—	2,952,000	—	464,000	2,488,000
Global Bio-chem Technology Group Co Ltd	1,104,000	566,000	—	288,000	1,382,000
Gome Electrical Appliances Hldgs Ltd	552,000	553,000	—	188,000	917,000
Guangdong Investments Ltd	2,576,000	1,064,000	—	672,000	2,968,000
Guangshen Railway Co Ltd — H	1,840,000	760,000	—	480,000	2,120,000
Guangzhou R&F Properties Co Ltd — H	—	328,200	547,800	135,100	740,900
Huaneng Power International Inc — H	4,416,000	1,448,000	—	2,470,000	3,394,000
Hunan Non-ferrous Metal Corp Ltd — H	—	1,620,000	—	264,000	1,356,000
Industrial and Commercial Bank of China — H	—	36,100,000	—	5,365,000	30,735,000
Jiangsu Express Co Ltd — H	1,840,000	760,000	—	480,000	2,120,000
Lenovo Group Ltd	4,784,000	1,646,200	—	2,977,100	3,453,100
Li Ning Co Ltd	368,000	702,000	—	184,000	886,000
Maanshan Iron & Steel — H	2,576,000	1,064,000	—	672,000	2,968,000
Petrochina Co Ltd — H	20,976,000	7,829,500	—	8,728,500	20,077,000
Picc Property and Casualty Co Ltd	2,944,000	1,216,000	—	768,000	3,392,000
Ping An Insurance (Group) Co of China Ltd — H	1,288,000	464,000	—	669,500	1,082,500
Qingling Motors Co — H	1,104,000	174,000	—	1,278,000	—
Semiconductor Manufacturing Intl Corp	8,280,000	3,420,000	—	2,160,000	9,540,000
Shanghai Electric Grp Corp — H	3,312,000	1,368,000	—	864,000	3,816,000
Shanghai Forte Land Co Ser — H	—	2,072,000	—	352,000	1,720,000
Shanghai Industrial Hldgs Ltd	552,000	228,000	—	144,000	636,000
Shenzhen Investment Ltd	1,840,000	760,000	—	480,000	2,120,000
Sinopec Shanghai Petrochemical Co Ltd — H	3,312,000	1,268,000	—	1,186,000	3,394,000
Sinopec Yizheng Chemical Fibre Co Ltd — H	2,576,000	1,064,000	—	672,000	2,968,000
Sinotrans Ltd	1,840,000	760,000	—	480,000	2,120,000
TCL Multimedia Technology Holdings Ltd	1,472,000	232,000	—	1,704,000	—
TPV Technology Ltd	—	1,594,000	—	264,000	1,330,000
Travelsky Technology Ltd — H	368,000	152,000	—	96,000	424,000
Weichai Power Co Ltd — H	184,000	29,000	—	213,000	—
Weiqliao Textile Co Ltd	552,000	228,000	—	144,000	636,000
Yanzhou Coal Mining Co Ltd — H	2,576,000	907,600	—	1,495,800	1,987,800
Zhejiang Expressway Co Ltd — H	1,840,000	760,000	—	480,000	2,120,000
Zijin Mining Group Co Ltd — H	—	3,098,000	—	528,000	2,570,000
ZTE Corporation — H	184,000	85,800	—	48,000	221,800

# iShares MSCI China Tracker (a 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	25.43	874,779,224
31st December 2005	29.73	1,094,216,415
31st December 2006	52.56	2,228,703,612

## 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
31st December 2006	52.62	30.15

# iShares FTSE/Xinhua A50 China Tracker

## (a Sub-Fund of iShares Asia Trust)

### Investment Portfolio

As at 31st December 2006

Investments (99.27%)	Holdings	Fair value HK\$	% of net assets
<b>China (99.27%)</b>			
<b>Listed CAAPs* issued by Barclays Bank Plc</b>			
Air China Ltd—A	8,000,000	41,040,000	0.29
Angang New Steel Co Ltd—A	4,533,000	46,009,950	0.33
Anhui Conch Cement Co Ltd—A	1,275,000	38,071,500	0.27
Bank of China Ltd—A	32,008,769	172,847,353	1.22
Baoshan Iron & Steel Co Ltd—A	23,620,462	203,608,382	1.44
China International Marine Con—A	3,488,000	65,400,000	0.46
China Merchants Bank Co Ltd—A	22,094,000	359,690,320	2.55
China Minsheng Banking Corp Ltd—A	22,881,000	232,242,150	1.64
China Petroleum & Chemical Corp—A	16,404,800	148,955,584	1.05
China Shipping Development Co Ltd—A	2,137,000	22,011,100	0.16
China Southern Airlines Co Ltd—A	6,710,000	27,309,700	0.19
China United Telecommunication Corp Ltd—A	33,139,949	154,100,763	1.09
China Vanke Co Ltd—A	15,394,000	236,605,780	1.67
China Yangtze Power Co Ltd—A	14,704,692	142,929,606	1.01
Citic Securities Co Ltd—A	8,369,000	228,055,250	1.61
Daqin Railway—A	17,500,000	141,050,000	1.00
GD Power Development Co Ltd—A	4,416,250	27,115,775	0.19
Guangdong Electric Power Development Co Ltd—A	2,299,000	12,874,400	0.09
Huaneng Power International Inc—A	2,800,000	17,976,000	0.13
Huaxia Bank Co Ltd—A	6,482,800	47,713,408	0.34
Industrial and Commercial Bank of China—A	45,200,000	278,884,000	1.97
Jiangsu Express—A	1,000,000	5,170,000	0.04
Jiangxi Copper Co Ltd—A	1,579,000	18,237,450	0.13
Kweichow Moutai Co Ltd—A	1,275,395	111,495,031	0.79
Maanshan Iron & Steel Co Ltd—A	3,553,000	15,917,440	0.11
Offshore Oil Engineering—A	1,654,000	57,079,540	0.40
Poly Real Estate Group—A	700,000	30,184,000	0.21
Qinghai Salt Lake Potash—A	1,500,000	35,175,000	0.25
Shandong Aluminium Ind—A	1,059,000	23,806,320	0.17
Shandong Infrastructure Co Ltd—A	3,613,066	15,716,837	0.11
Shanghai Automotive Co Ltd—A	7,431,000	60,414,030	0.43
Shanghai International Airport Co Ltd—A	4,046,000	76,145,720	0.54
Shanghai Lujiazui Fin & Trade—A	1,500,000	20,730,000	0.15
Shanghai Oriental Pearl (Group) Co Ltd—A	2,994,000	34,071,720	0.24
Shanghai Port Container Co Ltd—A	11,357,500	79,048,200	0.56
Shanghai Pudong Development Bank Co Ltd—A	4,825,381	102,346,331	0.73
Shanghai Zhenhua Port Machinery Co Ltd—A	3,780,000	44,263,800	0.31
Shenergy Company Ltd—A	4,201,047	30,583,622	0.22

\* 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 (a Sub-Fund of iShares Asia Trust) Investment Portfolio (continued)

As at 31st December 2006

	Holdings	Fair value HK\$	% of net assets
<b>China (99.27%) (continued)</b>			
<b>Listed CAAPs* issued by Barclays Bank Plc (continued)</b>			
Shenzen Overseas Chinese Town—A	2,565,000	56,199,150	0.40
Shenzhen Development Bank—A	6,536,000	94,118,400	0.67
Sinopec Shanghai Petrochemical—A	3,818,000	23,175,260	0.16
Suning Appliance Co—A	1,290,000	58,295,100	0.41
Tianjin Port (Group)—A	3,544,000	31,435,280	0.22
Tsingtao Brewery Co Ltd—A	1,321,409	18,275,086	0.13
Wuhan Iron & Steel Co Ltd—A	14,145,000	89,537,850	0.63
Wuliangye Yibin Co Ltd—A	3,643,000	82,841,820	0.59
Yantai Changyu Pioneer Wine Co Ltd—A	399,000	19,786,410	0.14
Yantai Wanhua Polyurethane Co Ltd—A	2,160,812	52,118,785	0.37
Yanzhou Coal Mining Co Ltd—A	1,710,000	12,038,400	0.09
ZTE Corp—A	1,793,000	69,783,560	0.49
		4,012,481,164	28.39

\* 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 (a Sub-Fund of iShares Asia Trust) Investment Portfolio (continued)

As at 31st December 2006

	Holdings	Fair value HK\$	% of net assets
<b>China (99.27%) (continued)</b>			
<b>Listed CAAPs* issued by Citigroup</b>			
Air China Ltd—A	19,846,500	101,812,545	0.72
Angang New Steel Co—A	10,900,000	110,635,000	0.78
Anhui Conch Cement Co Ltd—A	3,172,000	94,715,920	0.67
Bank Of China—A	80,719,231	435,883,847	3.08
Baoshan Iron & Steel Co Ltd—A	59,583,538	513,610,098	3.63
China Intl Marine Containers (Group)—A	8,590,000	161,062,500	1.14
China Merchants Bank Co Ltd—A	55,071,000	896,555,880	6.34
China Minsheng Banking Corp Ltd—A	57,639,000	585,035,850	4.14
China Petroleum & Chemical Corp—A	41,032,800	372,577,824	2.64
China Shipping Development Co Ltd—A	5,244,000	54,013,200	0.38
China Southern Airlines Co Ltd—A	16,775,000	68,274,250	0.48
China United Telecommunication Corp Ltd—A	83,146,051	386,629,137	2.74
China Vanke Co Ltd—A	38,286,000	588,455,820	4.16
China Yangtze Power Co Ltd—A	36,962,308	359,273,634	2.54
Citic Securities Co—A	20,484,000	558,189,000	3.95
Daqin Railway—A	44,232,000	356,509,920	2.52
GD Power Development Co Ltd—A	11,518,700	70,724,818	0.50
Guandong Electric Power Development Co Ltd—A	5,820,100	32,592,560	0.23
Huaneng Power International Inc—A	6,929,500	44,487,390	0.31
Huaxia Bank Co Ltd—A	17,204,240	126,623,206	0.90
Industrial And Commercial Bank Of China—A	112,485,000	694,032,450	4.91
Jiangsu Express—A	2,613,400	13,511,278	0.10
Jiangxi Copper Co Ltd—A	3,923,200	45,312,960	0.32
Kweichow Moutai Co Ltd—A	3,153,205	275,653,181	1.95
Maanshan Iron & Steel Co Ltd—A	8,994,700	40,296,256	0.29
Offshore Oil Engineering—A	4,193,000	144,700,430	1.02
Poly Real Estate Group—A	1,648,500	71,083,320	0.50
Qinghai Salt Lake Potash—A	3,868,000	90,704,600	0.64
Shandong Aluminium Ind—A	2,609,500	58,661,560	0.41
Shandong Infrastructure Co Ltd—A	8,800,434	38,281,888	0.27
Shanghai Automotives Co Ltd—A	18,067,000	146,884,710	1.04
Shanghai Intl Airport Co Ltd—A	10,045,000	189,046,900	1.34
Shanghai Lujiazui Fin & Trade—A	3,661,700	50,604,694	0.36
Shanghai Oriental Pearl (Group) Co Ltd—A	7,400,000	84,212,000	0.60
Shanghai Port Container Co Ltd—A	28,567,000	198,826,320	1.41
Shanghai Pudong Development Bank Co Ltd—A	11,780,819	249,871,171	1.77

\* 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 (a Sub-Fund of iShares Asia Trust) Investment Portfolio (continued)

As at 31st December 2006

	Holdings	Fair value HK\$	% of net assets
<b>China (99.27%) (continued)</b>			
<b>Listed CAAPs* issued by Citigroup (continued)</b>			
Shanghai Zhenhua Port Machinery Co Ltd—A	9,640,000	112,884,400	0.80
Shenergy Company Ltd—A	10,560,953	76,883,738	0.54
Shenzhen Development Bank—A	16,278,000	234,403,200	1.66
Shenzhen Overseas Chinese Town Holdings—A	6,493,500	142,272,585	1.01
Sinopec Shanghai Petrochem—A	9,602,000	58,284,140	0.41
Suning Appliance Co—A	3,205,700	144,865,583	1.02
Tianjin Port (Group)—A	8,534,000	75,696,580	0.54
Tsingtao Brewery Co Ltd—A	3,345,974	46,274,820	0.33
Wuhan Steel Processing—A	35,476,000	224,563,080	1.59
Yantai Changyu Pioneer Wine Co Ltd—A	1,010,100	50,090,859	0.35
Yantai Wanhua Polyurethane Co—A	5,421,488	130,766,291	0.93
Yanzhou Coal Mining Co—A	4,329,000	30,476,160	0.22
Yibin Wuliangye Co Ltd—A	9,106,000	207,070,440	1.46
ZTE Corp—A	4,514,400	175,700,448	1.24
		<u>10,019,578,441</u>	<u>70.88</u>
Total Investments		14,032,059,605	99.27
Other net assets		103,573,449	0.73
		<u>14,135,633,054</u>	<u>100.00</u>
Net assets attributable to unitholders as at 31st December 2006			
Total Investments, at cost		<u>6,895,096,053</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 (a Sub-Fund of iShares Asia Trust) Statement of Movements in Investment Portfolio For the year ended 31st December 2006

	2005	Additions	Holdings Bonus	Disposals	2006
<b>Investments</b>					
<b>Listed CAAPs* issued by Barclays Bank Plc</b>					
Air China Ltd—A	—	8,000,000	—	—	8,000,000
Angang New Steel Co—A	516,000	5,325,000	—	1,308,000	4,533,000
Anhui Conch Cement Co Ltd	154,000	1,300,000	—	179,000	1,275,000
Anhui Expressway Co Ltd—A	218,000	1,816,000	185,400	2,219,400	—
Bank Of China—A	—	39,008,769	—	7,000,000	32,008,769
Baoshan Iron & Steel Co Ltd—A	3,298,000	27,776,462	—	7,454,000	23,620,462
Beijing Capital Co Ltd—A	414,000	3,438,000	529,200	4,381,200	—
Beijing Shougang Co Ltd—A	290,000	—	—	290,000	—
China Eastern Airlines Corp Ltd—A	206,000	714,000	—	920,000	—
China Intl Marine—A	380,000	3,194,000	349,600	435,600	3,488,000
China Merchants Bank Co Ltd—A	1,934,000	23,972,000	2,229,200	6,041,200	22,094,000
China Minsheng Banking Corp Ltd—A	900,000	24,652,200	3,880,800	6,552,000	22,881,000
China Petroleum & Chemical Corp—A	2,194,000	18,474,000	5,119,800	9,383,000	16,404,800
China Shipping Development Co Ltd—A	327,660	2,132,000	—	322,660	2,137,000
China Southern Airlines Co Ltd—A	802,000	6,762,000	—	854,000	6,710,000
China United Telecommunication Corp Ltd—A	3,992,000	39,054,189	4,883,760	14,790,000	33,139,949
China Vanke Co Ltd—A	1,798,000	16,746,000	—	3,150,000	15,394,000
China Yangtze Power Co Ltd—A	2,056,000	17,312,000	—	4,663,308	14,704,692
Chongqing Changan Automobile Co Ltd—A	226,000	—	—	226,000	—
Citic Securities Co Ltd—A	310,000	8,417,000	—	358,000	8,369,000
Daqin Railway Co Ltd—A	—	20,000,000	—	2,500,000	17,500,000
GD Power Development Co Ltd—A	426,000	3,585,000	883,250	478,000	4,416,250
Guandong Electric Power Development Co Ltd—A	250,000	2,112,000	77,500	140,500	2,299,000
Guangzhou Development—A	258,000	4,515,000	—	4,773,000	—
Handan Iron & Steel Co—A	—	6,403,000	—	6,403,000	—
Huaneng Power International—A	338,000	2,809,000	432,000	779,000	2,800,000
Huaxia Bank Co Ltd—A	790,000	7,810,000	1,036,800	3,154,000	6,482,800
Hunam Valin Steel Tube &—A	—	2,340,000	—	2,340,000	—
Industrial and Commercial Bank of China—A	—	45,200,000	—	—	45,200,000
Jiangsu Expressway Co Ltd—A	—	1,000,000	—	—	1,000,000
Jiangxi Copper Co Ltd—A	188,000	1,561,000	176,220	346,220	1,579,000
Kweichow Moutai Co Ltd—A	88,000	1,282,515	479,880	575,000	1,275,395
Maanshan Iron & Steel—A	384,000	3,200,000	556,920	587,920	3,553,000

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# iShares FTSE/Xinhua A50 China Tracker

## (a Sub-Fund of iShares Asia Trust)

### Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2006

	2005	Additions	Holdings Bonus	Disposals	2006
<b>Listed CAAPs* issued by Barclays Bank Plc</b>					
<b>(continued)</b>					
Offshore Oil Engineering—A	—	1,448,500	455,520	250,020	1,654,000
Poly Real Estate Group Co—A	—	700,000	—	—	700,000
Qinghai Salt Lake Potash—A	—	1,500,000	—	—	1,500,000
Shandong Aluminium Ind—A	—	1,159,000	—	100,000	1,059,000
Shandong Infrastructure Co Ltd—A	422,000	3,672,946	573,120	1,055,000	3,613,066
Shanghai Automotives Co Ltd—A	616,000	8,873,000	—	2,058,000	7,431,000
Shanghai Electric Power Co Ltd—A	196,000	—	—	196,000	—
Shanghai Intl Airport Co Ltd—A	484,000	4,060,000	406,980	904,980	4,046,000
Shanghai Lujiazui Fin & Trad—A	—	1,500,000	—	—	1,500,000
Shanghai Municipal Raw Water Co Ltd—A	354,000	2,945,000	330,660	3,629,660	—
Shanghai Oriental Pearl (Group) Co Ltd—A	180,000	2,437,000	765,000	388,000	2,994,000
Shanghai Port Container Co Ltd—A	338,000	2,864,000	9,922,500	1,767,000	11,357,500
Shanghai Pudong Development Bank Co Ltd—A	—	—	438,671	438,671	—
Shanghai Pudong Development Bank Co Ltd—A	490,000	5,288,781	642,600	1,596,000	4,825,381
Shanghai Zhenhua Port Machinery Co Ltd—A	228,000	1,884,000	2,330,750	662,750	3,780,000
Shanxi Xishan Coal and Electricity Co Ltd—A	304,000	—	—	304,000	—
Shenergy Company Ltd—A	506,000	4,357,280	—	662,233	4,201,047
Shenzhen Chiwan Wharf Hldg—A	58,000	505,000	25,200	588,200	—
Shenzhen Development Bank—A	916,000	7,703,000	—	2,083,000	6,536,000
Shenzhen Energy Investment Co Ltd—A	302,000	2,739,000	177,390	3,218,390	—
Shenzhen Overseas Chinese Town Holdings—A	—	2,610,000	—	45,000	2,565,000
Shenzhen Yantian Port Holdings Co Ltd—A	234,000	1,962,000	258,750	2,454,750	—
Sinopec Qilu Co Ltd—A	244,000	840,000	—	1,084,000	—
Sinopec Shanghai Petrochem—A	458,000	3,856,000	—	496,000	3,818,000
Sinopec Yangzi Petrochemical Co Ltd—A	292,000	1,008,000	—	1,300,000	—
Suning Appliance Co Ltd—A	—	770,000	770,000	250,000	1,290,000
Tianjin Port Co Ltd—A	—	3,607,000	—	63,000	3,544,000
Tsingtao Brewery Co Ltd—A	122,000	1,019,000	200,409	20,000	1,321,409
Wuhan Iron & Steel Co Ltd—A	984,000	17,175,000	—	4,014,000	14,145,000
Wuliangye Yibin Co Ltd—A	510,000	4,234,000	368,730	1,469,730	3,643,000
Yantai Changyu Pioneer Wine Co Ltd—A	—	355,800	43,200	—	399,000
Yantai Wanhua Polyurethane Co Ltd—A	212,000	2,232,000	572,400	855,588	2,160,812
Yanzhou Coal Mining Co—A	184,000	1,537,000	195,750	206,750	1,710,000
ZTE Corp—A	250,000	1,981,000	—	438,000	1,793,000

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# iShares FTSE/Xinhua A50 China Tracker (a Sub-Fund of iShares Asia Trust) Statement of Movements in Investment Portfolio (continued) For the year ended 31st December 2006

	2005	Additions	Holdings Bonus	Disposals	2006
<b>Investments</b>					
<b>Listed CAAPs* issued by Citigroup</b>					
Angang New Steel Co—A	7,146,600	8,181,200	—	4,427,800	10,900,000
Anhui Conch Cement Co Ltd—A	2,132,900	1,775,900	—	736,800	3,172,000
Anhui Expressway Co Ltd—A	3,019,300	2,001,800	900,220	5,921,320	—
Bank of China—A	—	102,449,231	—	21,730,000	80,719,231
Baoshan Iron & Steel Co Ltd—A	45,677,300	37,282,538	—	23,376,300	59,583,538
Beijing Capital Co Ltd—A	—	—	876,120	876,120	—
Beijing Capital Co Ltd—A	5,733,900	3,940,300	2,628,360	12,302,560	—
Beijing Shougang Co Ltd—A	4,016,500	1,885,000	—	5,901,500	—
China Eastern Airlines Corp Ltd—A	2,853,100	1,743,000	—	4,596,100	—
China Int'l Marine Containers (Group) Ltd—A	5,263,000	4,410,700	846,400	1,930,100	8,590,000
China Int'l Marine Containers (Group) Ltd—A	—	—	5,757,360	5,757,360	—
China Merchant China—WRT	—	—	25,013,880	25,013,880	—
China Merchants Bank Co Ltd—A	26,785,900	6,769,000	—	33,554,900	—
China Merchants Bank Co Ltd—A	—	65,745,400	10,824,006	21,498,406	55,071,000
China Minsheng Banking Corp Ltd—A	12,465,000	44,875,060	19,274,640	18,975,700	57,639,000
China Petroleum & Chemical Corp—A	30,386,900	24,805,000	12,217,800	26,376,900	41,032,800
China Shipping Development Co Ltd—A	4,538,091	3,385,000	—	2,679,091	5,244,000
China Southern Airlines Co Ltd—A	11,107,700	9,170,000	—	3,502,700	16,775,000
China United Telecommunication Corp Ltd—A	55,289,200	46,350,443	24,256,008	42,749,600	83,146,051
China Vanke Co Ltd—A	24,902,300	23,553,700	—	10,170,000	38,286,000
China Yangtze Power Cie Ltd—A	—	—	6,691,590	6,691,590	—
China Yangtze Power Cie Ltd—A	—	51,160,400	—	14,198,092	36,962,308
China Yangtze Power Co Ltd—A	28,475,600	13,364,000	—	41,839,600	—
Chongqing Changan Automobile Co Ltd—A	3,130,100	1,469,000	—	4,599,100	—
Citic Securities Co Ltd—A	4,293,500	17,536,100	—	1,345,600	20,484,000
CPC Air China Ltd—A	—	19,846,500	—	—	19,846,500
Daqin Railway—A	—	50,032,000	—	5,800,000	44,232,000
GD Power Development Co Ltd—A	5,900,100	4,994,800	2,180,500	1,556,700	11,518,700
GD Power Development Co Ltd—A	—	—	1,744,400	1,744,400	—
Guandong Electric Power Development Co Ltd—A	3,462,500	3,022,500	1,460,875	2,125,775	5,820,100
Guangzhou Development—A	3,573,300	8,054,100	—	11,627,400	—
Handan Iron & Steel Co—A	—	15,502,000	—	15,502,000	—
Huaneng Power International—A	4,681,300	3,684,700	2,145,600	3,582,100	6,929,500
Huaxia Bank Co Ltd—A	10,941,500	9,222,000	5,149,440	8,108,700	17,204,240
Hunan Valin Steel—A	—	11,622,000	—	11,622,000	—
Hunan Valin Steel—A	—	—	5,154,406	5,154,406	—
Ind & Comm BK—A	—	112,485,000	—	—	112,485,000
Jiangsu Express—A	—	2,721,400	—	108,000	2,613,400
Jiangxi Copper Co Ltd—A	2,603,800	2,044,500	875,226	1,600,326	3,923,200
Kweichow Moutai Co Ltd—A WRT	—	—	6,150,720	6,150,720	—
Kweichow Moutai Co Ltd—A WRT	1,218,800	1,237,401	2,383,404	1,686,400	3,153,205

\* 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 (a Sub-Fund of iShares Asia Trust) Statement of Movements in Investment Portfolio (continued) For the year ended 31st December 2006

	2005	Additions	Holdings Bonus	Disposals	2006
<b>Listed CAAPs* issued by Citigroup (continued)</b>					
Maanshan Iron & Steel Co Ltd—A	5,318,400	4,319,800	2,704,156	3,347,656	8,994,700
Offshore Oil Engineering—A	—	2,759,800	2,624,232	1,191,032	4,193,000
Poly Real Estate Group Co—WRT	—	1,648,500	—	—	1,648,500
Qinghai Salt Potash—A	—	4,333,000	—	465,000	3,868,000
Shandong Aluminium Ind—A	—	3,031,500	—	422,000	2,609,500
Shandong Infrastructure Co Ltd—A	5,844,700	4,634,934	2,846,496	4,525,696	8,800,434
Shanghai Automotives Co Ltd—A	8,531,600	16,283,200	—	6,747,800	18,067,000
Shanghai Electric Power Co Ltd—A	2,714,600	1,274,000	—	3,988,600	—
Shanghai Intl Airport Co Ltd—A	6,703,400	5,521,400	1,976,114	4,155,914	10,045,000
Shanghai Intl Airport Co Ltd—A	—	—	7,800,450	7,800,450	—
Shanghai Lujia—A	—	3,815,700	—	154,000	3,661,700
Shanghai Municipal Raw Water—A	4,902,900	3,543,600	1,642,278	10,088,778	—
Shanghai Municipal Raw Water—A	—	—	3,732,450	3,732,450	—
Shanghai Oriental Pearl (Group) Co Ltd—A	2,493,000	2,675,000	3,799,500	1,567,500	7,400,000
Shanghai Port Container—A	4,681,300	5,108,000	23,940,000	5,162,300	28,567,000
Shanghai Pudong Development Bank Co Ltd—A	6,786,500	6,811,839	3,191,580	5,009,100	11,780,819
Shanghai Pudong Development Bank Co Ltd—A	—	—	1,023,829	1,023,829	—
Shanghai Zhenhua Port Machinery Co Ltd—A	3,157,800	2,915,000	6,228,975	2,661,775	9,640,000
Shanxi Xishan Coal and Electricity Co Ltd—A	4,210,400	1,976,000	—	6,186,400	—
Shenergy Company Ltd—A	7,008,100	6,032,624	—	2,479,771	10,560,953
Shenzhen Chiwan Wharf Holdings —A	803,300	571,700	125,160	1,500,160	—
Shenzhen Development Bank—A	12,686,600	10,325,900	—	6,734,500	16,278,000
Shenzhen Energy Investment Co Ltd—A	—	—	5,873,580	5,873,580	—
Shenzhen Energy Investment Co Ltd—A	4,182,700	2,946,600	881,037	8,010,337	—
Shenzhen Overseas Chinese Town Holdings—A	—	6,982,000	—	488,500	6,493,500
Shenzhen Yantian Port Holdings Co Ltd—A	3,240,900	2,410,000	1,256,375	6,907,275	—
Sinopec Qiliu Co Ltd—A	3,379,400	2,061,000	—	5,440,400	—
Sinopec Shanghai Petrochem—A	6,343,300	5,247,800	—	1,989,100	9,602,000
Sinopec Yangzi Petrochemical Co Ltd—A	4,044,200	2,468,000	—	6,512,200	—
Suning Appliance Co Ltd—A	—	2,138,200	1,874,500	807,000	3,205,700
Tianjin Port Co Ltd—A	—	9,191,900	—	657,900	8,534,000
Tsingtao Brewery Co Ltd—A	1,689,700	1,411,900	490,474	246,100	3,345,974
Wuhan Iron & Steel Co Ltd—A	13,628,400	33,926,500	—	12,078,900	35,476,000
Wuliangye Yibin Co Ltd—A	7,063,500	5,513,100	1,790,389	5,260,989	9,106,000
Wuliangye Yibin Co Ltd—WRT	—	—	4,107,363	4,107,363	—
Wuliangye Yibin Co Ltd—WRT	—	—	4,317,997	4,317,997	—
Yantai Changyu Pioneer Wire Co Ltd—A	—	837,540	214,560	42,000	1,010,100
Yantai Wanhua Polyurethane Co—A	—	—	894,000	894,000	—
Yantai Wanhua Polyurethane Co—A	2,936,200	2,481,400	2,556,840	2,552,952	5,421,488
Yantai Wanhua Polyurethane Co—WRT	—	—	1,341,000	1,341,000	—
Yanzhou Coal Mining Co Ltd—A	2,548,400	2,064,000	950,475	1,233,875	4,329,000
ZTE Ciro—A	3,462,500	3,328,900	—	2,277,000	4,514,400

\* 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 (a 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
31st December 2006	105.33	14,135,633,054

## 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
31st December 2006	105.34	46.56

\* These are unaudited figures

# iShares Asia Trust

## Management and Administration

### **Directors of the Manager**

Francis Sean Ryan  
Nigel Grenville Williams  
Robert J. Haber  
Mark A A C Talbot  
Joseph Ho

### **Manager**

Barclays Global Investors North Asia Limited  
Suite 2503-05, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

### **Registrar for MSCI China Tracker**

Hong Kong Registrars Limited  
46/F Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### **Trustee and Custodian**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

### **Conversion Agent for MSCI China Tracker**

HK Conversion Agency Services Limited  
2nd Floor Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

### **Legal Adviser to the Manager**

Simmons & Simmons  
35th Floor, Cheung Kong Center  
2 Queen's Road Central  
Hong Kong

### **Registrar for A50 China Tracker**

HSBC Institutional Trust Services (Asia) Limited  
1 Queen's Road Central  
Hong Kong

### **Legal Adviser to the Trustee**

Deacons  
3rd - 7th, 18th & 29th Floors, Alexandra House  
Charter Road

### **Service Agent for A50 China Tracker**

HK Conversion Agency Services Limited  
2nd Floor Vicwood Plaza  
199 Des Voeux Road Central  
Hong Kong

### **Auditor**

PricewaterhouseCoopers  
22nd Floor  
Prince's Building  
Central  
Hong Kong

Any opinions expressed herein reflect the Manager's view at this date and are subject to change. Investors should not rely on the information contained in this report for their final investment decisions. For more information about the Fund including the related risks and other important information, please refer to the prospectus of the Fund which is available by contacting the Manager or visiting the website [www.iShares.com.hk](http://www.iShares.com.hk).

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