

Edgar Filing: MALAYSIA FUND INC - Form N-CSRS

MALAYSIA FUND INC  
Form N-CSRS  
August 31, 2004

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05082  
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The Malaysia Fund, Inc.  
-----

(Exact name of registrant as specified in charter)

1221 AVENUE OF THE AMERICAS 22ND FLOOR NEW YORK, NY 10020  
-----

(Address of principal executive offices)

(Zip code)

RONALD E. ROBISON  
-----

1221 AVENUE OF THE AMERICAS 34TH FLOOR NEW YORK, NY 10020  
-----

(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-221-6726  
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Date of fiscal year end: 12/31  
-----

Date of reporting period: 6/30/04  
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Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington, DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Fund's semi-annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

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SEMI-ANNUAL REPORT

THE MALAYSIA FUND, INC.

DIRECTORS

CHARLES A. FIUMEFREDDO

JOSEPH J. McALINDEN  
VICE PRESIDENT

JUNE 30, 2004

MICHAEL BOZIC

EDWIN J. GARN

BARRY FINK  
VICE PRESIDENT

WAYNE E. HEDIEN

JAMES F. HIGGINS

STEFANIE V. CHANG  
VICE PRESIDENT

DR. MANUEL H. JOHNSON

JOSEPH J. KEARNS

AMY R. DOBERMAN  
VICE PRESIDENT

MICHAEL NUGENT

FERGUS REID

JAMES W. GARRETT  
TREASURER AND CHIEF  
FINANCIAL OFFICER

OFFICERS

CHARLES A. FIUMEFREDDO  
CHAIRMAN OF THE BOARD

MICHAEL J. LEARY  
ASSISTANT TREASURER

[MORGAN STANLEY LOGO]

MITCHELL M. MERIN  
PRESIDENT

MARY E. MULLIN  
SECRETARY

RONALD E. ROBISON  
EXECUTIVE VICE PRESIDENT  
AND PRINCIPAL EXECUTIVE  
OFFICER

THE MALAYSIA FUND, INC.

U.S. INVESTMENT ADVISER  
MORGAN STANLEY INVESTMENT MANAGEMENT INC.  
1221 AVENUE OF THE AMERICAS  
NEW YORK, NEW YORK 10020

MALAYSIAN INVESTMENT ADVISER  
AMMB CONSULTANT SDN BHD  
9TH FLOOR, BANGURIAN ARAB-MALAYSIAN  
55 JALAN RAJA CHULAN, 50200  
KUALA LUMPUR, MALAYSIA

ADMINISTRATOR  
JPMORGAN INVESTOR SERVICES COMPANY  
73 TREMONT STREET  
BOSTON, MASSACHUSETTS 02108

CUSTODIAN  
JPMORGAN CHASE BANK  
270 PARK AVENUE  
NEW YORK, NEW YORK 10017

STOCKHOLDER SERVICING AGENT  
AMERICAN STOCK TRANSFER & TRUST COMPANY  
59 MAIDEN LANE  
NEW YORK, NEW YORK 10030  
1 (800) 278-4353

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LEGAL COUNSEL  
CLIFFORD CHANCE US LLP  
31 WEST 52ND STREET  
NEW YORK, NEW YORK 10019

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ERNST & YOUNG LLP  
200 CLARENDON STREET  
BOSTON, MASSACHUSETTS 02116

FOR ADDITIONAL FUND INFORMATION, INCLUDING THE  
FUND'S NET ASSET VALUE PER SHARE AND INFORMATION  
REGARDING THE INVESTMENTS COMPRISING THE FUND'S  
PORTFOLIO, PLEASE CALL 1-800-221-6726 OR VISIT OUR  
WEBSITE AT [www.morganstanley.com/im](http://www.morganstanley.com/im).

MORGAN STANLEY  
INVESTMENT MANAGEMENT INC.  
INVESTMENT ADVISER

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THE MALAYSIA FUND, INC.

LETTER TO STOCKHOLDERS

Overview

### PERFORMANCE

For the six months ended June 30, 2004, The Malaysia Fund, Inc. (the "Fund") had a total return, based on net asset value per share of 0.17%, compared to 3.26% for the Kuala Lumpur Stock Exchange Composite Index (the "Index") expressed in U.S. dollars. On June 30, 2004, the closing price of the Fund's shares on the New York Stock Exchange was \$5.31, representing a 8.0% discount to the Fund's net asset value per share.

### FACTORS AFFECTING PERFORMANCE

- The Malaysian market was one of the better performing markets during the first six months of the year, starting strong with the Index increasing by 13.6% in the first quarter, with sentiments lifted by the new Prime Minister's goals to restructure the government-linked companies, which account for a significant portion of the Index.
- The weak external environments weighed down the market's performance in the second quarter.
- The economy continued its growth momentum with real gross domestic product rising at a pace of 7.6% in the first quarter of 2004 from 6.6% in the fourth quarter of 2003.
- Growth was driven mostly by the private sector through higher consumption and investment, which in turn were helped by Malaysia's accommodative interest rate environment.
- Corporate earnings for the first six months were mostly in line with expectations with banks surprising on the upside, due to higher non-interest income.

### MANAGEMENT STRATEGIES

- We believe the outlook for the market is positive as higher domestic demand leads to better pricing power and top line growth for sectors such as property and banks.

Sincerely,

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/s/ Ronald E. Robison

Ronald E. Robison  
Executive Vice President--  
Principal Executive Officer

July 2004

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THE MALAYSIA FUND, INC.

STATEMENT OF NET ASSETS

June 30, 2004 (unaudited)

	SHARES	VALUE (000)
-----		
MALAYSIAN COMMON STOCKS: (97.7%) (UNLESS OTHERWISE NOTED)		
AUTOMOBILES (1.1%)		
TAN Chong Motor Holdings Bhd	1,896,000	\$ 609
=====		
COMMERCIAL BANKS (23.0%)		
Commerce Asset Holdings Bhd	2,446,000	3,128
Malayan Banking Bhd	2,125,500	5,649
Public Bank Bhd	2,582,390	4,112
-----		
		12,889
=====		
CONSTRUCTION & ENGINEERING (7.0%)		
Gamuda Bhd	1,181,000	1,694
IJM Corp. Bhd	743,000	935
Road Builder (Malaysia) Holdings Bhd	1,769,000	1,261
-----		
		3,890
=====		
CONSTRUCTION MATERIALS (1.7%)		
TRC Synergy Bhd	2,252,400	972
=====		
DIVERSIFIED FINANCIAL SERVICES (4.0%)		
CIMB Bhd	1,435,500	2,115
IOI Oleochemical Industries Bhd	39,041	96
-----		
		2,211
=====		
DIVERSIFIED TELECOMMUNICATION SERVICES (5.9%)		
Telekom Malaysia Bhd	1,224,000	3,318
=====		
ELECTRIC UTILITIES (4.1%)		
YTL Corp. Bhd	1,833,500	2,268
=====		
HOTELS, RESTAURANTS & LEISURE (14.6%)		
Genting Bhd	615,800	2,479
Magnum Corp. Bhd	3,268,000	2,090
Resorts World Bhd	923,700	2,176



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SHORT-TERM INVESTMENT (1.3%)

REPURCHASE AGREEMENT (1.3%)

J.P. Morgan Securities, Inc., 1.25%,  
dated 6/30/04, due 7/1/04,  
repurchase price \$734  
(Cost \$734)

\$ (b) 734 734

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS. 3

THE MALAYSIA FUND, INC.

STATEMENT OF NET ASSETS (CONT'D)

June 30, 2004 (unaudited)

	VALUE (000)
<hr/>	
TOTAL INVESTMENTS (99.1%) (Cost \$45,962)	\$ 55,385

	AMOUNT (000)	
<hr/>		
OTHER ASSETS (1.3%)		
Cash	\$ 1	
Foreign Currency (Cost \$624)	624	
Dividends Receivable	90	
Other	9	724
<hr/>		
LIABILITIES (-0.4%)		
Payable For:		
U.S. Investment Advisory Fees	(40)	
Malaysian Investment Advisory Fees	(34)	
Directors' Fees and Expenses	(14)	
Custodian Fees	(5)	
Administrative Fees	(6)	
Other Liabilities	(101)	(200)
<hr/>		
NET ASSETS (100%)		
Applicable to 9,687,235, issued and outstanding \$ 0.01 par value shares (20,000,000 shares authorized)		\$ 55,909
<hr/>		
NET ASSETS VALUE PER SHARE		\$ 5.77
<hr/>		
AT JUNE 30, 2004, NET ASSETS CONSISTED OF:		
Common Stock		\$ 97
Paid-in Capital		119,992
Undistributed (Distributions in Excess of) Net		

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Investment Income	(235)
Accumulated Net Realized Gain (Loss)	(73,368)
Unrealized Appreciation (Depreciation) on Investments	9,423
=====	
TOTAL NET ASSETS	\$ 55,909
=====	

(a) Non-income producing.

(b) The repurchase agreement is fully collateralized by U.S. government and/or agency obligations based on market prices at the date of this statement of net assets. The investment in the repurchase agreement is through participation in a joint account with affiliated funds.

MYR Malaysian Ringgit

4 THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

THE MALAYSIA FUND, INC.

Financial Statements

STATEMENT OF OPERATIONS

INVESTMENT INCOME

Dividends (net of \$173 of foreign taxes withheld)  
Interest

=====

TOTAL INCOME

=====

EXPENSES

U.S. Investment Advisory Fees  
Malaysian Investment Advisory Fees  
Professional Fees  
Proxy Fees  
Custodian Fees  
Administrative Fees  
Stockholder Reporting Expenses  
Directors' Fees and Expenses  
Other Expenses

=====

TOTAL EXPENSES

=====

NET INVESTMENT INCOME (LOSS)

=====

NET REALIZED GAIN (LOSS) ON:

Investments  
Foreign Currency Transactions

=====

NET REALIZED GAIN (LOSS)

=====

CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION) ON:

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Investments

NET REALIZED GAIN (LOSS) AND CHANGE IN UNREALIZED APPRECIATION (DEPRECIATION)

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS

SIX MONTHS  
JUNE 30,  
(UNAUD

STATEMENT OF CHANGES IN NET ASSETS

INCREASE (DECREASE) IN NET ASSETS

Operations:

Net Investment Income (Loss)

Net Realized Gain (Loss)

Change in Unrealized Appreciation (Depreciation)

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS

Distributions from and/or in excess of:

Net Investment Income

Capital Share Transactions:

Reinvestment of Shares (2,321 shares in 2004)

Repurchase of Shares (28,936 shares in 2003)

NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM CAPITAL SHARE TRANSACTIONS

TOTAL INCREASE (DECREASE)

Net Assets:

Beginning of Period

END OF PERIOD (INCLUDING UNDISTRIBUTED (DISTRIBUTIONS IN EXCESS OF) NET INVESTMENT  
INCOME OF \$(235) AND \$(613), RESPECTIVELY)

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS. 5

THE MALAYSIA FUND, INC.

SELECTED PER SHARE DATA AND RATIOS

Financial Highlights

	SIX MONTHS ENDED JUNE 30, 2004 (UNAUDITED)	2003	YEAR 2002
NET ASSET VALUE, BEGINNING OF PERIOD	\$ 5.76	\$ 4.63	\$ 5.00



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Net Investment Income (Loss)	0.04++	0.06++	0.03+
Net Realized and Unrealized Gain (Loss) on Investments	(0.03)	1.22	0.25)
Total from Investment Operations	0.01	1.28	(0.22)
Distributions from and/or in excess of: Net Investment Income	--	(0.15)	(0.15)
Anti-Dilutive Effect of Share Repurchase Program	--	0.00#	0.00#
NET ASSET VALUE, END OF PERIOD	\$ 5.77	\$ 5.76	\$ 4.63
PER SHARE MARKET VALUE, END OF PERIOD	\$ 5.31	\$ 6.01	\$ 3.85
TOTAL INVESTMENT RETURN:			
Market Value	(11.65)%**	60.33%	1.86%
Net Asset Value (1)	0.17%**	27.67%	(3.89)
RATIOS, SUPPLEMENTAL DATA:			
NET ASSETS, END OF PERIOD (THOUSANDS)	\$55,909	\$ 55,758	\$45,012
Ratio of Expenses to Average Net Assets	1.64%*	1.78%	1.67%
Ratio of Net Investment Income (Loss) to Average Net Assets	1.29%*	1.16%	0.65%
Portfolio Turnover Rate	3%**	29%	35%

(1) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. This percentage is not an indication of the performance of a stockholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund.

+ During the period from September 1998 to February 1999, the Fund adjusted its net asset value in reaction to the imposition of capital controls by the Malaysian government. During February 1999, the Fund's net asset value was again modified to reflect the relaxation of these capital controls. The result of such adjustment was a decrease to the total return in 1998 and an increase to the total return in 1999.

++ Per share amount is based on average shares outstanding.

# Amount is less than \$0.005 per share.

\* Annualized

\*\* Not Annualized

6 THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

THE MALAYSIA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2004 (unaudited)

The Malaysia Fund, Inc. (the "Fund") was incorporated on March 12, 1987 and is registered as a diversified, closed-end management investment company under the Investment Company Act of 1940 (the "1940 Act"), as amended. The Fund's investment objective is long-term capital appreciation through investment primarily in equity securities.

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A. ACCOUNTING POLICIES: The following significant accounting policies are in conformity with accounting principles generally accepted in the United States. Such policies are consistently followed by the Fund in the preparation of its financial statements. Accounting principles generally accepted in the United States may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. SECURITY VALUATION: Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Securities listed on a foreign exchange are valued at their closing price. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the current bid and asked prices obtained from reputable brokers. Debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, if it approximates value.

All other securities and investments for which market values are not readily available, including restricted securities, and those securities for which it is inappropriate to determine prices in accordance with the aforementioned procedures, are valued at fair value as determined in good faith under procedures adopted by the Board of Directors, although the actual calculations may be done by others. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Most foreign markets close before the New York Stock Exchange (NYSE). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Board of Directors.

2. REPURCHASE AGREEMENTS: The Fund may enter into repurchase agreements under which the Fund lends excess cash and takes possession of securities with an agreement that the counterparty will repurchase such securities. In connection with transactions in repurchase agreements, a bank as custodian for the Fund takes possession of the underlying securities (collateral), with a market value at least equal to the amount of the repurchase transaction, including principal and accrued interest. To the extent that any repurchase transaction exceeds one business day, the value of the collateral is marked-to-market on a daily basis to determine the adequacy of the collateral. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default or bankruptcy by the counterparty to the agreement, realization and/or retention of the collateral or proceeds may be subject to legal proceedings.

The Fund, along with other affiliated investment companies, may utilize a joint trading account for the purpose of entering into one or more repurchase agreements.

3. FOREIGN CURRENCY TRANSLATION: The books and records of the Fund are

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maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars at the mean of the bid and asked prices of such currencies against U.S. dollars last quoted by a major bank as follows:

- investments, other assets and liabilities at the prevailing rates of exchange on the valuation date;
- investment transactions and investment income at the prevailing rate of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from

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THE MALAYSIA FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

June 30, 2004 (unaudited)

changes in the market prices of the securities held at period end. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) due to securities transactions are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from sales and maturities of foreign currency exchange contracts, disposition of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on investments and foreign currency translations in the Statement of Net Assets. The change in net unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Fund's net assets consist of Malaysian equity securities and foreign currency. Future economic and political developments in Malaysia could adversely affect the liquidity or value, or both, of securities in which the Fund is invested. Changes in currency exchange rates will affect the value of and investment income from such investments. Foreign securities may be subject to greater price volatility, lower liquidity and less diversity than equity securities of companies based in the United States. In addition, foreign securities may be subject to substantial governmental involvement in the economy and greater social, economic and political uncertainty.

The Fund may use derivatives to achieve its investment objectives. The Fund may engage in transactions in futures contracts on foreign currencies, stock indices, as well as in options, swaps and structured notes. Consistent with the Fund's investment objectives and policies, the Fund may use derivatives for non-hedging as well as hedging purposes.

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Following is a description of derivative instruments that the Fund has utilized and their associated risks:

4. FOREIGN CURRENCY EXCHANGE CONTRACTS: The Fund may enter into foreign currency exchange contracts generally to attempt to protect securities and related receivables and payables against changes in future foreign exchange rates and, in certain situations, to gain exposure to a foreign currency. A foreign currency exchange contract is an agreement between two parties to buy or sell currency at a set price on a future date. The market value of the contract will fluctuate with changes in currency exchange rates. The contract is marked-to-market daily and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund records realized gains or losses when the contract is closed equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed. Risk may arise upon entering into these contracts from the potential inability of counterparties to meet the terms of their contracts and is generally limited to the amount of unrealized gain on the contracts, if any, at the date of default. Risks may also arise from unanticipated movements in the value of a foreign currency relative to the U.S. dollar.
5. OTHER: Security transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses on the sale of investment securities are determined on the specific identified cost basis. Interest income is recognized on the accrual basis. Dividend income is recorded on the ex-dividend date (except certain dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes. Distributions to stockholders are recorded on the ex-dividend date.

B. ADVISERS: Morgan Stanley Investment Management Inc. (the "U.S. Adviser") provides investment advisory services to the Fund under the terms of an Investment Advisory Agreement (the "Agreement"). Under the Agreement, the U.S. Adviser is paid a fee computed weekly and payable monthly at an annual rate of 0.90% of the Fund's first \$50 million of average weekly net assets, 0.70% of the Fund's next \$50 million of average weekly net assets and 0.50% of the Fund's average weekly net assets in excess of \$100 million.

AMMB Consultant Sdn Bhd (the "Malaysian Adviser") provides investment advice, research and assistance on behalf of the Fund to Morgan Stanley Investment Management Inc.

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THE MALAYSIA FUND, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D)

June 30, 2004 (unaudited)

under terms of a contract. Under the contract, the Malaysian Adviser is paid a fee computed weekly and payable monthly at an annual rate of 0.25% of the Fund's first \$50 million of average weekly net assets, 0.15% of the Fund's next \$50 million of average weekly net assets and 0.10% of the Fund's average weekly net assets in excess of \$100 million.

C. ADMINISTRATOR: JPMorgan Chase Bank, through its corporate affiliate J.P. Morgan Investor Services Company (the "Administrator"), provides administrative services to the Fund under an Administration Agreement. The Administrator is paid a fee computed weekly and payable monthly at an annual rate of 0.02435% of the Fund's average weekly net assets, plus \$24,000 per annum. In addition, the

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Fund is charged certain out of pocket expenses incurred by the Administrator on its behalf. An employee of the Administrator is an Officer of the Fund.

D. CUSTODIAN: JPMorgan Chase Bank serves as custodian for the Fund. The Custodian holds cash, securities, and other assets of the Fund as required by the 1940 Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

E. FEDERAL INCOME TAXES: It is the Fund's intention to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements. Dividend income and distributions to stockholders are recorded on the ex-dividend date.

The tax character of distributions paid may differ from the character of distributions shown on the Statements of Changes in Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during 2003 and 2002 were as follows:

2003 DISTRIBUTIONS		2002 DISTRIBUTIONS	
PAID FROM:		PAID FROM:	
(000)		(000)	
ORDINARY	LONG-TERM	ORDINARY	LONG-TERM
INCOME	CAPITAL	INCOME	CAPITAL
	GAIN		GAIN
\$1,495	\$--	\$1,492	\$--

The amount and character of income and capital gain distributions to be paid by the Fund are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States. The book/tax differences are considered either temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains and losses on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent book and tax basis differences may result in reclassifications among undistributed (distributions in excess of) net investment income (or accumulated net investment loss), accumulated net realized gain (loss) and paid-in capital.

At June 30, 2004, the U.S. Federal income tax cost basis of investments was \$45,962,000 and, accordingly, net unrealized appreciation for U.S. Federal income tax purposes was \$9,423,000, of which \$12,863,000 related to appreciated securities and \$3,440,000 related to depreciated securities.

At December 31, 2003, the Fund had a capital loss carryforward for U.S. Federal income tax purposes of approximately \$73,808,000 available to offset future capital gains of which \$3,400,000 will expire on December 31, 2005, \$65,683,000 will expire on December 31, 2006, \$2,720,000 will expire on December 31, 2007, and \$2,005,000 will expire on December 31, 2009.

To the extent that capital loss carryforwards are used to offset any future capital gains realized during the carryover period as provided by U.S. Federal income tax regulations, no capital gains tax liability will be incurred by the Fund for gains realized and not distributed. To the extent that capital gains

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are offset, such gains will not be distributed to the stockholders.

Net capital, currency and passive foreign investment company losses incurred after October 31, 2003 and within the taxable year are deemed to arise on the first business day of the Fund's next taxable year. For the year ended December 31, 2003, the Fund deferred to January 1, 2004, for U.S. Federal income tax purposes, post-October passive foreign investment company losses of \$1,000.

F. CONTRACTUAL OBLIGATIONS: The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

G. OTHER: During the six months ended June 30, 2004, the Fund made purchases and sales totaling approximately \$3,477,000 and \$1,918,000, respectively, of investment securities other than long-term U.S. Government securities and short-term investments. There were no purchases or sales of long-term U.S. Government securities.

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THE MALAYSIA FUND, INC.

### NOTES TO FINANCIAL STATEMENTS (CONT'D)

June 30, 2004 (unaudited)

On July 15, 2002, the Fund commenced a share repurchase program for purposes of enhancing stockholder value and reducing the discount at which the Fund's shares traded from their net asset value. During the six months ended June 30, 2004, the Fund did not repurchase any of its shares. Since the inception of the program, the Fund has repurchased 53,103 of its shares at an average discount of 16.78% from net asset value per share. The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Board of Directors.

### H. SUPPLEMENTAL PROXY INFORMATION:

The Annual Meeting of the Stockholders of the Fund was held on June 22, 2004. The following is a summary of the proposal presented and the total number of shares voted:

#### PROPOSAL:

1. To elect the following Directors:

	VOTES IN FAVOR OF	VOTES AGAINST
Wayne E. Hedien	5,409,060	517,933
James F. Higgins	5,409,060	517,933
Dr. Manuel H. Johnson	5,412,113	514,880

### PROXY VOTING POLICIES AND PROCEDURES AND PROXY VOTING RECORD

A copy of (1) the Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities; and (2) how the Fund voted

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proxies relating to portfolio securities during the most recent twelve-month period ended June 30, 2004 is available without charge, upon request, by calling 1-800-548-7786 or by visiting our website at [www.morganstanley.com/im](http://www.morganstanley.com/im). This information is also available on the Securities and Exchange Commission's website at [www.sec.gov](http://www.sec.gov).

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THE MALAYSIA FUND, INC.

### DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the "Plan"), each stockholder will be deemed to have elected, unless American Stock Transfer & Trust Company (the "Plan Agent") is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested in Fund shares. Participants in the Plan have the option of making additional voluntary cash payments to the Plan Agent, annually, in any amount from \$100 to \$3,000, for investment in Fund shares.

Dividend and capital gain distributions will be reinvested on the reinvestment date in full and fractional shares. If the market price per share equals or exceeds net asset value per share on the reinvestment date, the Fund will issue shares to participants at net asset value. If net asset value is less than 95% of the market price on the reinvestment date, shares will be issued at 95% of the market price. If net asset value exceeds the market price on the reinvestment date, participants will receive shares valued at market price. The Fund may purchase shares of its Common Stock in the open market in connection with dividend reinvestment requirements at the discretion of the Board of Directors. Should the Fund declare a dividend or capital gain distribution payable only in cash, the Plan Agent will purchase Fund shares for participants in the open market as agent for the participants.

The Plan Agent's fees for the reinvestment of dividends and distributions will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred on any open market purchases effected on such participant's behalf. A participant will also pay brokerage commissions incurred on purchases made by voluntary cash payments. Although stockholders in the Plan may receive no cash distributions, participation in the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are participating in the Plan.

Stockholders who do not wish to have distributions automatically reinvested should notify the Plan Agent in writing. There is no penalty for non-participation or withdrawal from the Plan, and stockholders who have previously withdrawn from the Plan may rejoin at any time. Requests for additional information or any correspondence concerning the Plan should be directed to the Plan Agent at:

The Malaysia Fund, Inc.  
American Stock Transfer & Trust Company  
Dividend Reinvestment and Cash Purchase Plan  
59 Maiden Lane  
New York, New York 10030

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1-800-278-4353

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- ITEM 2. CODE OF ETHICS. Not applicable for semi-annual reports.
- ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT. Not applicable for semi-annual reports.
- ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES. Not applicable for semi-annual reports.
- ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS. Not applicable for semi-annual reports.
- ITEM 6. [RESERVED.]
- ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES. Not applicable for semi-annual reports.
- ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS  
MORGAN STANLEY CLOSED-END FUNDS SHARE REPURCHASE PROGRAM  
The Malaysia Fund, Inc.\*  
1/1/04-6/30/04

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS
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January	--	--	--
February	--	--	--
March	--	--	--
April	--	--	--
May	--	--	--
June	--	--	--

- \* The Share Repurchase Program commenced on 7/15/2002
- \*\* The Fund expects to continue to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Board of Directors.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not Applicable

ITEM 10. CONTROLS AND PROCEDURES.

(a) The Fund's principal executive officer and principal financial officer have concluded that the Fund's disclosure controls and procedures are sufficient to ensure that information required to be disclosed by the Fund in this Form N-CSR was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, based upon such officers' evaluation of these controls and procedures as of a date within 90 days of the filing date of the report.



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(b) There were no changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal half-year (the registrant's second fiscal half-year in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 11. EXHIBITS.

(a) Code of Ethics - Not applicable for semi-annual reports.

(b) Certifications of Principal Executive Officer and Principal Financial Officer attached hereto as part of EX-99.CERT.

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) The Malaysia Fund, Inc.

By: /s/ Ronald E. Robison  
Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: August 19, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Ronald E. Robison  
Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: August 19, 2004

By: /s/ James W. Garrett  
Name: James W. Garrett  
Title: Principal Financial Officer  
Date: August 19, 2004