

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

Annual Report

For the period ended 31st December 2007

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

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iShares MSCI China Tracker iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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”) which covers the period from 1 January 2007 to 31 December 2007 (the “Period”). This report contains information about the performance of the iShares MSCI China Tracker (the “MSCI China Tracker”), iShares FTSE/Xinhua A50 China Tracker (the “A50 China Tracker”), and the iShares BSE SENSEX India Tracker (the “SENSEX India Tracker”), the three sub-funds established under the Trust, the portfolio manager’s discussion and analysis, as well as other important financial information.

China’s economy delivered another stunning year in 2007. Although GDP quarterly growth eased to 11.2% in Q4 from 11.5% in Q3, it closed 2007 at 11.4% over the entire year, the fastest in 14 years. Foreign reserves now stand at US\$1.53 trillion, over \$400 billion higher than the previous year.¹

The MSCI China Tracker returned 64.3% in HKD in 2007 (after fees and expenses). As of 31 December 2007, fund AUM declined 0.70% to HKD 2.21 billion from HKD 2.23 billion at the end of 2006. The MSCI China Tracker provides an efficient platform for investing into Hong Kong listed Chinese companies.

The A50 China Tracker returned 135.8% in Hong Kong dollar (“HKD”) terms in 2007 (after fees and expenses). As of 31 December 2007, fund assets under management (“AUM”) declined 11.5% to HKD 12.5 billion from HKD 14.1 billion at the end of 2006. The fund provides investors access to the China stock market by investing in access products linked to the shares of the 50 largest companies listed on the Shanghai and Shenzhen Stock Exchanges. The trading volume for the A50 China Tracker reflected continued interest in the domestic A-Share markets from investors. Its high liquidity often placed A50 China Tracker in the top 10 most heavily traded stocks on the Hong Kong Stock Exchange.

The SENSEX India Tracker returned 64.6% in HKD in 2007 (after fees and expenses). At the end of December 2007, its AUM reached HKD2.38 billion, up substantially from HKD 168 million the year before. The fund provides investors access to the Indian stock market by investing in access products linked to the shares of the 30 largest companies listed on the Bombay Stock Exchange. The increase in assets of SENSEX India Tracker reflects continued interest on the part of investors in utilizing this fund as a viable investment vehicle to gain exposure to India’s economic growth.

¹ Source: Bloomberg/ National Bureau of Statistics of China

iShares Asia Trust

Letter to the Unitholders (continued)

2007 also saw a Renminbi (“RMB”) appreciation of 6.4%² against the greenback. Given the widening trade surplus registered against the US, the RMB was under pressure for further appreciation. The India rupee shared the spotlight with the RMB in the news this year. In 2006, the Indian rupee was up 8.75% against the US dollar². In 2007, the appreciation accelerated an additional 10.9%.²

Sincerely,



Mark Talbot
Chief Executive Officer
Barclays Global Investors North Asia Limited

² Source: WM Company/ Reuters

Report of the Manager to the Unitholders

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

INTRODUCTION

The iShares MSCI China Tracker (the “MSCI China Tracker”), 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 the trustee is HSBC Institutional Trust Services (Asia) Limited (the “Trustee”).

FUND PERFORMANCE

The MSCI China Tracker seeks to provide investment results, before fees and taxes, that closely correspond to the performance of the MSCI China Index in Hong Kong dollar (“HKD”) terms. As of 31 December 2007, the Net Asset Value (“NAV”) per unit of the MSCI China Tracker was at HKD28.59 with a total of 77,400,000 units outstanding, aggregating a total assets under management (“AUM”) size of HKD 2,213,177,700.

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

| Total Return ^(a) | 3-Month | 1-Year | 3-Year | 5-Year | Since Inception ^(e) |
|----------------------------------|--------------|--------------|---------------|---------------|--------------------------------|
| in HKD (as of 31 December 2007) | | | | | |
| MSCI China Index ^(b) | -3.3% | 66.7% | 265.2% | 595.7% | 509.9% |
| MSCI China Tracker | | | | | |
| NAV-to-NAV ^(c) | -4.1% | 64.3% | 249.9% | 555.5% | 472.5% |
| MSCI China Tracker | | | | | |
| Market-to-Market | | | | | |
| (MKT) ^(d) | -3.7% | 62.9% | 249.1% | 554.6% | 470.5% |

(a) Total returns represent the rate that an investor would have earned (or lost) on an investment, assuming reinvestment of all dividends and distributions.

(b) An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

(c) Units in the Fund are issued and redeemed at their NAV in exchange for a basket of securities representing the Index. Therefore, the Fund does not publish a bid price and the Fund’s returns have been calculated from NAVs.

Report of the Manager to the Unitholders (continued)

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

FUND PERFORMANCE (continued)

(d) Market returns are calculated using historical market closing prices (when NAV is normally determined for the Fund), and do not represent the returns you would receive if you traded units at other times.

(e) Fund inception date is 28 November 2001.

Source: Barclays Global Investors, Morgan Stanley Capital International (MSCI) and WM Company/Reuters

The MSCI China Tracker consists of H-shares and red chips which are China related stocks listed in Hong Kong. The difference in performance between the MSCI China Index and the MSCI China Tracker is mainly attributed to fees and expenses. Figure 1 below depicts the close tracking of the MSCI China Tracker's NAV and the MSCI China Index.

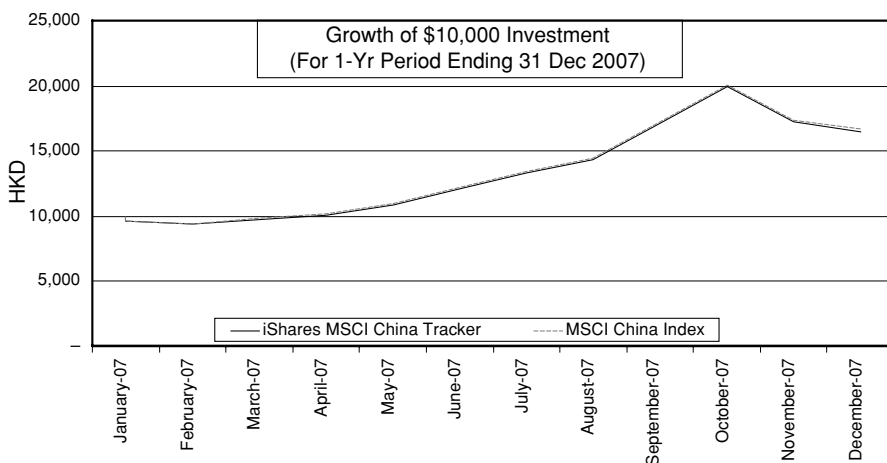


Figure 1

Source: Barclays Global Investors, Morgan Stanley Capital International (MSCI) and WM Company/Reuters

FUND ACTIVITIES

The average daily trading volume for the MSCI China Tracker during the Period was reported by Bloomberg to be approximately 750,000 units. A 3-for-1 subdivision of units was completed on 30 October 2007. At the end of 2007, the fund comprised of 77,400,000 outstanding units.

Report of the Manager to the Unitholders (continued)

iShares MSCI China Tracker

(Sub-Fund of iShares Asia Trust)

INDEX ACTIVITIES

The MSCI China Index underwent four regular reviews and three ad-hoc changes during the course of 2007. As of 31 December 2007, the MSCI China Tracker held 77 stocks versus 112 constituents in the MSCI China Index. For the 1 year period ended 31 December 2007, performance tracking attributable to index changes and security misweights was approximately +0.04%.

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

INTRODUCTION

The iShares FTSE/Xinhua A50 China Tracker (the “A50 China Tracker”), 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.

Any adverse change in taxation imposed on QFIs might have a subsequent impact on the net asset value of the A50 China Tracker through the CAAPs and arrangements with the participating dealers, notwithstanding the fact that the Fund does not hold A Shares directly, because the terms of the CAAPs provide that CAAP returns may take into account any such tax liabilities. Under current PRC law a 10% tax may be payable on the gains derived from the sale of A shares by QFIs. The PRC State Administration of Taxation (the “SAT”) has not collected and has not evinced an intent to collect the tax that may apply to sales of A Shares held by QFIs under PRC law. In light of on-going market reports that the SAT might levy an income tax on QFIs, the Manager has continued to assess the likelihood and materiality of such a change. The Manager has considered (i) the current position of the SAT and PRC income tax on QFIs, (ii) the possible implications for the A50 China Tracker should an income tax ruling for QFIs be enacted in the PRC, (iii) the independent advice of tax and legal counsel and (iv) current market practice. Accordingly the Manager has concluded as follows.

The Manager believes that there are insufficient grounds to reasonably justify making an adjustment to the A50 China Tracker’s financial statements at the present time for any tax exposure which might arise if income tax was to be levied on QFIs³. The Manager continues to monitor the situation actively and will make an appropriate adjustment if and when it is considered that there are sufficient grounds so to do. Should tax apply, the A50 China Tracker could be exposed to a charge in respect of deferred tax relating to gains that were uncrystallized as at the date of this report. Any charge with respect to deferred tax can only be determined when the underlying gains are crystallized and as such any current estimate can only be calculated based on the market value of the portfolio as at the time of that estimate. The Trustee estimates the uncrystallized gains as at 31 December 2007 to be HKD 6,058 million. Should retrospective tax be applied, the A50 China Tracker might be exposed to a charge relating to crystallised gains on the QFI’s holdings from 18 November 2004 (date of inception) to the year ended 31 December 2007. The Manager estimates, on the basis of information provided by the relevant QFIs, the crystallized gains as at 31 December 2007 to be HKD 10,603 million. The payment of any charge is at all times subject to the Manager’s duty to act in the best interests of the Fund and its unitholders.

³ Please refer to the Notes to the Financial Statements for further detail

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

FUND PERFORMANCE

The A50 China Tracker seeks to provide investment results, before fees and taxes, that closely correspond to the performance of the A50 Index in Hong Kong dollar (“HKD”) terms. As of 31 December 2007, the NAV per unit of the A50 China Tracker was HKD24.83 with a total of 504,000,000 units outstanding, aggregating a total assets under management (“AUM”) size of HKD12,513,686,474.

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

| Total Return ^(a) in HKD (as of 31 December 2007) FTSE/Xinhua | 3-Month | 1-Year | 3-Year | 5-Year | Since Inception ^(e) |
|--|--------------|---------------|---------------|------------|--------------------------------|
| China A50 Index ^(b) | -0.9% | 139.7% | 491.4% | n/a | 471.0% |
| A50 China Tracker NAV-to-NAV ^(c) | -1.3% | 135.8% | 501.8% | n/a | 467.8% |
| A50 China Tracker Market-to-Market ^(d) | -2.4% | 113.4% | 491.9% | n/a | 456.1% |

(a) Total returns represent the rate that an investor would have earned (or lost) on an investment, assuming reinvestment of all dividends and distributions.

(b) An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

(c) Units in the Fund are issued and redeemed at their NAV in exchange for a basket of securities representing the Index. Therefore, the Fund does not publish a bid price and the Fund's returns have been calculated from NAVs.

(d) Market returns are calculated using historical market closing prices (when NAV is normally determined for the Fund), and do not represent the returns you would receive if you traded units at other times.

(e) Fund inception date is 18 November 2004.

Source: Barclays Global Investors, FTSE and WM Company/Reuters

Report of the Manager to the Unitholders (continued)

iShares FTSE/Xinhua A50 China Tracker

(Sub-Fund of iShares Asia Trust)

FUND PERFORMANCE (continued)

The A50 China Tracker consists of the Chinese A Share Access Products (CAAPs), that reflect investment performance of the domestic Chinese A-share stocks listed in mainland China. Figure 2 below depicts the performance tracking of the A50 China Tracker's NAV and the FTSE/Xinhua A50 Index.

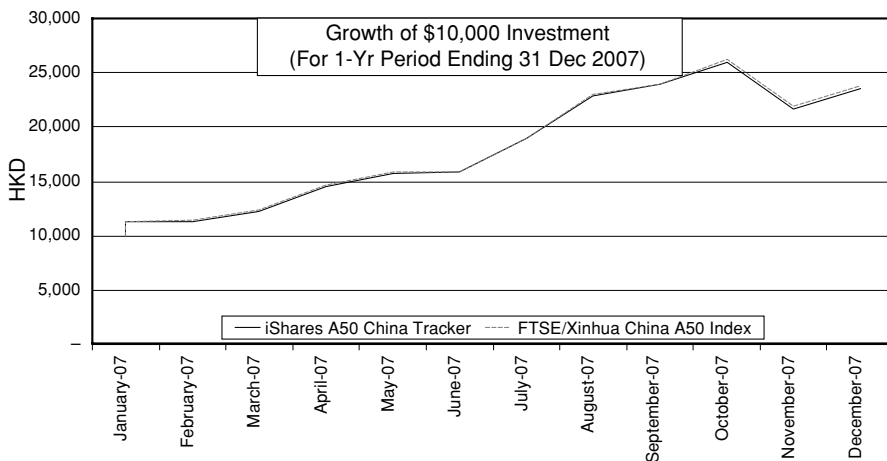


Figure 2

Source: Barclays Global Investors, FTSE, WM Company/Reuters

FUND ACTIVITIES

The trading volume for the A50 China Tracker reflected continued interest in the domestic A-Share markets from investors. After a 10-for-1 subdivision of units was completed on 30 October 2007, the average daily trading volume surged to 25 million units during the Period. Its high liquidity often placed A50 China Tracker in the top 10 most heavily traded stocks on the Hong Kong Stock Exchange. At the end of 2007, there were 504 million units outstanding.

INDEX ACTIVITIES

The A50 Index underwent four regular quarterly reviews and eight ad-hoc index changes during the Period. As of 31 December 2007, the A50 fund had exposure to all index constituents indirectly.

Report of the Manager to the Unitholders (continued)

iShares BSE SENSEX India Tracker

(Sub-Fund of iShares Asia Trust)

INTRODUCTION

The iShares BSE SENSEX India Tracker (the “SENSEX India Tracker”), a sub-fund of the iShares Asia Trust (the “Trust”), was launched on 30 October 2006 and commenced trading under the stock code 2836 on the SEHK on 2 November 2006. The SENSEX India Tracker is a Hong Kong unit trust authorized under the Securities and Futures Ordinance (Cap. 571) of Hong Kong. The SENSEX India Tracker is benchmarked against the BSE SENSEX Index (the “SENSEX Index”). The Manager of the SENSEX India Tracker is Barclays Global Investors North Asia Limited (the “Manager”) and the trustee is HSBC Institutional Trust Services (Asia) Limited.

FUND PERFORMANCE

The SENSEX India Tracker seeks to provide investment results, before fees and taxes, that closely correspond to the performance of the SENSEX Index in Hong Kong dollar (HKD) terms. As of 31 December 2007, the NAV per unit of the SENSEX India Tracker was HKD23.10 with a total of 103,200,000 units outstanding, aggregating a total AUM size of HKD2,383,807,022.

A summary of the performance of the SENSEX India Tracker is given below.

| Total Return ^(a) in HKD (as of 31 December 2007) | 3-Month | 1-Year | 3-Year | 5-Year | Since Inception ^(e) |
|---|--------------|--------------|------------|------------|--------------------------------|
| BSE SENSEX 30 Index ^(b) | 19.4% | 69.0% | n/a | n/a | 83.0% |
| BSE SENSEX India Tracker NAV-to-NAV ^(c) | 18.2% | 64.6% | n/a | n/a | 75.7% |
| BSE SENSEX India Tracker Market-to-Market ^(d) | 15.64% | 58.4% | n/a | n/a | 69.8% |

(a) Total returns represent the rate that an investor would have earned (or lost) on an investment, assuming reinvestment of all dividends and distributions.

(b) An investor cannot invest directly in an index and the index performance returns do not reflect management fees, transaction costs or other expenses, which would reduce performance returns.

(c) Units in the Fund are issued and redeemed at their NAV in exchange for a basket of securities representing the Index. Therefore, the Fund does not publish a bid price and the Fund's returns have been calculated from NAVs.

Report of the Manager to the Unitholders (continued)

iShares BSE SENSEX India Tracker

(Sub-Fund of iShares Asia Trust)

FUND PERFORMANCE (continued)

(d) Market returns are calculated using historical market closing prices (when NAV is normally determined for the Fund), and do not represent the returns you would receive if you traded units at other times.

(e) Fund inception date is 2 November 2006.

Source: Barclays Global Investors, BSE Sensex and WM Company/Reuters

The SENSEX India Tracker assets consist of participation notes relating to the top 30 SENSEX stocks. The total fund assets increased fourteen times comparing to the initial size at launch. Figure 3 below depicts the close tracking of the SENSEX India Tracker's NAV and the SENSEX Index.

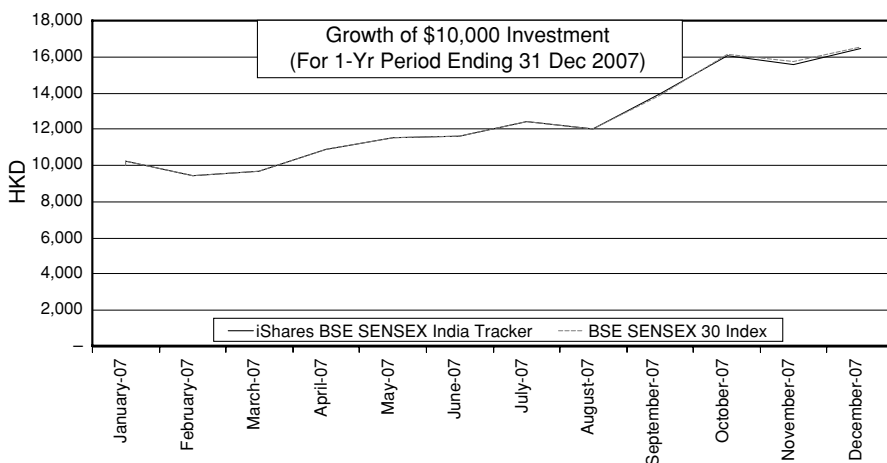


Figure 3

Source: Barclays Global Investors, BSE Sensex and WM Company/Reuters

FUND ACTIVITIES

The trading volume for the SENSEX India Tracker reflected continued investor interest in India. The average daily trading volume increased to over 500,000 units during the Period. As of the end of 2007, a total of 103.2 million units were outstanding.

Report of the Manager to the Unitholders (continued)

iShares BSE SENSEX India Tracker

(Sub-Fund of iShares Asia Trust)

INDEX ACTIVITIES

The SENSEX Index had two ad-hoc changes in the course of 2007, in addition to the annual rebalance on 6 July 2007 when one addition and one deletion were made.

Report of the Manager to the Unitholders iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Fund of iShares Asia Trust)

MARKET REVIEW

Asia Pacific

The MSCI Emerging Markets Total Return (Net dividend) Index returned 39.4%⁴ in 2007 in US dollar terms, with most Asian countries posting double digit returns. The Indian BSE SENSEX returned 47% due to Rupee appreciation. China's domestic A-shares returned 122%. The Chinese H-shares listed in Hong Kong, as represented by the MSCI China (HKD) Index, gained 63.5%.

In comparison, the S&P 500 Total Return Index returned 5.5%⁵ (in local currency) after being plagued by the subprime crisis and recession worries for most of the year. The FTSE 100 Total Return Index returned 7.8%⁶ (in local currency) while the Hang Seng Index posted a positive total return of 43.4%⁷ (in local currency) after the Mainland loosened investment policies for overseas investment vehicles. Nikkei 225 Index once again lagged its regional neighbors with a negative 10.2%⁸ total return (in local currency) after a lackluster 2006.

India

In terms of economic growth, India grew only second to China in the world after the latest quarter showed an 8.9%⁹ GDP growth year over year (see Figure 4). By 2015, passenger car sales are expected to almost triple to 3 million, according to the Society of Indian Automobile Manufacturers.

⁴ Source: Bloomberg/Morgan Stanley Capital International (MSCI)

⁵ Source: Bloomberg/Standard and Poor (S&P)

⁶ Source: Bloomberg/FTSE

⁷ Source: Bloomberg/Hang Seng

⁸ Source: Bloomberg/Nikkei

⁹ Source: Bloomberg/India Central Statistical Organization (CSO)

Report of the Manager to the Unitholders (continued)

iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Fund of iShares Asia Trust)

MARKET REVIEW (continued)

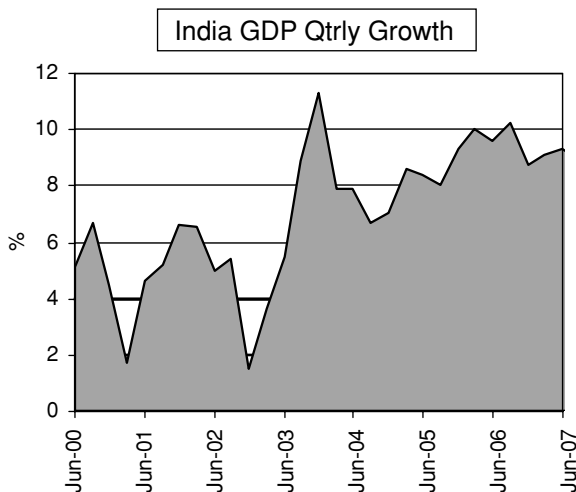


Figure 4

Source: Bloomberg/ India Central Statistical Organization (CSO)

Along with a steady rise in GDP growth, India had the highest average salary increase in the Asia Pacific region in 2007, gaining 15% compared to 13.8% in 2006.¹⁰ Looking ahead, India's government is expected to continue to focus on improving the general quality of living. India's middle class, those with annual disposable incomes between US\$4,380 and US\$21,890, is expected to increase more than 10-fold to 583 million by 2025.¹¹ This would greatly boost the domestic consumer sector.

2007 also saw approximately US\$20 billion in foreign investment flowing into India which stimulated the appreciation of the Indian rupee. To better monitor and control the flow, the Securities and Exchange Board of India (SEBI) proposed a major policy change on Offshore Derivative Instruments (ODIs) issued by Foreign Institutional Investors (FIIs) against their underlying holdings in Indian securities. Under the new policy, FIIs and their sub-accounts would not be able to issue or renew ODI contracts. Existing ODIs are required to be liquidated over 18 months.

¹⁰ Source: HR consulting firm Hewitt Associates

¹¹ Source: McKinsey

Report of the Manager to the Unitholders (continued) iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Fund of iShares Asia Trust)

MARKET REVIEW (continued)

This policy was adopted by the SEBI board within a week of the proposal. It closed up all new investment channels in India except the current ones. With new regulatory constraints, the SENSEX India Tracker would be constrained to new unit creation activities and might trade at premium or discount to the NAV in response to the investor supply and demand.

As the US Federal Reserves bank continues its aggressive rate cuts, the US dollar may continue its slippery slope of devaluing against emerging currencies with strong economic fundamentals like the Indian rupee. A declining US dollar may lead to a more decisive shift of investments overseas by multi-national companies. It is also important to note that the weak US dollar thus far has not corrected trade imbalances. India's foreign reserves are now up more than five-fold since 2000¹² (see Figure 5). One recent trend indicated that India is boosting its trade with China. In 2007, Sino-India total trade went up 56% to \$38.7 billion. \$60 billion is now the expected level of cross-border trades by 2010.

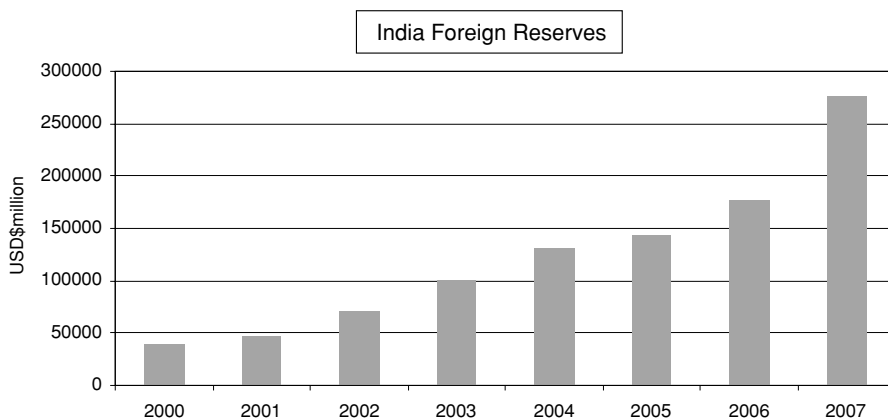


Figure 5

Source: Bloomberg/ Reserve Bank of India

Given the momentum in GDP growth, willingness to fight inflation preemptively by the central bank, and the increase in foreign reserves, Indian companies could sustain their current growth rate momentum in 2008. More caution will be needed with the uncertainty in India's macro economic policy.

¹² Source: Bloomberg/ Reserve Bank of India

Report of the Manager to the Unitholders (continued) iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Fund of iShares Asia Trust)

MARKET REVIEW (continued)

China

There are less than 200 days to the opening ceremony of the Beijing Olympics for which China has spent the last five years preparing. Its economy expanded at the fastest pace in thirteen years. The gross domestic product expanded 11.4% for the entire year 2007.¹³ In the fourth quarter, it eased a bit to 11.2% from 11.5% in Q3 and 11.9% in Q2 after the central bank raised Required Reserved Ratio ten times in 2007 at 15%. Inflation touched 6.9% in November due to surging food prices, exceeding the central bank's annual 3% target for four consecutive months (Figures 6 and 7)¹⁴.



Figure 6

Source: Bloomberg/ National Bureau of Statistics of China

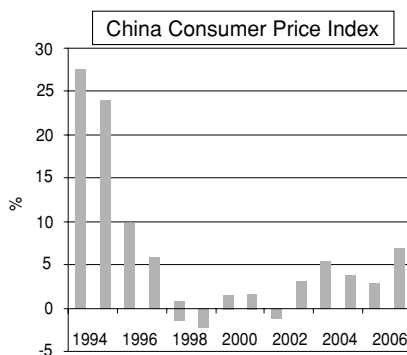


Figure 7

¹³ Source: National Bureau of Statistics of China

¹⁴ Source: Bloomberg/ National Bureau of Statistics of China

Report of the Manager to the Unitholders (continued) iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Fund of iShares Asia Trust)

MARKET REVIEW (continued)

On the trade front, with the record high trade surplus with the US, China has accumulated increased amounts of dollar denominated foreign exchange reserves exceeding USD\$1.5 trillion (Figure 8)¹⁵.

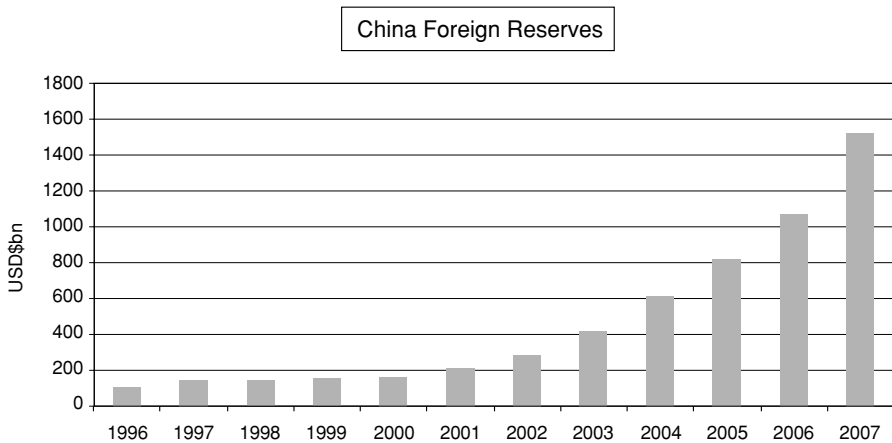


Figure 8

Source: Bloomberg/ National Bureau of Statistic of China

Going forward, inflation control will continue to be a focus for the central bank. As the macro economy and currency economic policy remain strong, investors will retain a positive outlook on China. However, investors should be aware of the risk factors that may hinder its growth. For example, nationalism and trade protectionism issues, US presidential elections and tightening monetary policy. Investors should assess their risk appetites before investing.

¹⁵ Source: Bloomberg/ National Bureau of Statistic of China

iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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 dated 16th November 2001, as amended, for the year ended 31st December 2007.

HSBC Institutional Trust Services (Asia) Limited

28 April 2008

iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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 2007, 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, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Funds of iShares Asia Trust) (the “Sub-Funds”)

We have audited the financial statements of the Sub-Funds set out on pages 22 to 68, which comprise the Statement of Assets and Liabilities as at 31st December 2007, and Statement of Operations, Statement of Changes in Net Assets Attributable to Unitholders and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Trustee and the Manager (the “Management”) of the Sub-Funds are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards and are 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, (the “Trust Deed”), and the relevant financial statements disclosure provisions 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. 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 as to whether the financial statements are free from material misstatement.

Independent Auditor’s Report (continued)

To the Unitholders of iShares MSCI China Tracker, iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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 Sub-Funds’ 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 Sub-Funds’ internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, 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 at 31st December 2007, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

EMPHASIS OF MATTER

Without qualifying our opinion, we draw attention to Note 6 to the financial statements. Under the current PRC law a 10% tax may be payable on the gains derived from sale of A Shares of the PRC listed companies by Qualified Foreign Institutional Investors (“QFII”) (“QFII gains”). Up to the date of approval of the financial statements, Management considers that there are significant uncertainties whether the PRC will enforce tax on QFII gains, the date when it will be effective and as to the obligations for the iShares FTSE/Xinhua A50 China Tracker to bear such tax. Accordingly, management has not made any tax provision for the Sub-Funds in this regard as at and for the year ended 31st December 2007.

Independent Auditor's Report (continued)
To the Unitholders of iShares MSCI China Tracker,
iShares FTSE/Xinhua A50 China Tracker and iShares
BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust) (the "Sub-Funds")

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for contents of this report.

REPORT ON OTHER LEGAL AND REGULATORY DISCLOSURE REQUIREMENTS

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 April 2008

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Assets and Liabilities**

As at 31st December 2007

| | | iShares MSCI China Tracker | |
|--|----------|-------------------------------|-----------------------------|
| | Note | 2007 HK\$ | 2006 HK\$ |
| | | <u> </u> | <u> </u> |
| ASSETS | | | |
| Investments | | 2,205,474,300 | 2,189,653,708 |
| Bank balances | 7(f) | 9,711,496 | 40,392,446 |
| Dividend receivable | | - | - |
| Amount due from unitholder | | - | - |
| | | <u> </u> | <u> </u> |
| Total assets | | 2,215,185,796 | 2,230,046,154 |
| | | <u>-----</u> | <u>-----</u> |
| LIABILITIES | | | |
| Management fee payable | 7(a) | 6,046,656 | 4,431,639 |
| Other accounts payable | 7(c)&(d) | 10,105 | 141,000 |
| | | <u> </u> | <u> </u> |
| Liabilities (excluding net assets attributable to unitholders) | | 6,056,761 | 4,572,639 |
| | | <u>-----</u> | <u>-----</u> |
| Net assets attributable to unitholders (at bid market prices) | 4 | 2,209,129,035 | 2,225,473,515 |
| Adjustments from bid market prices to last traded market prices | 4 | 4,048,665 | 3,230,097 |
| | | <u> </u> | <u> </u> |
| Net assets attributable to unitholders (at last traded market prices) | 4 | 2,213,177,700 | 2,228,703,612 |
| | | <u> </u> | <u> </u> |

Approved by the Trustee and the Manager on 28 April 2008.

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 32 to 68 form part of these financial statements.

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Assets and Liabilities (continued)**

As at 31st December 2007

| iShares FTSE/ Xinhua A50 China Tracker | | iShares BSE SENSEX India Tracker |
|---|-----------------------|-------------------------------------|
| 2007 | 2006 | 2007 |
| HK\$ | HK\$ | HK\$ |
| 12,464,741,520 | 14,025,566,454 | 2,361,286,356 |
| 85,206,168 | 134,154,766 | 15,435,417 |
| 243,567 | 831,805 | 1,617,160 |
| — | 751,428 | — |
| <u>12,550,191,255</u> | <u>14,161,304,453</u> | <u>2,378,338,933</u> |
| 30,978,744 | 24,480,098 | 4,568,254 |
| <u>9,878,581</u> | <u>7,684,452</u> | <u>1,315,766</u> |
| <u>40,857,325</u> | <u>32,164,550</u> | <u>5,884,020</u> |
| 12,509,333,930 | 14,129,139,903 | 2,372,454,913 |
| <u>4,352,544</u> | <u>6,493,151</u> | <u>11,352,109</u> |
| <u>12,513,686,474</u> | <u>14,135,633,054</u> | <u>2,383,807,022</u> |

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Operations**

For the year/period ended 31st December 2007

| | | iShares MSCI China Tracker | |
|---|----------|-------------------------------|-----------------------------|
| | | 2007 | 2006 |
| | Note | HK\$ | HK\$ |
| | | <u> </u> | <u> </u> |
| INCOME | | | |
| Dividend income | | 38,819,817 | 42,082,817 |
| Interest income | | 457,728 | 367,239 |
| Net gain on investments | 5 | <u>984,321,475</u> | <u>950,398,005</u> |
| Total investment income | | <u>1,023,599,020</u> | <u>992,848,061</u> |
| EXPENSES | | | |
| Management fee | 7(a) | (20,828,529) | (15,805,347) |
| Transaction handling fee | 7(b) | (33,583) | (14,409) |
| Transaction costs on investments | 7(e) | (1,107,991) | (893,156) |
| Safe custody and bank charges | 7(b) | (267,397) | (335,329) |
| Maintenance charge | 7(c)&(d) | <u> </u> | <u> </u> |
| Total operating expenses | | <u>(22,237,500)</u> | <u>(17,048,241)</u> |
| PROFIT BEFORE TAX | | 1,001,361,520 | 975,799,820 |
| Taxation | 6 | <u> </u> | <u> </u> |
| PROFIT AFTER TAX | | 1,001,361,520 | 975,799,820 |
| Adjustments from bid market prices to last traded market prices | 4 | <u>818,568</u> | <u>(4,788,623)</u> |
| Increase in net assets attributable to unitholders from operations | | <u>1,002,180,088</u> | <u>971,011,197</u> |

The notes on pages 32 to 68 form part of these financial statements.

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Operations (continued)**

For the year/period ended 31st December 2007

| iShares FTSE/ Xinhua A50 China Tracker | | iShares BSE SENSEX India Tracker |
|---|----------------------|--|
| 2007 | 2006 | 02.11.2006 (Date of inception) to 31.12.2007 |
| HK\$ | HK\$ | HK\$ |
| 191,722,241 | 239,646,595 | 6,976,154 |
| 2,011,996 | 2,458,107 | 51,380 |
| 13,815,694,673 | 7,692,779,532 | 424,341,284 |
| <u>14,009,428,910</u> | <u>7,934,884,234</u> | <u>431,368,818</u> |
| (148,779,114) | (69,423,352) | (7,842,325) |
| (93,218) | (83,075) | (7,958) |
| (77,036,000) | (29,861,839) | (162,243) |
| (2,506,892) | (1,078,332) | (117,590) |
| (45,659,435) | (21,093,063) | (2,263,789) |
| <u>(274,074,659)</u> | <u>(121,539,661)</u> | <u>(10,393,905)</u> |
| 13,735,354,251 | 7,813,344,573 | 420,974,913 |
| (19,172,224) | (19,449,980) | - |
| <u>13,716,182,027</u> | <u>7,793,894,593</u> | <u>420,974,913</u> |
| (2,140,607) | 6,493,151 | 11,352,109 |
| <u>13,714,041,420</u> | <u>7,800,387,744</u> | <u>432,327,022</u> |

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Changes in Net Assets Attributable
to Unitholders**

For the year/period ended 31st December 2007

| | | iShares MSCI China Tracker | |
|--|------|-------------------------------|---------------|
| | Note | 2007 HK\$ | 2006 HK\$ |
| Balance at the beginning of the year/period | | 2,228,703,612 | 1,094,216,415 |
| Proceeds on issue of units | | | |
| — in-kind | 8 | 369,641,059 | 597,752,998 |
| — cash component | 8 | 2,100,941 | 12,509,002 |
| Payment on redemption of units | | | |
| — in-kind | 8 | (1,361,308,733) | (409,523,895) |
| — cash component | 8 | (11,939,267) | (11,582,105) |
| | | 1,227,197,612 | 1,283,372,415 |
| Amount transferred to the statement of distributions | | (16,200,000) | (25,680,000) |
| Increase in net assets attributable to unitholders from operations | | 1,002,180,088 | 971,011,197 |
| Balance at the end of the year/period | | 2,213,177,700 | 2,228,703,612 |

The notes on pages 32 to 68 form part of these financial statements.

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Changes in Net Assets Attributable
to Unitholders (continued)**

For the year/period ended 31st December 2007

| iShares FTSE/ Xinhua A50 China Tracker | | iShares BSE SENSEX India Tracker 02.11.2006 (Date of inception) to 31.12.2007 |
|---|-----------------------|---|
| 2007 HK\$ | 2006 HK\$ | HK\$ |
| 14,135,633,054 | 2,526,275,310 | – |
| 3,831,338,547 | 4,041,784,906 | 1,943,493,453 |
| 23,717,453 | 63,665,094 | 7,986,547 |
| (19,121,092,087) | (228,574,360) | – |
| (69,951,913) | (2,905,640) | – |
| (1,200,354,946) | 6,400,245,310 | 1,951,480,000 |
| – | (65,000,000) | – |
| 13,714,041,420 | 7,800,387,744 | 432,327,022 |
| <u>12,513,686,474</u> | <u>14,135,633,054</u> | <u>2,383,807,022</u> |

iShares MSCI China Tracker iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker (Sub-Funds of iShares Asia Trust) Statement of Cash Flows

For the year/period ended 31st December 2007

iShares
MSCI China Tracker

| | Note | 2007 HK\$ | 2006 HK\$ |
|---|------|---------------|---------------|
| OPERATING ACTIVITIES | | | |
| Purchase of investments | 8 | (411,664,166) | (245,224,591) |
| Sale of investments | 8 | 388,506,540 | 273,377,615 |
| Dividend received | | 38,819,817 | 42,082,817 |
| Interest received | | 457,728 | 367,239 |
| Exchange (loss)/gain | | (9,165) | 3,376 |
| Management fee paid | | (19,213,512) | (13,847,911) |
| Withholding tax paid | | — | — |
| Transaction cost paid | | (1,107,991) | (893,156) |
| Other fees paid | | (431,875) | (210,870) |
| Net cash (used in)/generated from operating activities | | (4,642,624) | 55,654,519 |
| FINANCING ACTIVITIES | | | |
| Cash component received on issue of units | 8 | 2,100,941 | 12,509,002 |
| Cash component paid on redemption of units | 8 | (11,939,267) | (11,582,105) |
| Final distribution paid | | (16,200,000) | (25,680,000) |
| Net cash (used in)/generated from financing activities | | (26,038,326) | (24,753,103) |
| (Decrease)/increase in cash and cash equivalents | | (30,680,950) | 30,901,416 |
| Cash and cash equivalents at the beginning of the year/period | | 40,392,446 | 9,491,030 |
| Cash and cash equivalents at the end of the year/period | | 9,711,496 | 40,392,446 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Bank balances | | 9,711,496 | 40,392,446 |

Please refer to note 8 on page 47 for details of major non-cash transactions.

The notes on pages 32 to 68 form part of these financial statements.

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Cash Flows (continued)**

For the year/period ended 31st December 2007

| iShares FTSE/ Xinhua A50 China Tracker | | iShares BSE SENSEX India Tracker 02.11.2006 (Date of inception) to 31.12.2007 |
|---|--------------------|---|
| 2007 HK\$ | 2006 HK\$ | HK\$ |
| (7,188,800,179) | (3,517,447,515) | (117,649,428) |
| 7,279,094,936 | 3,496,384,029 | 124,171,856 |
| 192,310,479 | 239,987,974 | 5,358,994 |
| 2,011,996 | 2,458,107 | 51,380 |
| (3,528,691) | 291,610 | 25,953 |
| (142,280,467) | (49,887,130) | (3,274,071) |
| (19,172,224) | (19,449,980) | - |
| (77,036,000) | (29,861,839) | (162,243) |
| (46,065,416) | (16,867,262) | (1,073,571) |
| <u>(3,465,566)</u> | <u>105,607,994</u> | <u>7,448,870</u> |
| 24,468,881 | 62,913,666 | 7,986,547 |
| (69,951,913) | (2,905,640) | - |
| - | (65,000,000) | - |
| <u>(45,483,032)</u> | <u>(4,991,974)</u> | <u>7,986,547</u> |
| (48,948,598) | 100,616,020 | 15,435,417 |
| 134,154,766 | 33,538,746 | - |
| <u>85,206,168</u> | <u>134,154,766</u> | <u>15,435,417</u> |
| <u>85,206,168</u> | <u>134,154,766</u> | <u>15,435,417</u> |

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Distributions**

For the year/period ended 31st December 2007

| | | iShares MSCI China Tracker | |
|---------------------------------|------|-------------------------------|--------------|
| | Note | 2007 HK\$ | 2006 HK\$ |
| | | _____ | _____ |
| Amount transferred from | | | |
| the statement of operations | | 16,200,000 | 25,680,000 |
| Final distribution | | | |
| – HK\$0.60 on 42,800,000 units | | | |
| paid on 28th December 2006 | 12 | – | (25,680,000) |
| – HK\$0.20 on 81,000,000 units | | | |
| paid on 28th December 2007 | 12 | (16,200,000) | – |
| – HK\$0.50 on 130,000,000 units | | | |
| paid on 28th December 2006 | 12 | – | – |
| | | _____ | _____ |
| | | – | – |
| | | ===== | ===== |

No dividend was distributed for the year/period ended 31st December 2007 for iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India Tracker.

**iShares MSCI China Tracker
iShares FTSE/Xinhua A50 China Tracker
and iShares BSE SENSEX India Tracker
(Sub-Funds of iShares Asia Trust)
Statement of Distributions (continued)**

For the year/period ended 31st December 2007

| iShares FTSE/ Xinhua A50 China Tracker | | iShares BSE SENSEX India Tracker 02.11.2006 (Date of inception) to 31.12.2007 |
|---|--------------|---|
| 2007 HK\$ | 2006 HK\$ | HK\$ |
| - | 65,000,000 | - |
| - | - | - |
| - | - | - |
| - | (65,000,000) | - |
| - | - | - |
| - | - | - |

iShares MSCI China Tracker iShares FTSE/Xinhua A50 China Tracker and iShares BSE SENSEX India 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 2007, 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.

Proposed Restructure of Offshore Derivative Instruments Related to Indian Equity Securities

As previously announced by the Manager on 5 November 2007, the Securities and Exchange Board of India (“SEBI”) issued a proposal to introduce new regulations to restrict the issuance of offshore derivative instruments (“ODIs”) linked to Indian equity securities. ODIs are acquired by the SENSEX India Tracker to gain access to the Indian equities market. Whilst the formal amendments effecting the SEBI proposal have not been issued and may change, the proposal is being followed by market participants with effect from 25 October 2007. On that basis, the current issuer of the ODIs held by the SENSEX India Tracker has now confirmed to the Manager that such ODIs are not covered by, and so do not need to be liquidated in accordance with the SEBI proposal and that the issuer may issue additional ODIs to the SENSEX India Tracker. Restrictions under the SEBI proposals will however apply in respect of the number of additional ODIs that may be issued. These restrictions do not pose any present constraint to the Fund and the Manager continues to monitor the position and examine the various alternatives available.

These financial statements are in respect of MSCI China Tracker, A50 China Tracker and SENSEX India Tracker on a stand alone basis. No comparative figures are presented for the SENSEX India Tracker as this is the first financial period for the Sub-Fund.

The Sub-Funds have no employees.

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

1 THE TRUST (continued)

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”).

SENSEX India Tracker

The objective of the SENSEX India Tracker is to provide investment results that closely correspond to the performance of the BSE SENSEX Index (the “BSE SENSEX Benchmark Index”).

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 Preparation

The financial statements of the Sub-Funds have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Management to exercise its judgment in the process of applying the Sub-Funds’ accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(a) Basis of Preparation (continued)

Standard and amendment effective in 2007 relevant to the Sub-Funds

IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures, were effective in 2007. 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 their capital, which is represented by the net assets attributable to unitholders. There is no impact on the classification and measurement of the Sub-Funds' capital.

(b) Financial Assets at Fair Value Through Profit or Loss

(i) Classification

The Sub-Funds classify their investments in equity securities as financial assets at fair value through profit or loss. These financial assets are designated by the Management at fair value through profit or loss at inception.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Sub-Funds' documented investment strategy. The Sub-Funds' policy is for the Management to evaluate the information about these financial assets on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

Purchases and sales of investments are accounted for on trade dates. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Sub-Fund has transferred substantially all risks and rewards of ownership.

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(b) Financial Assets at Fair Value Through Profit or Loss (continued)

(iii) Measurement

Investments consist of principally listed securities and are initially recognized at fair value. Transaction costs are expensed in the Statement of Operations. Subsequent to initial recognition, all investments are measured at fair value. Gains and losses arising from changes in the fair value of the investments are presented in the Statement of Operations in the period in which they arise.

(iv) Fair value estimation

The fair value of investments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for investments held by the Sub-Funds is the current bid price.

(c) Amounts Receivable and Payable

Amounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of amounts receivable is established when there is objective evidence that the Sub-Funds will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the amounts receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in the Statement of Operations. Amounts receivable in the Statement of Assets and Liabilities are stated net of such provision.

Amounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(d) Dividend Income 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 is recognised on a time-proportionate basis using the effective interest method.

(e) Expenses

Expenses are accounted for on an accruals basis.

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks with original maturities of three months or less.

(g) Distributions Payable to Unitholders

Distributions to unitholders are recognised as a liability in the Statement of Assets and Liabilities in the period in which they are approved by the Trustee.

(h) 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 Sub-Funds operate ("the functional currency"). The performance of the Sub-Funds are measured and reported to unitholders 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.

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(h) Translation of Foreign Currencies (continued)

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 Statement of Operations. Translation differences on non-monetary financial assets such as equities at fair value through profit or loss are recognized in the Statement of Operations within the fair value net gain or loss.

(i) Proceeds and Payments on Allotment and Redemption of Units

The Sub-Funds issue 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 Sub-Funds' 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 Sub-Funds.

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 unitholders with the total number of outstanding units. In accordance with the provisions of the 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.

(j) Taxation

The Sub-Funds currently incur withholding taxes imposed by certain countries on investment income. Such income is recorded gross of withholding taxes in the Statement of Operations.

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

2 PRINCIPAL ACCOUNTING POLICIES (continued)

(k) 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.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

(a) Critical Accounting Estimates and Assumptions

Taxation

In preparing these financial statements, the Management have made certain assumptions and used various estimates concerning the tax exposure which is dependent on what might happen in the future. The resulting accounting estimates may not equal the related actual results.

In light of on-going market reports that the PRC State Administration of Taxation (the "SAT") might levy income tax on Qualified Foreign Institutional Investors ("QFIIs") and in accordance with the arrangement with QFIIs who are the Participating Dealers ("PDs"), A50 China Tracker could be exposed to PRC tax on the crystallized and uncrystallized gains relating to the transfer or disposal of A Shares by the PDs. Refer to note 6 to the financial statements.

(b) Critical Judgments

Functional currency

The Management considers Hong Kong dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Hong Kong dollar is the currency in which the Sub-Funds measure their performance and report their results, as well as the currency in which the Sub-Funds determine the net assets value per unit at the time of issue or redemption. This determination also considers that the Sub-Funds are all listed on the Stock Exchange of Hong Kong Limited and their shares are quoted in Hong Kong dollar.

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

4 NUMBER OF UNITS IN ISSUE AND NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

In accordance with the provisions of the Prospectus of MSCI China Tracker dated June 2005, as amended, and the Prospectus of A50 China Tracker dated 4th November 2005, 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 Assets and Liabilities date.

MSCI China Tracker

As at 31st December 2007, the valuation of investments in accordance with IAS 39 as shown in the financial statements resulted in a decrease in value of investments by HK\$4,048,665 (2006: HK\$3,230,097) compared with using the valuation methodology indicated in its Prospectus.

A50 China Tracker

As at 31st December 2007, the valuation of investments in accordance with IAS 39 as shown in the financial statements resulted in a decrease in value of investments by HK\$4,352,544 (2006: HK\$6,493,151) compared with using the valuation methodology indicated in its Prospectus.

SENSEX India Tracker

As at 31st December 2007, the valuation of investment in accordance with IAS 39 as shown in the financial statements resulted in a decrease in value of investments by HK\$11,352,109 compared with the valuation methodology used by the Trustee as agreed with the Manager which is based on the prices provided by the calculation agent of the underlying India Access Products, in turn based on official closing prices of the relevant exchange.

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

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

Net assets attributable to unitholders represent a liability in the Statement of Assets and Liabilities, carried at the redemption amount that would be payable on the Statement of Assets and Liabilities date if the unitholder exercised the right to redeem the unit to the Sub-Funds.

| | iShares MSCI China Tracker Number of units | | iShares FTSE/ Xinhua A50 China Tracker Number of units | | iShares BSE SENSEX India Tracker Number of units |
|--|---|--------------------------------|--|--------------------------------|---|
| | 01.01.2007 to 31.12.2007 | 01.01.2006 to 31.12.2006 | 01.01.2007 to 31.12.2007 | 01.01.2006 to 31.12.2006 | 02.11.2006 (Date of inception) to 31.12.2007 |
| Units in issue at the beginning of the year/period | 42,400,000 | 36,800,000 | 134,200,000 | 59,400,000 | - |
| Issue of units (note a) | 64,200,000 | 15,200,000 | 534,400,000 | 78,800,000 | 103,200,000 |
| Redemption of units | (29,200,000) | (9,600,000) | (164,600,000) | (4,000,000) | - |
| Units in issue at the end of the year/period | <u>77,400,000</u> | <u>42,400,000</u> | <u>504,000,000</u> | <u>134,200,000</u> | <u>103,200,000</u> |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| Net assets attributable to unitholders | <u>2,213,177,700</u> | <u>2,228,703,612</u> | <u>12,513,686,474</u> | <u>14,135,633,054</u> | <u>2,383,807,022</u> |
| Net assets attributable to unitholders per unit | <u>28.59</u> | <u>52.56</u> | <u>24.83</u> | <u>105.33</u> | <u>23.10</u> |

Note a

On 30th October 2007, the units of MSCI China Tracker were divided into three sub-divided units. Immediately following the sub-division, the total number of units in issue increased from 28,600,000 units to 85,800,000 sub-divided units.

On 30th October 2007, the units of A50 China Tracker were divided into ten sub-divided units. Immediately following the sub-division, the total number of units in issue increased from 52,200,000 units to 522,000,000 sub-divided units.

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

5 NET GAIN ON INVESTMENTS

| | iShares MSCI China Tracker | | iShares FTSE/ Xinhua A50 China Tracker | | iShares BSE SENSEX India Tracker 02.11.2006 (Date of inception) to 31.12.2007 HK\$ |
|--|--|--|---|--|--|
| | 01.01.2007 to 31.12.2007 HK\$ | 01.01.2006 to 31.12.2006 HK\$ | 01.01.2007 to 31.12.2007 HK\$ | 01.01.2006 to 31.12.2006 HK\$ | |
| Change in unrealized gain/loss in value of investments | 146,375,397 | 714,629,054 | (1,038,207,573) | 7,059,076,811 | 414,252,041 |
| Realized gain on sale of investments | 837,955,243 | 235,765,574 | 14,857,430,937 | 633,411,111 | 10,063,290 |
| Exchange (loss)/gain | (9,165) | 3,377 | (3,528,691) | 291,610 | 25,953 |
| | <u>984,321,475</u> | <u>950,398,005</u> | <u>13,815,694,673</u> | <u>7,692,779,532</u> | <u>424,341,284</u> |

6 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.

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

6 TAXATION (continued)

PRC Withholding Tax

The investments of the A50 China Tracker in the A Shares of PRC listed companies are held through the CAAPs through arrangements with Qualified Foreign Institutional Investors (“QFII”s) who are the Participating Dealers (“PD”s). 10% tax provision is made on all PRC sourced dividend based on the amount being withheld by the PDs. Under current PRC law a 10% tax may be payable on the gains derived from the sale of A shares by QFIIs. There is uncertainty however with respect to the implication of such tax for the A50 China Tracker. The Manager has considered (i) the current position of the PRC State Administration of Taxation (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, (iii) the independent advice of tax and legal counsel and (iv) current market practice. The Manager believes that presently there are insufficient grounds to reasonably justify making a tax provision for potential tax on gains on A Shares as the Manager considers that:

- it is uncertain whether the PRC will enforce tax on QFII gains;
- if the PRC were to enforce tax, it is uncertain from which date the tax would be calculated and payable;
- at present it is uncertain as to the obligations for the A50 China Tracker to bear such tax as the tax is a liability of the QFII and not that of the A50 China Tracker.

Accordingly the Manager has not made any provision in these financial statements for any tax exposure which might arise if tax was to be levied on QFIIs.

The Trustee estimates the uncrystallized gains which could be exposed to PRC taxation to be HKD 6,058 million as at 31st December 2007. The Manager estimates on the basis of information provided by the relevant QFIIs, the crystallized gains which could be exposed to PRC taxation to be HKD 10,603 million as at 31st December 2007.

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

7 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 7(b) to (e) below, all other fees and expenses of each Sub-Fund is paid by the Manager.

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

MSCI China Tracker

The transaction handling fee for the sale and purchase transactions of the investments received from the Sub-Fund is US\$35 each.

A50 China Tracker

The transaction handling fee for the sale and purchase transactions of the investments received from the Sub-Fund is US\$20 each.

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

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

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

SENSEX India Tracker

The transaction handling fee for the sale and purchase transactions of the investments received from the Sub-Fund is US\$20 each.

For each Sub-Fund, the bank charges stated in the Statement of Operations are also paid by the Sub-Fund to a Connected Person of the Custodian.

All other fees payable to the Trustee/Custodian and its Connected Person 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.

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

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

(d) IAP Maintenance Charge

SENSEX India Tracker

Foreign Institutional Investor ("FII") is entitled to deduct an India Access Product ("IAP") maintenance charge, payable at the end of each quarter. The IAP maintenance charge equals to 0.3% per annum of the average net asset value (at the close of business) of the Index IAPs held by SENSEX India Tracker during the previous 12 months provided that the average Net Asset Value of the SENSEX India Tracker is less than or equal to US\$200 million during such 12 month period. If the average Net Asset Value of the SENSEX India Tracker is greater than US\$200 million during such previous 12 month period, 0.2% per annum will be charged of the average net asset value of the Index IAPs and, if any, Index Return IAPs in excess of the first US\$200 million. The relevant FII is Citigroup Global Markets Asia Limited.

(e) Transaction Costs on Investments

A50 China Tracker

The QFIIs also charge a 0.5% commission on each purchase and sale of each CAAP acquired for the account of the A50 China Tracker. With effect from 20th November 2007, the commission was increased to 0.6%.

SENSEX India Tracker

The FII also charges a 0.4% commission (including Indian stamp duty of 0.1%) on each purchase and sale of each IAP acquired for the account of the SENSEX India Tracker.

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

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

(f) Bank Balances

Bank balances are maintained with a group company of the Trustee, which carry interest at normal commercial rates. Bank balances held with this group company of the Trustee as at 31st December 2007 amounted to HK\$9,711,496, HK\$85,206,168 and HK\$15,435,417 for MSCI China Tracker, A50 China Tracker and SENSEX India Tracker respectively (2006: HK\$40,392,446, HK\$134,154,766).

(g) Investment Transactions with Connected Persons of the Manager Are Set Out Below:

| Sub-Fund | Aggregate value of purchases and sales of securities HK\$ | Total commission paid HK\$ |
|---------------------------------|--|---------------------------------|
| <u>2007</u> | | |
| A50 China Tracker | | |
| – Barclays Capital Asia Limited | 2,941,847,954 | 15,726,940 |
| <u>2006</u> | | |
| A50 China Tracker | | |
| – Barclays Capital Asia Limited | 1,482,040,162 | 7,088,752 |
| Sub-Fund | % of Sub-Fund's total transactions during the year % | Average commission rate % |
| <u>2007</u> | | |
| A50 China Tracker | | |
| – Barclays Capital Asia Limited | 20.33 | 0.53 |
| <u>2006</u> | | |
| A50 China Tracker | | |
| – Barclays Capital Asia Limited | 21.13 | 0.48 |

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

8 MAJOR NON-CASH TRANSACTIONS

(a) Subscriptions

In accordance with the Trust Deed, 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 receive an Application Basket consisting of constituent shares as determined by the Manager on a daily basis and a cash amount equivalent to a cash component. Relevant duties and charges are paid by the participating dealers directly to the Trustee and are therefore not reflected in the financial statements. Cash component represents the difference between the aggregate net asset value of the units comprising an Application Unit and the Application Basket Value.

MSCI China Tracker

During the year, all units issued were through in kind creation and the Sub-Fund issued 64,200,000 units (31st December 2006: 15,200,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$369,641,059 (31st December 2006: HK\$597,752,998) by the Manager at the time of issue plus the cash component equal to HK\$2,100,941 (31st December 2006: HK\$12,509,002).

A50 China Tracker

During the year, all units issued were through in kind creation and the Sub-Fund issued 534,400,000 units (31st December 2006: 78,800,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$3,831,338,547 (31st December 2006: HK\$4,041,784,906) by the Manager at the time of issue plus the cash component equal to HK\$23,717,453 (31st December 2006: HK\$63,665,094).

SENSEX India Tracker

During the period, all units issued were through in kind creation and the Sub-Fund issued 103,200,000 units in exchange for Application Baskets consisting of investments valued at a total of HK\$1,943,493,453 by the Manager at the time of issue plus the cash component equal to HK\$7,986,547.

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

8 MAJOR NON-CASH TRANSACTIONS (continued)

(b) Redemptions

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

MSCI China Tracker

During the year, the Sub-Fund redeemed 29,200,000 units (31st December 2006: 9,600,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$1,361,308,733 (31st December 2006: HK\$409,523,895) by the Manager at the time of redemption plus the cash component equal to HK\$11,939,267 (31st December 2006: HK\$11,582,105).

A50 China Tracker

During the year, the Sub-Fund redeemed 164,600,000 units (31st December 2006: 4,000,000 units) in exchange for Application Baskets consisting of investments valued at a total of HK\$19,121,092,087 (31st December 2006: HK\$228,574,360) by the Manager at the time of redemption plus the cash component equal to HK\$69,951,913 (31st December 2006: HK\$2,905,640).

SENSEX India Tracker

During the period, no redemption of units was done for the Sub-Fund.

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

9 SOFT COMMISSION ARRANGEMENTS

During the year/period ended 31st December 2007, the Manager confirmed that there were no soft commission arrangements exist in relation to directing transactions of the Sub-Funds through a broker or dealer.

10 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE

MSCI China Tracker

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

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

The following lists those constituent stocks that each account for more than 10% of net asset value of the Sub-Fund and their respective weightings of the MSCI China Index as at 31st December 2007:

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

10 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (continued)

MSCI China Tracker (continued)

| | Respective weighting in the Index (%) | | % of net asset value | |
|-------------------------------|--|--------------|----------------------|--------------|
| | 31.12.2007 | 31.12.2006 | 31.12.2007 | 31.12.2006 |
| China Mobile (Hong Kong) Ltd. | <u>18.32</u> | <u>15.20</u> | <u>18.47</u> | <u>15.88</u> |

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 have confirmed that the Sub-Fund has complied with this limit during the year.

There were no Index CAAPs that accounted for more than 10% of the net asset value of the Sub-Fund as at 31st December 2007.

* 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.

SENSEX India Tracker

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

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

10 INVESTMENT LIMITATION AND PROHIBITIONS UNDER THE SFC CODE (continued)

SENSEX India Tracker (continued)

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

The following lists those constituent stocks that each account for more than 10% of net asset value of the Sub-Fund and their respective weightings of the BSE SENSEX Benchmark Index as at 31st December 2007:

| | Respective weighting in the Index (%) 31.12.2007 | % of net asset value 31.12.2007 |
|--------------|--|------------------------------------|
| Reliance Ind | 15.24 | 15.17 |

* Index IAPs means India access products (other than an Index Return IAP), being a Security (such as a warrant, note or participating certificate) linked to the Shares of those India companies which are at the relevant time the constituent companies of the Index of the SENSEX India Tracker.

11 FINANCIAL RISK MANAGEMENT

The objective of the Sub-Funds is to provide investment results that closely correspond to the performance of their respective Indexes. The Sub-Funds are exposed to various risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk which are stated below.

(a) Market Risk

(i) 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 (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(i) Market Price Risk (continued)

The Sub-Funds are designated to track the performance of the relevant indexes, therefore the exposures to market risk in the Sub-Funds will be substantially the same as the tracked indexes. The Manager manages the Sub-Funds' exposures to market risk by ensuring that the key characteristics of the portfolio, such as security weight and industry weight, is closely aligned to the characteristics of the tracked indexes.

As at 31st December 2007, the Sub-Funds' investments are concentrated in the following industries:

(i) MSCI China Tracker

| | At 31st December | | | |
|----------------------------------|--------------------------------|--------------|--------------------------------|--------------|
| | 2007 | | 2006 | |
| | % of net assets value | | % of net assets value | |
| | Fair value at last traded HK\$ | market price | Fair value at last traded HK\$ | market price |
| Investments - By Industry | | | | |
| Agricultural Products | 6,348,090 | 0.29 | 14,143,420 | 0.63 |
| Air Freight and logistics | 4,424,700 | 0.2 | 5,936,000 | 0.27 |
| Airlines | 25,583,280 | 1.16 | 17,808,000 | 0.8 |
| Airport Services | 10,232,280 | 0.46 | 7,733,760 | 0.35 |
| Aluminum | 29,040,480 | 1.31 | 27,513,360 | 1.23 |
| Automobile Manufacturers | 23,570,880 | 1.07 | 31,017,040 | 1.39 |
| Coal and Consumable Fuels | 114,844,830 | 5.19 | 12,483,384 | 0.56 |
| Commodity Chemicals | 12,255,000 | 0.55 | 18,193,020 | 0.81 |
| Communications Equipment | 5,392,200 | 0.24 | 7,929,350 | 0.36 |
| Computer and Electronics Retail | 10,134,240 | 0.46 | 5,547,850 | 0.25 |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(I) Market Price Risk (continued)

(i) MSCI China Tracker (continued)

| | At 31st December | | | |
|---|-----------------------|--------------------------------|-----------------------|--------------------------------|
| | 2007 | | 2006 | |
| | % of net assets value | | % of net assets value | |
| | Fair value HK\$ | at last traded market price | Fair value HK\$ | at last traded market price |
| Investments - By Industry (continued) | | | | |
| Computer Hardware | 14,406,720 | 0.65 | 10,911,796 | 0.49 |
| Computer Storage and Peripherals | - | - | 6,530,300 | 0.29 |
| Construction and Engineering | 61,571,700 | 2.79 | - | - |
| Construction Materials | 29,121,750 | 1.31 | 10,833,200 | 0.49 |
| Data Processing and Outsourced Services | - | - | 4,960,800 | 0.22 |
| Distributors | 21,446,250 | 0.97 | 28,365,600 | 1.27 |
| Diversified Banks | 277,953,720 | 12.56 | 425,845,904 | 19.1 |
| Diversified Metals and Mining | 25,929,000 | 1.17 | 6,102,000 | 0.27 |
| Gold | 23,374,800 | 1.06 | 13,929,400 | 0.63 |
| Heavy Electrical Equipment | 33,049,800 | 1.49 | 12,478,320 | 0.56 |
| Highways and Railtracks | 16,130,160 | 0.73 | 22,980,800 | 1.04 |
| Hotels, Resorts and cruise lines | 9,282,840 | 0.42 | 7,538,720 | 0.34 |
| Independent Power Producers and Energy Traders | 48,119,580 | 2.18 | 54,264,040 | 2.44 |
| Industrial Conglomerates | 48,936,795 | 2.22 | 41,581,320 | 1.86 |
| Integrated Oil and Gas | 234,413,640 | 10.59 | 343,843,660 | 15.43 |
| Integrated Telecommunication Services | 53,753,010 | 2.43 | 62,494,200 | 2.8 |
| Internet Software and Services | 14,525,400 | 0.66 | - | - |
| Leisure Products | 14,964,000 | 0.68 | 10,915,520 | 0.49 |
| Life and Health Insurance | 199,608,150 | 9.02 | 235,806,450 | 10.58 |
| Marine | 53,667,870 | 2.42 | 29,115,260 | 1.3 |
| Marine Ports and Services | 45,297,705 | 2.04 | 63,701,760 | 2.86 |
| Oil and Gas Drilling | 5,727,600 | 0.26 | - | - |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(I) Market Price Risk (continued)

(i) MSCI China Tracker (continued)

| | At 31st December | | | |
|--|----------------------|----------------|----------------------|----------------|
| | 2007 | | 2006 | |
| | % of net | | % of net | |
| | Fair value | at last traded | Fair value | at last traded |
| HK\$ | market price | HK\$ | market price | |
| Investments - By Industry (continued) | | | | |
| Oil and Gas Exploration and Production | 102,787,200 | 4.64 | 113,567,130 | 5.1 |
| Other Diversified Financial Services | 12,719,400 | 0.57 | 7,699,840 | 0.35 |
| Packaged Foods and meats | 14,731,800 | 0.67 | 18,228,480 | 0.82 |
| Paper Products | 12,513,000 | 0.56 | - | - |
| Property and Casualty Insurance | 15,779,280 | 0.71 | 13,466,240 | 0.6 |
| Railroads | 7,249,800 | 0.33 | 11,236,000 | 0.5 |
| Real Estate Management and Development | 109,247,520 | 4.94 | 81,638,904 | 3.66 |
| Reinsurance | 5,572,800 | 0.25 | - | - |
| Semiconductors | 4,702,050 | 0.21 | 9,540,000 | 0.43 |
| Steel | 16,352,040 | 0.74 | 22,939,020 | 1.03 |
| Textiles | - | - | 6,588,960 | 0.3 |
| Water Utilities | 8,036,700 | 0.36 | 10,388,000 | 0.47 |
| Wireless Telecommunication Services | 422,676,240 | 19.09 | 353,856,900 | 15.88 |
| | <u>2,205,474,300</u> | <u>99.65</u> | <u>2,189,653,708</u> | <u>98.25</u> |

The MSCI China Tracker invested all, or substantially all, of its assets in shares comprising the MSCI China Index in substantially the same weightings as constituted in the MSCI China Index. The MSCI China Tracker is therefore exposed to substantially the same market price risk as the MSCI China Index.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(I) Market Price Risk (continued)

(i) MSCI China Tracker (continued)

As at 31st December 2007, if the MSCI China Index in local currency, Hong Kong Dollar (HKD), were to increase by 3% with all other variables held constant, this would increase the net assets attributable to unitholders by approximately HK\$66 million (2006: HK\$66 million). Conversely, if the MSCI China Index in local currency were to decrease by 3%, this would decrease the net assets attributable to unitholders by equal amounts.

(ii) A50 China Tracker

| | At 31st December | | | |
|----------------------------------|-----------------------|--------------------------------|-----------------------|--------------------------------|
| | 2007 | | 2006 | |
| | % of net assets value | | % of net assets value | |
| | Fair value HK\$ | at last traded market price | Fair value HK\$ | at last traded market price |
| Investments - By Industry | | | | |
| Basic Materials | 2,019,492,468 | 16.14 | 1,821,987,409 | 12.90 |
| Consumer Goods | 865,371,528 | 6.92 | 1,018,814,195 | 7.22 |
| Consumer Services | 737,246,160 | 5.89 | 757,694,512 | 5.35 |
| Financials | 5,811,422,148 | 46.44 | 6,292,868,714 | 44.50 |
| Industrials | 1,259,165,376 | 10.06 | 1,811,787,743 | 12.83 |
| Oil & Gas | 905,267,160 | 7.23 | 721,053,696 | 5.10 |
| Telecommunications | 409,918,320 | 3.28 | 540,729,900 | 3.83 |
| Utilities | 456,858,360 | 3.65 | 815,146,277 | 5.76 |
| Technology | - | - | 245,484,008 | 1.73 |
| | <u>12,464,741,520</u> | <u>99.61</u> | <u>14,025,566,454</u> | <u>99.22</u> |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(i) Market Price Risk (continued)

(ii) A50 China Tracker (continued)

The A50 China Tracker invested all, or substantially all, of its assets in the Chinese A Share Access Product (“CAAP”) which are linked to A Shares of those PRC companies comprising the A50 Benchmark Index in substantially the same weightings as constituted in the A50 Benchmark Index. The A50 China Tracker is therefore exposed to substantially the same market price risk as the A50 Benchmark Index.

As at 31st December 2007, if the A50 Benchmark Index in local currency, Renminbi (RMB), were to increase by 3% with all other variables held constant, this would increase the net assets attributable to unitholders by approximately HK\$374 million (2006: HK\$421 million). Conversely, if the A50 Benchmark Index in local currency were to decrease by 3%, this would decrease the net assets attributable to unitholder by equal amounts.

(iii) SENSEX India Tracker

| | At 31st December 2007 | |
|----------------------------------|--------------------------|--|
| | Fair value HK\$ | % of net assets value at last traded market price |
| Investments – By Industry | | |
| Capital Goods | 262,544,123 | 11.01 |
| Diversified | 43,049,611 | 1.81 |
| Finance | 529,184,029 | 22.2 |
| FMCG | 136,890,650 | 5.74 |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(i) Market Price Risk (continued)

(iii) SENSEX India Tracker (continued)

| | At 31st December 2007 | |
|--|----------------------------------|--|
| | Fair value HK\$ | % of net assets value at last traded market price |
| Investments – By Industry (continued) | | |
| Healthcare | 38,350,180 | 1.61 |
| Housing Related | 90,214,369 | 3.79 |
| Information Technology | 267,099,469 | 11.21 |
| Metal, Metal Products & Mining | 113,003,891 | 4.74 |
| Oil & Gas | 452,948,963 | 19 |
| Power | 109,292,735 | 4.59 |
| Telecom | 206,038,798 | 8.64 |
| Transport Equipments | 112,669,538 | 4.72 |
| | <u>2,361,286,356</u> | <u>99.06</u> |

The SENSEX India Tracker invested all, or substantially all, of its assets in the India Access Product (“IAP”) which are linked to Shares of those India companies comprising the BSE SENSEX Benchmark Index in substantially the same weightings as constituted in the BSE SENSEX Benchmark Index. The SENSEX India Tracker is therefore exposed to substantially the same market price risk as the BSE SENSEX Benchmark Index.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(I) Market Price Risk (continued)

(iii) SENSEX India Tracker (continued)

As at 31st December 2007, if the BSE SENSEX Benchmark Index in local currency, Indian Rupees (INR), were to increase by 3% with all other variables held constant, this would increase the net assets attributable to unitholders by approximately HK\$71 million. Conversely, if the BSE SENSEX Benchmark Index in local currency were to decrease by 3%, this would decrease the net assets attributable to unitholders by equal amounts.

(II) Interest Rate Risk

The majority of the Sub-Funds' financial assets and liabilities are non-interest bearing. As a result, the Sub-Funds are not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The Sub-Funds are only exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on bank balances. Any excess bank balances are invested at short-term market interest rates.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(II) Interest Rate Risk (continued)

The tables below summarize the Sub-Funds' exposure to interest rate risks.

(i) MSCI China Tracker

| | Less than 1 month HK\$ |
|---------------------------------------|-----------------------------------|
| At 31st December 2007 | |
| Bank balances | 9,711,496 |
| Total interest sensitivity gap | <u>9,711,496</u> |
| At 31st December 2006 | |
| Bank balances | 40,392,446 |
| Total interest sensitivity gap | <u>40,392,446</u> |

An increase of 100 basis points in interest rates as at 31st December 2007, with all other variables held constant, would increase net assets attributable to unitholders by approximately HK\$97,000 (2006: HK\$404,000) for a one-year holding period. A decrease of 100 basis points would have an equal but opposite effect.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(II) Interest Rate Risk (continued)

(ii) A50 China Tracker

| | Less than 1 month HK\$ |
|---------------------------------------|-----------------------------------|
| At 31st December 2007 | |
| Bank balances | <u>85,206,168</u> |
| Total interest sensitivity gap | <u><u>85,206,168</u></u> |
| At 31st December 2006 | |
| Bank balances | <u>134,154,766</u> |
| Total interest sensitivity gap | <u><u>134,154,766</u></u> |

An increase of 100 basis points in interest rates as at 31st December 2007, with all other variables held constant, would increase net assets attributable to unitholders by approximately HK\$852,000 (2006: HK\$1,342,000) for a one-year holding period. A decrease of 100 basis points would have an equal but opposite effect.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(II) Interest Rate Risk (continued)

(iii) SENSEX India Tracker

**Less than 1 month
HK\$**

At 31st December 2007

| | |
|---------------|------------|
| Bank balances | 15,435,417 |
|---------------|------------|

| | |
|---------------------------------------|-------------------|
| Total interest sensitivity gap | 15,435,417 |
|---------------------------------------|-------------------|

An increase of 100 basis points in interest rates as at 31st December 2007, with all other variables held constant, would increase net assets attributable to unitholders by approximately HK\$154,000 for a one-year holding period. A decrease of 100 basis points would have an equal but opposite effect.

(III) Currency Risk

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

(i) MSCI China Tracker

The MSCI China Tracker has no significant direct currency risk as substantially all of its financial assets and liabilities are denominated in Hong Kong dollars, the Sub-Fund's functional currency. However, the MSCI China Tracker has an indirect currency risk towards the Chinese Renminbi as the companies in which the Sub-Fund invests in are based in the PRC.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(III) Currency Risk (continued)

(ii) A50 China Tracker

As the A50 China Tracker holds CAAPs, 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.

The table below summarizes the Sub-Fund's on-balance sheet exposure to currency risk.

| | At 31st December | |
|---------------------------------|-----------------------|-----------------------|
| | 2007 | 2006 |
| | HK\$ equivalent | HK\$ equivalent |
| Net currency exposure to | | |
| – RMB | 12,464,985,087 | 14,026,156,398 |
| – USD | – | 28,736,963 |
| | <u>12,464,985,087</u> | <u>14,054,893,361</u> |

Since the US dollar is currently pegged to HK dollar, the sensitivity of the Sub-Fund to changes in year end US dollar spot exchange rate was minimal. As at 31st December 2007, if the year end RMB spot exchange rate were to appreciate by 2% against the HK Dollar (HKD) with all other variables held constant, this would increase the net assets attributable to unitholders by approximately HK\$249 million (2006: HK\$281 million). Conversely, if the year end RMB spot exchange rate were to depreciate by 2% against the HKD, this would decrease the net assets attributable to unitholders by equal amounts.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(a) Market Risk (continued)

(III) Currency Risk (continued)

(iii) SENSEX India Tracker

As the SENSEX India Tracker holds IAPs, being a Security (such as a warrant, note or participating certificate) linked to the shares which are denominated in Indian Rupees, the Sub-Fund is exposed to currency risk related to the Hong Kong dollar against Indian Rupees.

The table below summarizes the Sub-Fund's on-balance sheet exposure to currency risk.

| | At 31st December 2007 |
|---------------------------------|------------------------------|
| | HK\$ equivalent |
| Net currency exposure to | |
| - INR | <u><u>2,362,903,516</u></u> |

As at 31st December 2007, if the year end INR spot exchange rate were to appreciate by 2% against the HK Dollar (HKD) with all other variables held constant, this would increase the net assets attributable to unitholders by approximately HK\$47 million. Conversely, if the year end INR spot exchange rate were to depreciate by 2% against the HKD, this would decrease the net assets attributable to unitholders by equal amounts.

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

11 FINANCIAL RISK MANAGEMENT (continued)

(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.

All transactions in securities are settled or 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.

For the A50 China Tracker, the Sub-Fund's main counterparty credit risk concentration is with the two Participating Dealers, Citigroup Global Markets Asia Limited and Barclays Capital Asia Limited, as all transactions in securities are effected via the Participating Dealers.

For the SENSEX India Tracker, the Sub-Fund's main counterparty credit risk concentration is with the Participating Dealer, Citigroup Global Markets Asia Limited, as all transactions in securities are effected via the Participating Dealer.

The table below shows the credit rating of the Participating Dealers at 31st December 2007 as rated by well-known rating agency:

| Counterparty | Rating |
|---------------------------------------|--------|
| Barclays Capital Asia Limited | AA |
| Citigroup Global Markets Asia Limited | AA- |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(b) Credit Risk (continued)

All bank balances are placed with a connected person of the Trustee, which the Manager considers a reputable financial institution.

(c) Liquidity Risk

Redeemable shares can be redeemed on demand at the holder's option. In accordance with the Trust Deed, units can only be redeemed in kind and are not redeemable for cash. Cash component which represents the difference between the aggregate net asset value of the units comprising an Application Unit and the Application Basket Value might also be paid by the Sub-Funds at the time of redemption.

The tables below analyse the Sub-Funds' financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(i) MSCI China Tracker

| | Repayable on demand HK\$ | Less than 1 month HK\$ |
|--|--------------------------------|------------------------------|
| At 31st December 2007 | | |
| Management fee payable | – | 6,046,656 |
| Other accounts payable | – | 10,105 |
| Net assets attributable to unitholders | 2,213,177,700 | – |
| Total financial liabilities | 2,213,177,700 | 6,056,761 |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk (continued)

(i) MSCI China Tracker (continued)

| | Repayable on demand HK\$ | Less than 1 month HK\$ |
|--|--------------------------------|------------------------------|
| At 31st December 2006 | | |
| Management fee payable | – | 4,431,639 |
| Other accounts payable | – | 141,000 |
| Net assets attributable to unitholders | 2,228,703,612 | – |
| Total financial liabilities | <u>2,228,703,612</u> | <u>4,572,639</u> |

(ii) A50 China Tracker

| | Repayable on demand HK\$ | Less than 1 month HK\$ |
|--|--------------------------------|------------------------------|
| At 31st December 2007 | | |
| Management fee payable | – | 30,978,744 |
| Other accounts payable | – | 9,878,581 |
| Net assets attributable to unitholders | 12,513,686,474 | – |
| Total financial liabilities | <u>12,513,686,474</u> | <u>40,857,325</u> |
| At 31st December 2006 | | |
| Management fee payable | – | 24,480,098 |
| Other accounts payable | – | 7,684,452 |
| Net assets attributable to unitholders | 14,135,633,054 | – |
| Total financial liabilities | <u>14,135,633,054</u> | <u>32,164,550</u> |

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

11 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity Risk (continued)

(iii) SENSEX India Tracker

| | Repayable on demand HK\$ | Less than 1 month HK\$ |
|--|--------------------------------|------------------------------|
| At 31st December 2007 | | |
| Management fee payable | – | 4,568,254 |
| Other accounts payable | – | 1,315,766 |
| Net assets attributable to unitholders | <u>2,383,807,022</u> | <u>–</u> |
| Total financial liabilities | <u><u>2,383,807,022</u></u> | <u><u>5,884,020</u></u> |

(d) Capital Risk Management

The Sub-Funds' capital is represented by the redeemable units outstanding and their obligation to unitholders are the in kind. The Sub-Funds do not have any internally and externally imposed capital requirements and therefore the Sub-Funds are not subject to significant capital risk.

(e) Fair Value Estimation

The Sub-Funds' carrying amounts of securities, other assets and liabilities approximate to their fair values. Other assets and liabilities include bank balances, dividend receivable, amount due from unitholder, management fee payable and other accounts payable which are realized or settled within a short period of time.

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

12 DISTRIBUTION

MSCI China Tracker

The Sub-Fund made a distribution of HK\$16,200,000 with respect to 81,000,000 units, which was equivalent to HK\$0.20 per unit on 28th December 2007. During 2006, 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.

A50 China Tracker

The Sub-Fund did not make any distribution for the year ended 31st December 2007. During 2006, 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.

SENSEX India Tracker

The Sub-Fund did not make any distribution during the period ended 31st December 2007.

13 COMPARATIVE FINANCIAL INFORMATION

Certain comparative amounts have been reclassified to conform with the current year's presentation.

14 APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Trustee and the Manager on 28 April 2008.

iShares MSCI China Tracker

(a Sub-Fund of iShares Asia Trust)

Investment Portfolio

As at 31st December 2007

| Investments (99.65%) | Holdings | Fair value HK\$ | % of net assets |
|--|------------|--------------------|--------------------|
| Listed equities (99.65%) | | | |
| China (60.21%) | | | |
| Air China Ltd – H | 1,290,000 | 15,015,600 | 0.68 |
| Alibaba. Com Ltd – H | 516,000 | 14,525,400 | 0.66 |
| Aluminum Corp Of China Ltd – H | 1,806,000 | 29,040,480 | 1.31 |
| Angang Steel Co Ltd – H | 516,000 | 11,016,600 | 0.50 |
| Anhui Conch Cement Co Ltd – H | 258,000 | 17,492,400 | 0.79 |
| Bank of China Ltd – H | 11,610,000 | 43,653,600 | 1.97 |
| Bank of Communications Ltd – H | 2,967,000 | 32,221,620 | 1.46 |
| Beijing Capital International Airport Co Ltd – H | 774,000 | 10,232,280 | 0.46 |
| China Citic Bank Corp Ltd – H | 2,838,000 | 13,650,780 | 0.62 |
| China Coal Energy Co – H | 774,000 | 18,924,300 | 0.85 |
| China Communications Construction Co Ltd – H | 2,322,000 | 47,717,100 | 2.16 |
| China Construction Bank – H | 12,771,000 | 84,288,600 | 3.81 |
| China Cosco Hldgs Co Ltd – H | 1,290,000 | 27,735,000 | 1.25 |
| China High Speed Transmission Equipment Group Co Ltd – H | 387,000 | 8,049,600 | 0.36 |
| China Life Insurance Co – H | 3,483,000 | 140,364,900 | 6.34 |
| China Merchants Bank Co Ltd – H | 645,000 | 20,640,000 | 0.93 |
| China Molybdenum Co Ltd – H | 516,000 | 7,337,520 | 0.33 |
| China National Building Material Co Ltd – H | 387,000 | 11,629,350 | 0.52 |
| China Oilfield Services Ltd – H | 322,500 | 5,727,600 | 0.26 |
| China Petroleum & Chemical Corp – H | 8,514,000 | 100,124,640 | 4.52 |
| China Railway Group Ltd – H | 1,290,000 | 13,854,600 | 0.63 |
| China Shenhua Energy Co Ltd – H | 1,677,000 | 78,064,350 | 3.53 |
| China Shipping Container Lines Company Ltd – H | 2,193,000 | 10,065,870 | 0.45 |
| China Shipping Development Co Ltd – H | 774,000 | 15,867,000 | 0.72 |
| China Southern Airlines Co Ltd – H | 1,032,000 | 10,567,680 | 0.48 |
| China Telecom Corp Ltd – H | 7,224,000 | 44,716,560 | 2.02 |
| Country Garden Holdings Company – H | 1,677,000 | 15,025,920 | 0.68 |
| Datang Intl Power Gen Co Ltd – H | 1,935,000 | 13,448,250 | 0.61 |
| Dongfeng Motor Group Co Ltd – H | 1,290,000 | 7,069,200 | 0.32 |
| Guangshen Railway Co Ltd – H | 1,290,000 | 7,249,800 | 0.33 |
| Guangzhou R&F Properties Co Ltd – H | 516,000 | 14,344,800 | 0.65 |

iShares MSCI China Tracker

(a Sub-Fund of iShares Asia Trust)

Investment Portfolio (continued)

As at 31st December 2007

| | Holdings | Fair value HK\$ | % of net assets |
|---|------------|--------------------|--------------------|
| China (60.21%) (continued) | | | |
| Harbin Power Equipment Company Ltd – H | 387,000 | 9,675,000 | 0.44 |
| Huaneng Power International Inc – H | 2,064,000 | 16,966,080 | 0.77 |
| Hunan Non-Ferrous Metal Corp Ltd – H | 774,000 | 3,808,080 | 0.17 |
| Industrial And Commercial Bank Of China – H | 14,964,000 | 83,499,120 | 3.77 |
| Jiangsu Expressway Co Ltd – H | 774,000 | 6,579,000 | 0.30 |
| Jiangxi Copper Company Ltd – H | 774,000 | 14,783,400 | 0.67 |
| Maanshan Iron & Steel – H | 1,032,000 | 5,335,440 | 0.24 |
| Petrochina Co Ltd – H | 9,675,000 | 134,289,000 | 6.07 |
| Picc Property And Casualty Co Ltd – H | 1,419,000 | 15,779,280 | 0.71 |
| Ping An Insurance (Group) Co Of China Ltd – H | 709,500 | 59,243,250 | 2.68 |
| Semiconductor Manufacturing Intl Corp | 5,805,000 | 4,702,050 | 0.21 |
| Shanghai Electric Grp Corp – H | 2,322,000 | 15,325,200 | 0.69 |
| Sinopec Shanghai Petrochemical Co Ltd – H | 1,548,000 | 7,414,920 | 0.33 |
| Sinopec Yizheng Chemical Fibre Co Ltd – H | 1,806,000 | 4,840,080 | 0.22 |
| Sinotrans Ltd – H | 1,290,000 | 4,424,700 | 0.20 |
| Yanzhou Coal Mining Co Ltd – H | 1,161,000 | 17,856,180 | 0.81 |
| Zhejiang Expressway Co Ltd – H | 774,000 | 9,551,160 | 0.43 |
| Zijin Mining Group Co Ltd – H | 1,935,000 | 23,374,800 | 1.06 |
| ZTE Corporation – H | 129,000 | 5,392,200 | 0.24 |
| | | 1,332,500,340 | 60.21 |
| Hong Kong (39.44%) | | | |
| Agile Property Hldgs Ltd | 774,000 | 10,866,960 | 0.49 |
| Beijing Enterprises Hldgs Ltd | 219,300 | 7,927,695 | 0.36 |
| Chaoda Modern Agriculture | 903,000 | 6,348,090 | 0.29 |
| China Everbright Ltd | 516,000 | 12,719,400 | 0.57 |
| China Insurance International Hldgs Co Ltd | 258,000 | 5,572,800 | 0.25 |
| China Mengniu Dairy Co Ltd | 516,000 | 14,731,800 | 0.67 |
| China Merchants Hldgs International Co Ltd | 606,300 | 29,314,605 | 1.32 |

iShares MSCI China Tracker
(a Sub-Fund of iShares Asia Trust)
Investment Portfolio (continued)
As at 31st December 2007

| | Holdings | Fair value HK\$ | % of net assets |
|--|-----------------|----------------------------|----------------------------|
| Hong Kong (39.44%) (continued) | | | |
| China Mobile Ltd | 2,967,000 | 408,852,600 | 18.47 |
| China Netcom Gr Corp | 387,000 | 9,036,450 | 0.41 |
| China Overseas Land & Inv | 2,064,000 | 33,189,120 | 1.50 |
| China Resources Enterprise Ltd | 645,000 | 21,446,250 | 0.97 |
| China Resources Land Ltd | 774,000 | 13,312,800 | 0.60 |
| China Resources Power Holdings Co Ltd | 645,000 | 17,705,250 | 0.80 |
| China Travel International Inv HK | 1,806,000 | 9,282,840 | 0.42 |
| China Unicom | 774,000 | 13,823,640 | 0.62 |
| Citic Pacific Ltd | 645,000 | 27,831,750 | 1.26 |
| CNOOC Ltd | 7,740,000 | 102,787,200 | 4.64 |
| Cosco Pacific Ltd | 774,000 | 15,983,100 | 0.72 |
| Denway Motors Ltd | 3,354,000 | 16,501,680 | 0.75 |
| Gome Electrical Appliances Hldgs Ltd | 516,000 | 10,134,240 | 0.46 |
| Guangdong Investments Ltd | 1,806,000 | 8,036,700 | 0.36 |
| Lenovo Group Ltd | 2,064,000 | 14,406,720 | 0.65 |
| Li Ning Co Ltd | 516,000 | 14,964,000 | 0.68 |
| Nine Dragons Paper Holdings Ltd | 645,000 | 12,513,000 | 0.56 |
| Shanghai Industrial Hldgs Ltd Pref Offer Nil Paid Rts 30/06/08 | 4,290 | - | - |
| Shanghai Industrial Hldgs Ltd | 387,000 | 13,177,350 | 0.6 |
| Shenzhen Investment Ltd | 1,290,000 | 7,198,200 | 0.33 |
| Shimao Property Holdings Ltd | 774,000 | 15,309,720 | 0.69 |
| | | <hr/> 872,973,960 | <hr/> 39.44 |
| Total investments | | 2,205,474,300 | 99.65 |
| Other net assets | | 7,703,400 | 0.35 |
| | | <hr/> 2,213,177,700 | <hr/> 100.00 |
| Net assets attributable to unitholders at 31st December 2007 | | | |
| Total investments, at cost | | <hr/> <hr/> 1,125,791,444 | |

iShares MSCI China Tracker

(a Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio

For the year ended 31st December 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|---|------------|-----------|-------------------|------------|------------|
| Investments | | | | | |
| Listed equities | | | | | |
| Agile Property Hldgs Ltd | 1,266,000 | 156,000 | - | 648,000 | 774,000 |
| Air China Ltd - H | 2,968,000 | 350,000 | - | 2,028,000 | 1,290,000 |
| Alibaba. Com Ltd - H | - | 556,000 | - | 40,000 | 516,000 |
| Aluminum Corp Of China Ltd - H | 3,816,000 | 376,000 | - | 2,386,000 | 1,806,000 |
| Angang Steel Co Ltd - H | 903,100 | 109,500 | - | 496,600 | 516,000 |
| Angang Steel Co Ltd H Offer Rights 30/11/07 | - | - | 122,320 | 122,320 | - |
| Anhui Conch Cement Co Ltd - H | 424,000 | 50,000 | - | 216,000 | 258,000 |
| Bank Of China Ltd - H | 22,531,500 | 2,499,500 | - | 13,421,000 | 11,610,000 |
| Bank Of Communications Ltd - H | 6,099,000 | 675,000 | - | 3,807,000 | 2,967,000 |
| Beijing Capital International Airport Co Ltd - H | 1,272,000 | 150,000 | - | 648,000 | 774,000 |
| Beijing Enterprises Hldgs Ltd | - | 236,300 | - | 17,000 | 219,300 |
| Brilliance China Automotive | 3,392,000 | 320,000 | - | 3,712,000 | - |
| Chaoda Modern Agriculture | 2,120,000 | 235,000 | 16,750 | 1,468,750 | 903,000 |
| China Citic Bank Corp Ltd - H | - | 4,245,500 | - | 1,407,500 | 2,838,000 |
| China Coal Energy Co - H | - | 834,000 | - | 60,000 | 774,000 |
| China Communications Construction Co Ltd - H | - | 3,973,600 | - | 1,651,600 | 2,322,000 |
| China Construction Bank - H | 25,080,100 | 2,691,500 | - | 15,000,600 | 12,771,000 |
| China Cosco Hldgs Co Ltd - H | 1,696,000 | 348,800 | 202,800 | 957,600 | 1,290,000 |
| China Everbright Ltd | 848,000 | 100,000 | - | 432,000 | 516,000 |
| China High Speed Transmission Equipment Group Co Ltd - H | - | 417,000 | - | 30,000 | 387,000 |
| China Insurance International Hldgs Co Ltd | - | 278,000 | - | 20,000 | 258,000 |
| China Life Insurance Co - H | 7,173,000 | 808,800 | - | 4,498,800 | 3,483,000 |
| China Mengniu Dairy Co Ltd | 902,400 | 102,200 | - | 488,600 | 516,000 |
| China Merchants Bank Co Ltd - H | - | 695,000 | - | 50,000 | 645,000 |
| China Merchants Hldgs International Co Ltd | 1,272,000 | 124,000 | - | 789,700 | 606,300 |
| China Mobile Ltd | 5,254,000 | 1,117,400 | - | 3,404,400 | 2,967,000 |
| China Molybdenum Co Ltd - H | - | 556,000 | - | 40,000 | 516,000 |
| China National Building Material Co Ltd - H | - | 417,000 | - | 30,000 | 387,000 |
| China Netcom Gr Corp | - | 417,000 | - | 30,000 | 387,000 |
| China Oilfield Services Ltd - H | - | 347,500 | - | 25,000 | 322,500 |
| China Overseas Land & Inv | 3,402,000 | 400,000 | - | 1,738,000 | 2,064,000 |
| China Overseas Land & Investment Bonus WTS 27/08/08 | - | - | 182,666 | 182,666 | - |

iShares MSCI China Tracker

(a Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|--|------------|-----------|-------------------|------------|------------|
| Investments (continued) | | | | | |
| Listed equities (continued) | | | | | |
| China Petroleum & Chemical Corp – H | 17,027,100 | 1,814,500 | – | 10,327,600 | 8,514,000 |
| China Railway Group Ltd – H | – | 1,390,000 | – | 100,000 | 1,290,000 |
| China Resources Enterprise Ltd | 1,272,000 | 145,000 | – | 772,000 | 645,000 |
| China Resources Land Ltd | 1,272,000 | 150,000 | – | 648,000 | 774,000 |
| China Resources Power Holdings Co Ltd | 1,159,500 | 133,500 | – | 648,000 | 645,000 |
| China Shenhua Energy Co Ltd – H | – | 2,641,000 | – | 964,000 | 1,677,000 |
| China Shipping Container Lines Company Ltd – H | 2,332,000 | 359,000 | 859,100 | 1,357,100 | 2,193,000 |
| China Shipping Development Co Ltd – H | 1,315,400 | 151,000 | – | 692,400 | 774,000 |
| China Southern Airlines Co Ltd – H | 1,696,000 | 200,000 | – | 864,000 | 1,032,000 |
| China Telecom Corp Ltd – H | 14,670,000 | 1,730,000 | – | 9,176,000 | 7,224,000 |
| China Travel International Inv HK | 2,968,000 | 350,000 | – | 1,512,000 | 1,806,000 |
| China Unicom | – | 834,000 | – | 60,000 | 774,000 |
| Citic Pacific Ltd | 1,159,500 | 133,500 | – | 648,000 | 645,000 |
| Citic Pacific Ltd Offer Rights 30/06/07 | – | – | 47,825 | 47,825 | – |
| CNOOC Ltd | 15,388,500 | 1,667,500 | – | 9,316,000 | 7,740,000 |
| Cosco Pacific Ltd | 1,272,000 | 150,000 | – | 648,000 | 774,000 |
| Country Garden Holdings Company – H | – | 2,028,000 | – | 351,000 | 1,677,000 |
| Dah Chong Hong Pref Offer Rts 31/10/07 | – | – | 29,400 | 29,400 | – |
| Datang Intl Power Gen Co Ltd – H | 2,120,000 | 380,000 | 1,390,000 | 1,955,000 | 1,935,000 |
| Denway Motors Ltd | 5,512,000 | 650,000 | – | 2,808,000 | 3,354,000 |
| Dongfeng Motor Group Co Ltd – H | 2,488,000 | 250,000 | – | 1,448,000 | 1,290,000 |
| Global Bio-Chem Technology Group Co Ltd | 1,382,000 | 120,000 | – | 1,502,000 | – |
| Global Bio-chem Technology Group Co Ltd Offer Rights 31/10/07 | – | – | 5,532 | 5,532 | – |
| Gome Electrical Appliances Hldgs Ltd | 917,000 | 100,000 | – | 501,000 | 516,000 |
| Guangdong Investments Ltd | 2,968,000 | 350,000 | – | 1,512,000 | 1,806,000 |
| Guangshen Railway Co Ltd – H | 2,120,000 | 250,000 | – | 1,080,000 | 1,290,000 |
| Guangzhou R&F Properties Co Ltd – H | 740,900 | 183,100 | – | 408,000 | 516,000 |
| Harbin Power Equipment Company Ltd – H | – | 417,000 | – | 30,000 | 387,000 |
| Huaneng Power International Inc – H | 3,394,000 | 400,000 | – | 1,730,000 | 2,064,000 |
| Hunan Non-Ferrous Metal Corp Ltd – H | 1,356,000 | 150,000 | – | 732,000 | 774,000 |
| Industrial And Commercial Bank of China – H | 30,735,000 | 3,200,000 | – | 18,971,000 | 14,964,000 |
| Jiangsu Expressway Co Ltd – H | 2,120,000 | 170,000 | – | 1,516,000 | 774,000 |
| Jiangxi Copper Company Ltd – H | – | 1,348,600 | – | 574,600 | 774,000 |

iShares MSCI China Tracker

(a Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio (continued)

For the year ended 31st December 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|---|------------|-----------|-------------------|------------|-----------|
| Investments (continued) | | | | | |
| Listed equities (continued) | | | | | |
| Lenovo Group Ltd | 3,453,100 | 405,800 | - | 1,794,900 | 2,064,000 |
| Li Ning Co Ltd | 886,000 | 100,000 | - | 470,000 | 516,000 |
| Maanshan Iron & Steel - H | 2,968,000 | 236,000 | - | 2,172,000 | 1,032,000 |
| Nine Dragons Paper Holdings Ltd | - | 928,500 | - | 283,500 | 645,000 |
| Petrochina Co Ltd - H | 20,077,000 | 2,046,000 | - | 12,448,000 | 9,675,000 |
| Picc Property and Casualty Co Ltd - H | 3,392,000 | 330,000 | - | 2,303,000 | 1,419,000 |
| Ping An Insurance (Group) Co of China Ltd - H | 1,082,500 | 402,000 | - | 775,000 | 709,500 |
| Semiconductor Manufacturing Intl Corp | 9,540,000 | 1,125,000 | - | 4,860,000 | 5,805,000 |
| Shanghai Electric Grp Corp - H | 3,816,000 | 450,000 | - | 1,944,000 | 2,322,000 |
| Shanghai Forte Land Co Ser - H | 1,720,000 | 160,000 | - | 1,880,000 | - |
| Shanghai Industrial Hldgs Ltd | 636,000 | 75,000 | - | 324,000 | 387,000 |
| Shanghai Industrial Hldgs Ltd Pref Offer Nil Paid Rts 30/06/08 | - | - | 4,290 | - | 4,290 |
| Shenzhen Investment Ltd | 2,120,000 | 250,000 | - | 1,080,000 | 1,290,000 |
| Shimao Property Holdings Ltd | - | 1,134,000 | - | 360,000 | 774,000 |
| Sinopec Shanghai Petrochemical Co Ltd - H | 3,394,000 | 344,000 | - | 2,190,000 | 1,548,000 |
| Sinopec Yizheng Chemical Fibre Co Ltd - H | 2,968,000 | 350,000 | - | 1,512,000 | 1,806,000 |
| Sinotrans Ltd - H | 2,120,000 | 250,000 | - | 1,080,000 | 1,290,000 |
| TPV Technology Ltd | 1,330,000 | 120,000 | - | 1,450,000 | - |
| Travelsky Technology Ltd - H | 424,000 | 70,000 | 338,000 | 832,000 | - |
| Weiqiao Textile Co Ltd - H | 636,000 | 60,000 | - | 696,000 | - |
| Yanzhou Coal Mining Co Ltd - H | 1,987,800 | 231,000 | - | 1,057,800 | 1,161,000 |
| Zhejiang Expressway Co Ltd - H | 2,120,000 | 194,000 | - | 1,540,000 | 774,000 |
| Zijin Mining Group Co Ltd - H | 2,570,000 | 360,000 | 522,000 | 1,517,000 | 1,935,000 |
| ZTE Corporation - H | 221,800 | 25,000 | - | 117,800 | 129,000 |

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

Net Asset Value

| | Net asset value per unit HK\$ | Net asset value of the Sub-Fund HK\$ |
|----------------------------------|-------------------------------------|--|
| At end of financial period dated | | |
| 31st December 2005 | 29.73 | 1,094,216,415 |
| 31st December 2006 | 52.56 | 2,228,703,612 |
| 31st December 2007 | 28.59 | 2,213,177,700 |

Highest and lowest net asset value per unit

| | Highest net asset value per unit HK\$ | Lowest net asset value of 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 |
| 31st December 2007 | 35.30* | 15.20* |

* Adjustment for the effect of sub-division of units during the year.

iShares FTSE/Xinhua A50 China Tracker

(a Sub-Fund of iShares Asia Trust)

Investment Portfolio

As at 31st December 2007

| Investments (99.61%) | Holdings | Fair value HK\$ | % of net assets |
|--|-----------|--------------------|--------------------|
| China (99.61%) | | | |
| Listed CAAPs* issued by Barclays Bank Plc | | | |
| Air China Ltd – A | 1,386,000 | 40,817,700 | 0.33 |
| Aluminum Corp Ltd – A | 951,500 | 40,029,605 | 0.32 |
| Angang New Steel Co Ltd – A | 990,000 | 31,907,700 | 0.26 |
| Anhui Conch Cement Co Ltd – A | 275,000 | 21,087,000 | 0.17 |
| Bank of China Ltd – A | 5,885,000 | 41,489,250 | 0.33 |
| Bank of Comm Ltd – A | 2,035,000 | 33,964,150 | 0.27 |
| Baoshan Iron And Steel Co Ltd – A | 4,290,000 | 79,965,600 | 0.64 |
| China Citic Bank Ltd – A | 1,622,500 | 17,571,675 | 0.14 |
| China Construction Bank Ltd – A | 8,635,000 | 90,753,850 | 0.73 |
| China Cosco Holdings Co Ltd – A | 1,446,500 | 65,888,075 | 0.53 |
| China Life Insurance Co Ltd – A | 852,500 | 52,701,550 | 0.42 |
| China Merchants Bank Co Ltd – A | 3,960,000 | 167,428,800 | 1.34 |
| China Minsheng Banking Corp Ltd – A | 8,910,000 | 140,956,200 | 1.13 |
| China Petroleum And Chemical Corp – A | 3,465,000 | 86,728,950 | 0.69 |
| China Shenhua Energy Co Ltd – A | 1,485,000 | 104,083,650 | 0.83 |
| China Shipping Development Co Ltd – A | 330,000 | 13,038,300 | 0.10 |
| China Southern Airlines Co Ltd – A | 1,100,000 | 32,747,000 | 0.26 |
| China United Telecommunication Corp Ltd – A | 6,930,000 | 89,466,300 | 0.72 |
| China Vanke Co Ltd – A | 5,005,000 | 154,103,950 | 1.23 |
| China Yangtze Power Co Ltd – A | 3,850,000 | 80,080,000 | 0.64 |
| Citic Securities Co Ltd – A | 2,062,500 | 196,576,875 | 1.57 |
| Daqin Railway Co Ltd – A | 3,190,000 | 87,150,800 | 0.70 |
| Datang Intl Power Gen Co Ltd – A | 440,000 | 9,693,200 | 0.08 |
| Guangshen Railway Co Ltd – A | 1,980,000 | 19,899,000 | 0.16 |
| Huaneng Power International Inc Co Ltd – A | 627,000 | 9,937,950 | 0.08 |
| Huaxia Bank Co Ltd – A | 1,485,000 | 30,368,250 | 0.24 |
| Industrial and Commercial Bank of China – A | 8,250,000 | 71,610,000 | 0.57 |
| Industrial Bank Co Ltd – A | 605,000 | 33,504,900 | 0.27 |
| Jiangxi Copper Co Ltd – A | 264,000 | 14,366,880 | 0.11 |
| Kweichow Moutai Co Ltd – A | 231,000 | 56,740,530 | 0.45 |
| Maanshan Iron & Steel Co Ltd – A | 929,500 | 9,954,945 | 0.08 |
| Petrochina Co Ltd – A | 3,355,000 | 110,849,200 | 0.89 |
| Ping An Insurance Group Co Ltd – A | 786,500 | 89,031,800 | 0.71 |
| Poly Real Estate Group – A | 506,000 | 35,005,080 | 0.28 |
| Shanghai Automotives Co Ltd – A | 1,710,500 | 48,030,840 | 0.38 |
| Shanghai Intl Airport Co Ltd – A | 852,500 | 34,142,625 | 0.27 |

* 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 2007

| | Holdings | Fair value HK\$ | % of net assets |
|--|-----------|--------------------|--------------------|
| China (99.61%) (continued) | | | |
| Listed CAAPs* issued by Barclays Bank Plc (continued) | | | |
| Shanghai Port Container Co Ltd – A | 2,200,000 | 21,340,000 | 0.17 |
| Shanghai Pudong Development Bank Co Ltd – A | 1,072,500 | 60,489,000 | 0.48 |
| Shanghai Zhenhua Port Machinery Co Ltd – A | 1,188,000 | 32,171,040 | 0.26 |
| Shanxi Taigang Stainless Co Ltd – A | 902,000 | 23,848,880 | 0.19 |
| Shenzen Development Bank – A | 1,281,500 | 52,810,615 | 0.42 |
| Sinopec Shanghai Petrochem – A | 649,000 | 11,656,040 | 0.09 |
| Suning Appliance Co – A | 880,000 | 67,443,200 | 0.54 |
| Western Mining Co Ltd – A | 302,500 | 13,470,325 | 0.11 |
| Wuhan Iron & Steel Co Ltd – A | 2,585,000 | 54,517,650 | 0.44 |
| Wuliangye Yibin Co Ltd – A | 990,000 | 48,074,400 | 0.38 |
| Yantai Wanhua Polyurethane Co Ltd – A | 720,500 | 29,237,890 | 0.23 |
| Yanzhou Coal Mining Co Ltd – A | 385,000 | 9,055,200 | 0.07 |
| Youngor Group Co Ltd – A | 1,375,000 | 36,025,000 | 0.29 |
| Yunnan Copper Industry Co Ltd – A | 319,000 | 18,667,880 | 0.15 |
| | | 2,720,479,300 | 21.74 |

* 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 2007

| | Holdings | Fair value HK\$ | % of net assets |
|---|------------|--------------------|--------------------|
| China (99.61%) (continued) | | | |
| Listed CAAPs* issued by Citigroup | | | |
| Air China Ltd – A | 4,964,400 | 146,201,580 | 1.17 |
| Aluminum Corp Ltd – A | 3,408,100 | 143,378,767 | 1.15 |
| Angang New Steel Co Ltd – A | 3,546,000 | 114,287,580 | 0.91 |
| Anhui Conch Cement Co Ltd – A | 985,000 | 75,529,800 | 0.60 |
| Bank of China Ltd – A | 21,079,000 | 148,606,950 | 1.19 |
| Bank of Comm Ltd – A | 7,289,000 | 121,653,410 | 0.97 |
| Baoshan Iron And Steel Co Ltd – A | 15,366,000 | 286,422,240 | 2.29 |
| China Citic Bank Ltd – A | 5,811,500 | 62,938,545 | 0.50 |
| China Construction Bank Ltd – A | 30,929,000 | 325,063,790 | 2.60 |
| China Cosco Holdings Co Ltd – A | 5,181,100 | 235,999,105 | 1.89 |
| China Life Insurance Co Ltd – A | 3,053,500 | 188,767,370 | 1.51 |
| China Merchants Bank Co Ltd – A | 14,184,000 | 599,699,520 | 4.79 |
| China Minsheng Banking Corp Ltd – A | 31,914,000 | 504,879,480 | 4.04 |
| China Petroleum And Chemical Corp – A | 12,411,000 | 310,647,330 | 2.48 |
| China Shenhua Energy Co Ltd – A | 5,319,000 | 372,808,710 | 2.98 |
| China Shipping Development Co Ltd – A | 1,182,000 | 46,700,820 | 0.37 |
| China Southern Airlines Co Ltd – A | 3,940,000 | 117,293,800 | 0.94 |
| China United Telecommunication Corp Ltd – A | 24,822,000 | 320,452,020 | 2.56 |
| China Vanke Co Ltd – A | 17,927,000 | 551,972,330 | 4.41 |
| China Yangtze Power Co Ltd – A | 13,790,000 | 286,832,000 | 2.29 |
| Citic Securities Co Ltd – A | 7,387,500 | 704,102,625 | 5.63 |
| Daqin Railway Co Ltd – A | 11,426,000 | 312,158,320 | 2.49 |
| Datang Intl Power Gen Co Ltd – A | 1,576,000 | 34,719,280 | 0.28 |
| Guangshen Railway Co Ltd – A | 7,092,000 | 71,274,600 | 0.57 |
| Huaneng Power International Inc Co Ltd – A | 2,245,800 | 35,595,930 | 0.28 |
| Huaxia Bank Co Ltd – A | 5,319,000 | 108,773,550 | 0.87 |
| Industrial and Commercial Bank of China – A | 29,550,000 | 256,494,000 | 2.05 |
| Industrial Bank Co Ltd – A | 2,167,000 | 120,008,460 | 0.96 |
| Jiangxi Copper Co Ltd – A | 945,600 | 51,459,552 | 0.41 |
| Kweichow Moutai Co Ltd – A | 827,400 | 203,234,262 | 1.62 |
| Maanshan Iron & Steel Co Ltd – A | 3,329,300 | 35,656,803 | 0.29 |
| Petrochina Co Ltd – A | 12,017,000 | 397,041,680 | 3.17 |
| Ping An Insurance Group Co Ltd – A | 2,817,100 | 318,895,720 | 2.55 |
| Poly Real Estate Group – A | 1,812,400 | 125,381,832 | 1.00 |
| Shanghai Automotives Co Ltd – A | 6,126,700 | 172,037,736 | 1.38 |

* 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 2007

| | Holdings | Fair value HK\$ | % of net assets |
|--|-----------|--------------------|--------------------|
| China (99.61%) (continued) | | | |
| Listed CAAPs* issued by Citigroup (continued) | | | |
| Shanghai Intl Airport Co Ltd – A | 3,053,500 | 122,292,675 | 0.98 |
| Shanghai Port Container Co Ltd – A | 7,880,000 | 76,436,000 | 0.61 |
| Shanghai Pudong Development Bank Co Ltd – A | 3,841,500 | 216,660,600 | 1.73 |
| Shanghai Zhenhua Port Machinery Co Ltd – A | 4,255,200 | 115,230,816 | 0.92 |
| Shanxi Taigang Stainless Co Ltd – A | 3,230,800 | 85,422,352 | 0.68 |
| Shenzen Development Bank – A | 4,590,100 | 189,158,021 | 1.51 |
| Sinopec Shanghai Petrochem – A | 2,324,600 | 41,749,816 | 0.33 |
| Suning Appliance Co – A | 3,152,000 | 241,569,280 | 1.93 |
| Western Mining Co Ltd – A | 1,083,500 | 48,248,255 | 0.39 |
| Wuhan Iron & Steel Co Ltd – A | 9,259,000 | 195,272,310 | 1.56 |
| Wuliangye Yibin Co Ltd – A | 3,546,000 | 172,193,760 | 1.38 |
| Yantai Wanhua Polyurethane Co Ltd – A | 2,580,700 | 104,724,806 | 0.84 |
| Yanzhou Coal Mining Co Ltd – A | 1,379,000 | 32,434,080 | 0.26 |
| Youngor Group Co Ltd – A | 4,925,000 | 129,035,000 | 1.03 |
| Yunnan Copper Industry Co Ltd – A | 1,142,600 | 66,864,952 | 0.53 |
| | | 9,744,262,220 | 77.87 |
| Total Investments | | 12,464,741,520 | 99.61 |
| Other net assets | | 48,944,954 | 0.39 |
| | | 12,513,686,474 | 100.00 |
| Net assets attributable to unitholders at 31st December 2007 | | | |
| Total investments, at cost | | 6,410,634,307 | |

* 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 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|--|------------|------------|-------------------|------------|-----------|
| Investments | | | | | |
| Listed CAAPs* issued by Barclays Bank Plc | | | | | |
| Air China Ltd – A | 8,000,000 | 2,638,400 | – | 9,252,400 | 1,386,000 |
| Alumium Corp Ltd – A | – | 3,705,950 | – | 2,754,450 | 951,500 |
| Angang New Steel Co – A | 4,533,000 | 1,801,000 | – | 5,344,000 | 990,000 |
| Anhui Conch Cement Co Ltd – A | 1,275,000 | 475,000 | – | 1,475,000 | 275,000 |
| Bank Of China – A | 32,008,769 | 11,959,000 | – | 38,082,769 | 5,885,000 |
| Baoshan Iron And Steel Co Ltd – A | 23,620,462 | 8,801,000 | – | 28,131,462 | 4,290,000 |
| Beijing North Star Co – A | – | 3,710,000 | – | 3,710,000 | – |
| Bk Of Comm – A | – | 4,759,800 | – | 2,724,800 | 2,035,000 |
| Hong Yuan Securities Co – A | – | 307,800 | – | 307,800 | – |
| Youngor Group Co – A | – | 1,606,800 | – | 231,800 | 1,375,000 |
| China Citic Bank – A | – | 4,407,000 | – | 2,784,500 | 1,622,500 |
| China Construction Bank – A | – | 9,319,000 | – | 684,000 | 8,635,000 |
| China Cosco Holdings – A | – | 1,511,100 | – | 64,600 | 1,446,500 |
| China Intl Marine – A | 3,488,000 | 1,105,000 | 207,000 | 4,800,000 | – |
| China Life Insurance Co – A | – | 6,158,500 | – | 5,306,000 | 852,500 |
| China Merchants Bank Co Ltd – A | 22,094,000 | 8,049,000 | – | 26,183,000 | 3,960,000 |
| China Minsheng Banking Corp Ltd – A | 22,881,000 | 16,934,640 | 1,809,180 | 32,714,820 | 8,910,000 |
| China Petroleum & Chemical Corp – A | 16,404,800 | 6,353,000 | – | 19,292,800 | 3,465,000 |
| China Shenhua Energy – A | – | 1,542,000 | – | 57,000 | 1,485,000 |
| China Shipping Development Co Ltd – A | 2,137,000 | 817,000 | – | 2,624,000 | 330,000 |
| China Southern Airlines Co Ltd – A | – | 1,100,000 | – | – | 1,100,000 |
| China Southern Airlines Co Ltd – A | 6,710,000 | 2,095,000 | – | 8,805,000 | – |
| China United Telecommunication Corp Ltd – A | 33,139,949 | 13,387,000 | – | 39,596,949 | 6,930,000 |
| China Vanke Co Ltd – A | 15,394,000 | 6,747,000 | 3,404,000 | 20,540,000 | 5,005,000 |
| China Yangtze Power Co Ltd – A | 14,704,692 | 6,744,000 | – | 17,598,692 | 3,850,000 |
| Citic Securities Co Ltd – A | 8,369,000 | 4,411,500 | – | 10,718,000 | 2,062,500 |
| Daqin Railway Co Ltd – A | 17,500,000 | 6,511,000 | – | 20,821,000 | 3,190,000 |
| Datang Intl Power Gen – A | – | 1,371,000 | 247,000 | 1,178,000 | 440,000 |
| GD Power Development Co Ltd – A | 4,416,250 | 1,659,500 | – | 6,075,750 | – |
| Guandong Electric Power Development Co Ltd – A | 2,299,000 | – | – | 2,299,000 | – |
| Guangshen Railway – A | – | 8,972,000 | – | 6,992,000 | 1,980,000 |
| Huaneng Power International – A | 2,800,000 | 1,136,300 | – | 3,309,300 | 627,000 |
| Huaxia Bank Co Ltd – A | 6,482,800 | 2,977,700 | – | 7,975,500 | 1,485,000 |
| Industrial and Commercial Bank of China – A | 45,200,000 | 16,785,000 | – | 53,735,000 | 8,250,000 |
| Industrial Bank Co Ltd – A | – | 3,757,000 | – | 3,152,000 | 605,000 |

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

iShares FTSE/Xinhua A50 China Tracker (a Sub-Fund of iShares Asia Trust) Statement of Movements in Investment Portfolio (continued) For the year ended 31st December 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|--|------------|-----------|-------------------|------------|-----------|
| Investments | | | | | |
| Listed CAAPs* issued by Barclays Bank Plc (continued) | | | | | |
| Jiangsu Expressway Co Ltd – A | 1,000,000 | 325,000 | – | 1,325,000 | – |
| Jiangxi Copper Co Ltd – A | 1,579,000 | 614,600 | – | 1,929,600 | 264,000 |
| Kweichow Moutai Co Ltd – A | 1,275,395 | 435,400 | – | 1,479,795 | 231,000 |
| Maanshan Iron & Steel – A | 3,553,000 | 1,502,800 | – | 4,126,300 | 929,500 |
| Offshore Oil Engineering – A | 1,654,000 | 1,389,500 | – | 3,043,500 | – |
| Petrochina – A | – | 3,355,000 | – | – | 3,355,000 |
| Ping An Insurance Group – A | – | 5,215,600 | – | 4,429,100 | 786,500 |
| Poly Real Estate Group Co – A | 700,000 | 516,900 | 710,500 | 1,421,400 | 506,000 |
| Qinghai Salt Lake Potash – A | 1,500,000 | 485,000 | – | 1,985,000 | – |
| Shandong Aluminium Ind – A | 1,059,000 | – | – | 1,059,000 | – |
| Shandong Infrastructure Co Ltd – A | 3,613,066 | 1,202,500 | – | 4,815,566 | – |
| Shanghai Automotives Co Ltd – A | 7,431,000 | 2,998,700 | – | 8,719,200 | 1,710,500 |
| Shanghai Intl Airport Co Ltd – A | 4,046,000 | 1,628,500 | – | 4,822,000 | 852,500 |
| Shanghai Lujiazui Fin & Trad – A | 1,500,000 | 456,700 | – | 1,956,700 | – |
| Shanghai Oriental Peral (Group) Co Ltd – A | 2,994,000 | 975,000 | – | 3,969,000 | – |
| Shanghai Port Container Co Ltd – A | 11,357,500 | 4,547,500 | – | 13,705,000 | 2,200,000 |
| Shanghai Pudong Development Bank Co Ltd – A | 4,825,381 | 1,937,000 | – | 5,689,881 | 1,072,500 |
| Shanghai Zhenhua Port Machinery Co Ltd – A | 3,780,000 | 1,839,200 | – | 4,431,200 | 1,188,000 |
| Shanxi Taigang Stainless – A | – | 4,468,000 | 447,120 | 4,013,120 | 902,000 |
| Shenergy Company Ltd – A | 4,201,047 | 1,430,000 | – | 5,631,047 | – |
| Shenzen Development Bank – A | 6,536,000 | 2,476,100 | 114,000 | 7,844,600 | 1,281,500 |
| Shenzhen Overseas Chinese Town Holdings – A | 2,565,000 | 747,500 | – | 3,312,500 | – |
| Sinopec Shanghai Petrochem – A | 3,818,000 | 1,500,600 | – | 4,669,600 | 649,000 |
| Suning Appliance Co Ltd – A | 1,290,000 | 973,500 | 1,258,600 | 2,642,100 | 880,000 |
| Tianjin Port Co Ltd – A | 3,544,000 | – | – | 3,544,000 | – |
| Tsingtao Brewery Co Ltd – A | 1,321,409 | 325,000 | – | 1,646,409 | – |
| Western Mining Co C538 – A | – | 302,500 | – | – | 302,500 |
| Wuhan Iron & Steel Co Ltd – A | 14,145,000 | 5,642,000 | – | 17,202,000 | 2,585,000 |
| Wuliangye Yibin Co Ltd – A | 3,643,000 | 1,476,000 | 1,276,800 | 5,405,800 | 990,000 |
| Yantai Changy Pioneer Wine Co Ltd – A | 399,000 | 136,500 | – | 535,500 | – |
| Yantai Wanhua Polythureane Co Ltd – A | 2,160,812 | 895,240 | 156,560 | 2,492,112 | 720,500 |
| Yanzhou Coal Mining Co – A | 1,710,000 | 704,000 | – | 2,029,000 | 385,000 |
| Yunnan Copper Ind – A | – | 319,000 | – | – | 319,000 |
| ZTE Corp – A | 1,793,000 | 1,257,000 | – | 3,050,000 | – |

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

iShares FTSE/Xinhua A50 China Tracker (a Sub-Fund of iShares Asia Trust) Statement of Movements in Investment Portfolio (continued) For the year ended 31st December 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|---|-------------|------------|-------------------|------------|------------|
| Investments | | | | | |
| Listed CAAPs* issued by Citigroup | | | | | |
| Aluminum Corp Ltd – A | – | 9,717,200 | – | 6,309,100 | 3,408,100 |
| Angang New Steel Co – A | 10,900,000 | 1,067,000 | – | 8,421,000 | 3,546,000 |
| Anhui Conch Cement Co Ltd – A | 3,172,000 | 286,000 | – | 2,473,000 | 985,000 |
| Bank Of China – A | 80,719,231 | 6,596,269 | – | 66,236,500 | 21,079,000 |
| Baoshan Iron & Steel Ltd – A | 59,583,538 | 4,781,462 | – | 48,999,000 | 15,366,000 |
| Beijing North Star Co – A | – | 7,098,000 | – | 7,098,000 | – |
| Bk Of Comm – A | – | 20,726,400 | – | 13,437,400 | 7,289,000 |
| China Citic Bank – A | – | 18,106,000 | – | 12,294,500 | 5,811,500 |
| China Const Bank A – A | – | 39,860,000 | – | 8,931,000 | 30,929,000 |
| China Cosco Hldgs – A | – | 6,384,000 | – | 1,202,900 | 5,181,100 |
| China Intl Marine Containers (Group) Ltd – A | 8,590,000 | 786,500 | 1,188,000 | 10,564,500 | – |
| China Life – A | – | 11,965,500 | – | 8,912,000 | 3,053,500 |
| China Merchants Bank Co Ltd – A | 55,071,000 | 4,456,500 | – | 45,343,500 | 14,184,000 |
| China Minsheng Banking Corp Ltd – A | 57,639,000 | 33,949,580 | 9,727,620 | 69,402,200 | 31,914,000 |
| China Petroleum & Chemical Corp – A | 41,032,800 | 6,306,800 | – | 34,928,600 | 12,411,000 |
| China Shenhua Energy – A | – | 6,498,000 | – | 1,179,000 | 5,319,000 |
| China Shipping Development Co Ltd – A | 5,244,000 | 450,600 | – | 4,512,600 | 1,182,000 |
| China Southern Airlines Co Ltd – A | 16,775,000 | 5,406,000 | – | 18,241,000 | 3,940,000 |
| China United Telecommunication Corp Ltd – A | 83,146,051 | 7,197,949 | – | 65,522,000 | 24,822,000 |
| China Vanke Co Ltd – A | 38,286,000 | 4,020,000 | 17,427,000 | 41,806,000 | 17,927,000 |
| China Yangtze Power Cie Ltd – A | 36,962,308 | 10,670,592 | – | 33,842,900 | 13,790,000 |
| Citic Securities Co Ltd – A | 20,484,000 | 4,480,500 | – | 17,577,000 | 7,387,500 |
| Air China Ltd – A | 19,846,500 | 1,461,000 | – | 16,343,100 | 4,964,400 |
| Industrial Bank Co Ltd – A | – | 7,315,900 | – | 5,148,900 | 2,167,000 |
| Daqin Railway – A | 44,232,000 | 3,560,500 | – | 36,366,500 | 11,426,000 |
| Datang Intl Po – A | – | 3,491,500 | 2,021,500 | 3,937,000 | 1,576,000 |
| GD Power Development Co Ltd – A | 11,518,700 | 616,200 | – | 12,134,900 | – |
| Guangdong Electric Power Development Co Ltd – A | 5,820,100 | 121,000 | – | 5,941,100 | – |
| Guangshen Rail – A | – | 22,980,000 | – | 15,888,000 | 7,092,000 |
| Hong Yuen Securities Co – A | – | 2,616,300 | – | 2,616,300 | – |
| Huaneng Power International – A | 6,929,500 | 615,800 | – | 5,299,500 | 2,245,800 |
| Huaxia Bank Co Ltd – A | 17,204,240 | 1,412,800 | – | 13,298,040 | 5,319,000 |
| Ind & Comm Bk – A | 112,485,000 | 9,383,500 | – | 92,318,500 | 29,550,000 |
| Jiangsu Express – A | 2,613,400 | 201,600 | – | 2,815,000 | – |
| Jiangxi Copper Co Ltd – A | 3,923,200 | 324,200 | – | 3,301,800 | 945,600 |

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

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

For the year ended 31st December 2007

| | 2006 | Additions | Holdings Bonus | Disposals | 2007 |
|--|------------|------------|-------------------|------------|------------|
| Investments | | | | | |
| Listed CAAPs* issued by Citigroup (continued) | | | | | |
| Kweichow Moutai Co Ltd – A | 3,153,205 | 249,495 | – | 2,575,300 | 827,400 |
| Maanshan Iron & Steel – A | 8,994,700 | 773,500 | – | 6,438,900 | 3,329,300 |
| Offshore Oil Engineering – A | 4,193,000 | 2,489,500 | – | 6,682,500 | – |
| Petrochina – A | – | 13,908,000 | – | 1,891,000 | 12,017,000 |
| Ping An Insur – A | – | 10,165,300 | – | 7,348,200 | 2,817,100 |
| Poly Real Estate Group Co – WRT | 1,648,500 | 1,031,100 | 1,774,500 | 2,641,700 | 1,812,400 |
| Qinghai Salt Potash – A | 3,868,000 | 192,000 | – | 4,060,000 | – |
| Shandong Alumi Ind – A | 2,609,500 | 55,000 | – | 2,664,500 | – |
| Shandong Infrastructure Co Ltd – A | 8,800,434 | 394,066 | – | 9,194,500 | – |
| Shanghai Automotives Co Ltd – A | 18,067,000 | 1,768,500 | – | 13,708,800 | 6,126,700 |
| Shanghai Intl Airport Co Ltd – A | 10,045,000 | 885,900 | – | 7,877,400 | 3,053,500 |
| Shanghai Lujia – A | 3,661,700 | 252,600 | – | 3,914,300 | – |
| Shanghai Oriental Peral (Group) Co Ltd – A | 7,400,000 | 405,000 | – | 7,805,000 | – |
| Shanghai Port Container – A | 28,567,000 | 2,294,500 | – | 22,981,500 | 7,880,000 |
| Shanghai Pudong Development Bank Co Ltd – A | 11,780,819 | 1,121,581 | – | 9,060,900 | 3,841,500 |
| Shanghai Zhenhua Port Machine – A | 9,640,000 | 2,160,000 | – | 7,544,800 | 4,255,200 |
| Shanxi Taigang – A | – | 8,513,800 | 2,167,560 | 7,450,560 | 3,230,800 |
| Shenergy Company Ltd – A | 10,560,953 | 857,047 | – | 11,418,000 | – |
| Shenzhen Development Bank – A | 16,278,000 | 1,364,400 | 1,113,000 | 14,165,300 | 4,590,100 |
| Shenzhen Overseas Chinese Town Holdings – A | 6,493,500 | 399,000 | – | 6,892,500 | – |
| Sinopec Shanghai Petrochem – A | 9,602,000 | 719,000 | – | 7,996,400 | 2,324,600 |
| Suning Appliance Co Ltd – A | 3,205,700 | 1,955,600 | 3,143,400 | 5,152,700 | 3,152,000 |
| Tianjin Port Co Ltd – A | 8,534,000 | 180,000 | – | 8,714,000 | – |
| Tsingtao Brewer Co Ltd – A | 3,345,974 | 189,026 | – | 3,535,000 | – |
| Western Mining – A | – | 1,254,000 | – | 170,500 | 1,083,500 |
| Wuhan Iron & Steel Co Ltd – A | 35,476,000 | 2,958,000 | – | 29,175,000 | 9,259,000 |
| Wuliangye Yibin Co Ltd – A | 9,106,000 | 831,000 | 3,407,040 | 9,798,040 | 3,546,000 |
| Yantai Changyu Pioneer Wire Co Ltd – A | 1,010,100 | 48,600 | – | 1,058,700 | – |
| Yantai Wanhua Polyurethane Co – A | 5,421,488 | 564,992 | 1,281,320 | 4,687,100 | 2,580,700 |
| Yanzhou Coal Mining Co – A | 4,329,000 | 353,000 | – | 3,303,000 | 1,379,000 |
| Youngor Group Co Ltd – A | – | 10,159,100 | – | 5,234,100 | 4,925,000 |
| Yunnan Copper Industry – A | – | 1,322,400 | – | 179,800 | 1,142,600 |
| ZTE Ciro – A | 4,514,400 | 2,093,200 | – | 6,607,600 | – |

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

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

Net Asset Value

| | Net asset value per unit HK\$ | Net asset value of the Sub-Fund HK\$ |
|----------------------------------|-------------------------------------|--|
| At end of financial period dated | | |
| 31st December 2005 | 42.53 | 2,526,275,310 |
| 31st December 2006 | 105.33 | 14,135,633,054 |
| 31st December 2007 | 24.83 | 12,513,686,474 |

Highest and lowest net asset value per unit

| | Highest net asset value per unit HK\$ | Lowest net asset value of 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 |
| 31st December 2007 | 27.61** | 10.53** |

* These are unaudited figures

** Adjustment for the effect of sub-division of units during the year.

iShares BSE SENSEX India Tracker

(a Sub-Fund of iShares Asia Trust)

Investment Portfolio

As at 31st December 2007

| Investments (99.06%) | Holdings | Fair value HK\$ | % of net assets |
|--|-----------|--------------------|--------------------|
| India (99.06%) | | | |
| Listed IAPs* issued by Citigroup | | | |
| Ambuja Cements | 799,800 | 23,259,089 | 0.98 |
| Associated Cement | 102,168 | 20,654,747 | 0.87 |
| Bajaj Auto | 57,534 | 29,645,774 | 1.24 |
| Bharat Heavy Electricals | 150,156 | 76,751,011 | 3.22 |
| Bharti Airtel | 582,048 | 113,539,918 | 4.76 |
| Cipla Limited | 458,724 | 19,205,615 | 0.81 |
| DLF Ltd | 218,010 | 46,300,533 | 1.94 |
| Grasim Industry | 60,372 | 43,049,611 | 1.81 |
| HDFC Bank Ltd | 245,100 | 83,756,255 | 3.51 |
| Hindalco Ind | 752,844 | 32,165,331 | 1.35 |
| Hindustan Lever Ltd | 967,500 | 40,733,075 | 1.71 |
| Housing Development Finance Corp Ltd | 206,658 | 116,700,623 | 4.90 |
| ICICI Bank Ltd | 960,018 | 231,655,437 | 9.72 |
| Infosys Technologies Ltd | 425,442 | 148,103,149 | 6.21 |
| ITC Ltd | 2,309,616 | 96,157,575 | 4.03 |
| Larsen & Toubro | 225,750 | 185,793,112 | 7.79 |
| Mahindra & Mahindra | 178,278 | 30,120,289 | 1.26 |
| Maruti Suzuki India Ltd | 118,680 | 23,132,364 | 0.97 |
| NTPC Limited | 1,084,116 | 53,587,991 | 2.25 |
| Oil & Natural Gas Corp | 374,874 | 91,276,667 | 3.83 |
| Ranbaxy Laborat | 228,846 | 19,144,565 | 0.80 |
| Reliance Commu | 631,068 | 92,498,880 | 3.88 |
| Reliance Energy | 131,580 | 55,704,744 | 2.34 |
| Reliance Ind | 634,680 | 361,672,296 | 15.17 |
| Satyam Computer Serv Ltd | 556,764 | 49,008,065 | 2.06 |
| State Bank of India | 207,690 | 97,071,714 | 4.07 |
| Tata Consultancy Svs Ltd | 205,110 | 43,608,831 | 1.83 |
| Tata Motors Ltd | 202,788 | 29,771,111 | 1.25 |
| Tata Steel Ltd | 438,600 | 80,838,560 | 3.39 |
| Wipro Ltd | 255,936 | 26,379,424 | 1.11 |
| Total Investments | | 2,361,286,356 | 99.06 |
| Other net assets | | 22,520,666 | 0.94 |
| Net assets attributable to unitholders at 31st December 2007 | | 2,383,807,022 | 100.00 |
| Total investments, at cost | | 1,947,112,425 | |

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

iShares BSE SENSEX India Tracker

(a Sub-Fund of iShares Asia Trust)

Statement of Movements in Investment Portfolio

For the period ended 31st December 2007

| Investments | Additions | Holdings Bonus | Disposals | 2007 |
|---|-----------|-------------------|-----------|-----------|
| Listed IAPs* issued by Citigroup | | | | |
| Ambuja Cements | 979,945 | - | 180,145 | 799,800 |
| Associated Cement | 105,250 | - | 3,082 | 102,168 |
| Bajaj Auto | 64,778 | - | 7,244 | 57,534 |
| Bharat Heavy Electricals | 136,010 | 20,837 | 6,691 | 150,156 |
| Bharti Airtel | 607,646 | - | 25,598 | 582,048 |
| Bharti Televentures | 161,470 | - | 161,470 | - |
| Cipla Limited | 462,543 | - | 3,819 | 458,724 |
| DLF Ltd | 218,010 | - | - | 218,010 |
| Dr. Reddys Laboratories | 107,844 | - | 107,844 | - |
| Grasim Industry | 62,972 | - | 2,600 | 60,372 |
| HDFC Bank Ltd | 245,100 | - | - | 245,100 |
| Hero Honda Motor | 24,321 | - | 24,321 | - |
| Hero Honda Motor | 24,321 | - | 24,321 | - |
| Hindalco Ind | 815,022 | - | 62,178 | 752,844 |
| Hindustan Lever Ltd | 1,009,931 | - | 42,431 | 967,500 |
| Housing Development Finance Corp Ltd | 207,663 | - | 1,005 | 206,658 |
| ICICI Bank Ltd | 960,018 | - | - | 960,018 |
| Infosys Technologies Ltd | 440,664 | - | 15,222 | 425,442 |
| ITC Ltd | 2,409,398 | - | 99,782 | 2,309,616 |
| Larsen & Toubro | 232,823 | - | 7,073 | 225,750 |
| Mahindra & Mahindra Ord | 178,278 | - | - | 178,278 |
| Maruti Suzuki India Limited | 118,680 | - | - | 118,680 |
| NTPC Limited | 1,132,005 | - | 47,889 | 1,084,116 |
| Oil & Natural Gas Corp | 391,573 | - | 16,699 | 374,874 |
| Ranbaxy Laborat | 244,584 | - | 15,738 | 228,846 |
| Reliance Commu | 655,071 | - | 24,003 | 631,068 |
| Reliance Energy | 38,927 | - | 38,927 | - |
| Reliance Energy | 146,460 | - | 14,880 | 131,580 |
| Reliance Ind | 654,431 | - | 19,751 | 634,680 |
| Satyam Computer Serv Ltd | 577,608 | - | 20,844 | 556,764 |
| State Bank of India | 216,723 | - | 9,033 | 207,690 |
| Tata Consultancy Svs Ltd | 206,584 | - | 1,474 | 205,110 |
| Tata Motors Ltd | 211,496 | - | 8,708 | 202,788 |
| Tata Steel Ltd | 98,959 | - | 98,959 | - |
| Tata Steel Ltd | 438,600 | - | - | 438,600 |
| Wipro Ltd | 268,836 | - | 12,900 | 255,936 |
| Wipro Ltd | 69,814 | - | 69,814 | - |

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

iShares BSE SENSEX India Tracker (Sub-Fund of iShares Asia Trust) Performance Record

Net Asset Value

| | Net asset value per unit HK\$ | Net asset value of the Sub-Fund HK\$ |
|----------------------------------|-------------------------------------|--|
| At end of financial period dated | | |
| 31st December 2007 | 23.10 | 2,383,807,022 |

Highest and lowest net asset value per unit

| | Highest net asset value per unit HK\$ | Lowest net asset value of per unit HK\$ |
|--------------------------------------|--|--|
| Financial period ended | | |
| 31st December 2007 (since inception) | 23.20 | 12.56 |

iShares Asia Trust Management and Administration

Directors of the Manager

Robert J. Haber
Mark A A C Talbot
Frederick James Horsey
(Appointed on 21st May 2007)
David Jonathan Semaya
(Appointed on 30th August 2007)
Nicholas Michael Whateley Good
(Appointed on 5th February 2008)
Michael Bernard Walsh
(Appointed on 14th February 2008)
Francis Sean Ryan
(Resigned on 5th February 2008)
Nigel Grenville Williams
(Resigned on 15th June 2007)
Joseph Ho
(Resigned on 6th June 2007)

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
Rooms 1806-07, 18th Floor Hopewell Centre
183 Queen's Road East Wan Chai
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 Advisor to the Manager

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

Registrar for A50 China Tracker and SENSEX India Tracker

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

Legal Advisor to the Trustee

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

Service Agent for A50 China Tracker and SENSEX India 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

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