

Edgar Filing: MALAYSIA FUND INC - Form N-CSRS

MALAYSIA FUND INC  
Form N-CSRS  
August 29, 2003

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OMB APPROVAL  
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OMB Number: 3235-0570  
Expires: November 30, 2005  
Estimated average burden  
hours per response..... 5.0  
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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.  
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(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  
-----

Date of fiscal year end: 12/31  
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Date of reporting period: 6/30/03  
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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.

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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:

SEMI-ANNUAL REPORT

THE MALAYSIA FUND, INC.

JUNE 30, 2003

DIRECTORS

MICHAEL BOZIC	RONALD E. ROBISON
CHARLES A. FIUMEFREDDO	EXECUTIVE VICE PRESIDENT
EDWIN J. GARN	AND PRINCIPAL EXECUTIVE
WAYNE E. HEDIEN	OFFICER
JAMES F. HIGGINS	
DR. MANUEL H. JOHNSON	JOSEPH MCALINDEN
JOSEPH J. KEARNS	VICE PRESIDENT
MICHAEL NUGENT	
PHILIP J. PURCELL	BARRY FINK
FERGUS REID	VICE PRESIDENT

[MORGAN STANLEY LOGO]

OFFICERS

CHARLES A. FIUMEFREDDO	STEFANIE V. CHANG
CHAIRMAN OF THE BOARD	VICE PRESIDENT
	JAMES W. GARRETT
MITCHELL M. MERIN	TREASURER AND CHIEF
PRESIDENT	FINANCIAL OFFICER
	MICHAEL LEARY
	ASSISTANT TREASURER
	MARY E. MULLIN
	SECRETARY

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

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

ADMINISTRATOR

JPMORGAN INVESTOR SERVICES  
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

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59 MAIDEN LANE  
NEW YORK, NEW YORK 10030  
(800) 278-4353

LEGAL COUNSEL  
CLIFFORD CHANCE US LLP  
200 PARK AVENUE  
NEW YORK, NEW YORK 10166

INDEPENDENT AUDITORS  
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).

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MORGAN STANLEY  
INVESTMENT MANAGEMENT INC.  
INVESTMENT ADVISER

THE MALAYSIA FUND, INC.

Overview

LETTER TO STOCKHOLDERS

PERFORMANCE

For the six months ended June 30, 2003, The Malaysia Fund, Inc. (the "Fund") had a total return of 10.43%, compared to 7.06% for the Kuala Lumpur Composite Index (the "Index"). On June 30, 2003, the closing price of the Fund's shares on the New York Stock Exchange was \$4.56, representing a 10.1% discount to the Fund's net asset value per share.

FACTORS AFFECTING PERFORMANCE

- The market underperformed the broader Asia region due to investors' fears about the effects of SARS (Severe Acute Respiratory Syndrome) on the economic performance of the country.
- The Fund maintained an overweight position in mid-capitalization and small-capitalization stocks compared to the Index, which benefited relative performance, as these stocks outperformed the broader market.
- In terms of sector selection, the Fund's overweight position in property stocks contributed to performance, as the government announced favorable off-budget measures aimed at boosting housing ownership in Malaysia.

MANAGEMENT STRATEGIES

- The Fund continues to be invested in stocks of companies that we believe demonstrate strong balance sheets and proven managements.

Sincerely,

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/s/ Ronald E. Robison

Ronald E. Robison  
Executive Vice President and Principal Executive Officer

July 2003

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THE MALAYSIA FUND, INC.

STATEMENT OF NET ASSETS  
June 30, 2003 (unaudited)

STATEMENT OF NET ASSETS

	SHARES	VALUE (000)
-----		
MALAYSIAN COMMON STOCKS: (98.7%) (UNLESS OTHERWISE NOTED)		
AUTOMOBILES (3.6%)		
Perusahaan Otomobil Nasional Bhd	567,000	\$ 1,208
Tan Chong Motor Holdings Bhd	1,896,000	559
		-----
		1,767
=====		
BANKS (23.4%)		
Commerce Asset Holdings Bhd	2,446,000	2,227
Malayan Banking Bhd	2,125,500	4,811
Public Bank Bhd	6,530,225	4,468
		-----
		11,506
=====		
CONSTRUCTION & ENGINEERING (9.6%)		
Gamuda Bhd	1,637,000	2,649
Road Builder (Malaysia) Holdings Bhd	2,229,000	2,065
		-----
		4,714
=====		
DIVERSIFIED FINANCIAL SERVICES (1.5%)		
CIMB Bhd	867,000 (a)	694
Palmco Holdings Bhd	39,041	61
		-----
		755
=====		
DIVERSIFIED TELECOMMUNICATION SERVICES (6.1%)		
Telekom Malaysia Bhd	1,444,000	2,983
		-----
ELECTRIC UTILITIES (3.1%)		
YTL Corp. Bhd	1,467,500	1,545
		-----
HOTELS, RESTAURANTS & LEISURE (16.1%)		
Genting Bhd	591,800	2,336
Magnum Corp. Bhd	3,268,000	2,296
Resorts World Bhd	829,700	2,140



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FOREIGN CURRENCY ON DEPOSIT WITH CUSTODIAN (1.4%)

Malaysian Ringgit (Cost \$702)	MYR	2,666	702
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THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

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THE MALAYSIA FUND, INC.

STATEMENT OF NET ASSETS  
June 30, 2003 (unaudited)

STATEMENT OF NET ASSETS (CONT'D)

		VALUE (000)
-----		
TOTAL INVESTMENTS (101.3%) (Cost \$44,253)	\$	49,793

=====

	AMOUNT (000)	
-----		
OTHER ASSETS (0.0%) Other	\$	18

=====

LIABILITIES (-1.3%) Payable For:		
Dividends Declared	(438)	
U.S. Investment Advisory Fees	(36)	
Bank Overdraft	(36)	
Malaysian Investment Advisory Fees	(29)	
Professional Fees	(27)	
Investments Purchased	(21)	
Directors' Fees and Expenses	(18)	
Stockholder Reporting Expenses	(16)	
Custodian Fees	(14)	
Administrative Fees	(5)	
Other Liabilities	(10)	(650)

=====

NET ASSETS (100.0%) Applicable to 9,695,214, issued and outstanding \$ 0.01 par value shares (20,000,000 shares authorized)	\$	49,161
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=====

NET ASSET VALUE PER SHARE	\$	5.07
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AT JUNE 30, 2003, NET ASSETS CONSISTED OF:

Common Stock	\$	97
Paid-in Capital		120,609
Undistributed (Distributions in Excess of) Net		

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Investment Income	(1,436)
Accumulated Net Realized Gain (Loss)	(75,649)
Unrealized Appreciation (Depreciation) on Investments	5,540
=====	
TOTAL NET ASSETS	\$ 49,161
=====	

- (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.
- PLC -- Public Limited Company

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

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THE MALAYSIA FUND, INC.  
Financial Statements

STATEMENT OF OPERATIONS

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INVESTMENT INCOME

Dividends (net of \$119 of foreign taxes withheld)

=====

EXPENSES

U.S. Investment Advisory Fees  
 Malaysian Investment Advisory Fees  
 Professional Fees  
 Custodian Fees  
 Administrative Fees  
 Stockholder Reporting 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:

Investments

=====

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

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NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS

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STATEMENT OF CHANGES IN NET ASSETS

	SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED) (000)
=====	
INCREASE (DECREASE) IN NET ASSETS	
Operations:	
Net Investment Income (Loss)	\$ 437
Net Realized Gain (Loss)	1,656
Change in Unrealized Appreciation (Depreciation)	2,566
=====	
NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS	4,659
=====	
Distributions from and/or in excess of:	
Net Investment Income	(438)
=====	
Capital Share Transactions:	
Repurchase of Shares (18,636 and 24,167 shares, respectively)	(72)
=====	
TOTAL INCREASE (DECREASE)	4,149
=====	
Net Assets:	
Beginning of Period	45,012
=====	
END OF PERIOD (INCLUDING UNDISTRIBUTED (DISTRIBUTIONS IN EXCESS OF) NET INVESTMENT INCOME OF \$(1,436) AND \$(1,435), RESPECTIVELY)	\$ 49,161
=====	

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

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THE MALAYSIA FUND, INC.

Financial Highlights

SELECTED PER SHARE DATA AND RATIOS

	SIX MONTHS ENDED JUNE 30, 2003 (UNAUDITED)	2002	YEAR ENDED 2001
	\$	\$	\$
NET ASSET VALUE, BEGINNING OF PERIOD	4.63	5.00	4.73
Net Investment Income (Loss)	0.05++	0.03++	0.04
Net Realized and Unrealized Gain (Loss) on Investments	0.44	(0.25)	0.27
Total from Investment Operations	0.49	(0.22)	0.31

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Distributions from and/or in excess of:				
Net Investment Income	(0.05)	(0.15)	(0.04)	
Anti-Dilutive Effect of Share Repurchase Program	0.00#	0.00#	--	
NET ASSET VALUE, END OF PERIOD	\$ 5.07	\$ 4.63	\$ 5.00	\$
PER SHARE MARKET VALUE, END OF PERIOD	\$ 4.56	\$ 3.85	\$ 3.92	\$
TOTAL INVESTMENT RETURN:				
Market Value	19.58%**	1.86%	5.64%	(
Net Asset Value (1)	10.43%**	(3.89)%	6.83%	(
RATIOS, SUPPLEMENTAL DATA:				
NET ASSETS, END OF PERIOD (THOUSANDS)	\$ 49,161	\$ 45,012	\$ 48,703	\$ 4
Ratio of Expenses to Average Net Assets	1.75%*	1.67%	2.03%	
Ratio of Net Investment Income (Loss) to Average Net Assets	1.97%*	0.65%	0.93%	
Portfolio Turnover Rate	16%**	35%	21%	

# Amount is less than \$0.005 per share.

(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 amounts are based on average shares outstanding.

\* Annualized

\*\* Not Annualized

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

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THE MALAYSIA FUND, INC.

June 30, 2003 (unaudited)

NOTES TO FINANCIAL STATEMENTS

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, as amended. The Fund's investment objective

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is long-term capital appreciation through investment primarily in equity securities.

A. ACCOUNTING POLICIES: The following significant accounting policies are in conformity with accounting principles generally accepted in the United States of America. Such policies are consistently followed by the Fund in the preparation of its financial statements. Accounting principles generally accepted in the United States of America 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: In valuing the Fund's assets, all listed securities for which market quotations are readily available are valued at the last sales price on the valuation date, or if there was no sale on such date, at the mean between the current bid and asked prices. Securities which are traded over-the-counter are valued at the mean of current bid and asked prices obtained from reputable brokers. Short-term securities which mature in 60 days or less are valued at amortized cost. For all other securities and investments for which market values are not readily available, including restricted securities, and where prices determined in accordance with the aforementioned procedures are not reflective of fair market value, values are determined in good faith, under fair valuation procedures adopted by the Board of Directors, although actual calculations may be done by others.
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 maintained in U.S. dollars. Amounts denominated in foreign currency 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 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

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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

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THE MALAYSIA FUND, INC.

June 30, 2003 (unaudited)

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

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.

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

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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 shareholders 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.

Arab-Malaysian Consultant Sdn Bhd (the "Malaysian Adviser") provides investment advice, research and assistance on behalf of the Fund to Morgan Stanley Investment Management Inc. 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 Fund is charged certain out of pocket expenses incurred by the Administrator on its behalf.

D. CUSTODIAN: JPMorgan Chase Bank serves as custodian for the Fund. Custody fees are payable monthly based on assets held in custody, investment purchase and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

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THE MALAYSIA FUND, INC.

June 30, 2003 (unaudited)

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

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

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character of distributions paid during 2002 and 2001 were as follows:

2002 DISTRIBUTIONS PAID FROM: (000)		2001 DISTRIBUTIONS PAID FROM: (000)	
ORDINARY INCOME	LONG-TERM CAPITAL GAIN	ORDINARY INCOME	LONG-TERM CAPITAL GAIN
\$ 1,492	\$ --	\$ 432	\$ --

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 of America. 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 differences may result in reclassifications among undistributed net investment income (loss), accumulated net realized gain (loss) and paid-in capital. Adjustments for permanent book-tax differences, if any, are not reflected in ending undistributed net investment income (loss) for the purpose of calculating net investment income (loss) per share in the financial highlights.

At December 31, 2002, the components of distributable earnings on a tax basis were as follows:

UNDISTRIBUTED ORDINARY INCOME (000)	UNDISTRIBUTED LONG-TERM CAPITAL GAIN (000)
\$ 438	\$ --

At June 30, 2003, the U.S. Federal income tax cost basis of investments (excluding foreign currency if applicable) was \$43,551,000 and, accordingly, net unrealized appreciation for U.S. Federal income tax purposes was \$5,540,000, of which \$8,548,00 related to appreciated securities and \$3,008,000 related to depreciated securities.

At December 31, 2002, the Fund had a capital loss carryforward for U.S. Federal income tax purposes of approximately \$75,824,000 available to offset future capital gains of which \$5,416,000 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 gains are offset, such gains will not be distributed to the stockholders. During the year ended December 31, 2002, the Fund utilized capital loss carryforwards for U.S. Federal income tax purposes of approximately \$2,720,000.

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Net capital and currency losses incurred after October 31, 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, 2002, the Fund deferred to January 1, 2003, for U.S. Federal income tax purposes, post-October currency losses of \$11,000 and post-October capital losses of \$640,000.

F. OTHER: During the six months ended June 30, 2003, the Fund made purchases and sales totaling approximately \$6,935,000 and \$7,382,000, 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.

Each Director of the Fund who is not an officer of the Fund or an affiliated person as defined under the Investment Company Act of 1940, as amended, may elect to participate in the Directors' Deferred Compensation Plan (the "Plan"). Under the Plan, such Directors may elect to defer payment of a percentage of their total fees earned as a Director of the Fund. These deferred portions are treated, based on an election by the Director, as if they were either invested in the Fund's shares or invested in U.S. Treasury Bills, as defined under the Plan. At June 30, 2003, the deferred fees payable, under the Plan, totaled \$18,100 and are included in Payable for Directors' Fees and Expenses on the Statement of Net Assets. The deferred portion of Directors' Fees and Expenses shown on the Statement of Operations is impacted by fluctuations in the market value of the investments selected by each Director. For the six months ended June 30, 2003, Directors' Fees and Expenses were decreased by \$650 due to these fluctuations.

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

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THE MALAYSIA FUND, INC.

June 30, 2003 (unaudited)

NOTES TO FINANCIAL STATEMENTS (CONT'D)

their net asset value. During the six months ended June 30, 2003, the Fund repurchased 18,636 of its shares at an average discount of 17.74% from net asset value per share. Since the inception of the program, the Fund has repurchased 42,803 of its shares at an average discount of 17.13% 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.

On June 17, 2003 the Officers of the Fund, pursuant to authority granted by the Board of Directors declared a distribution of \$0.0452 per share, derived from net investment income, payable on July 15, 2003 to stockholders of record on June 30, 2003.

PROPOSAL:

- 1. To elect the following Directors, effective July 31, 2003:

VOTES IN VOTES  
FAVOR OF AGAINST

-----

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1) Michael Bozic	6,555,717	342,926
2) Charles A. Fiumefreddo	6,554,957	343,686
3) Edwin J. Garn	6,555,839	342,803
4) Wayne E. Hedien	6,556,067	342,575
5) James F. Higgins	6,555,492	343,150
6) Dr. Manuel H. Johnson	6,555,576	343,067
7) Philip J. Purcell	6,555,201	343,442

1. To promptly take the steps necessary to liquidate the Fund or otherwise enable stockholders to realize net asset value (NAV) for their shares:

VOTES IN FAVOR OF	VOTES AGAINST	VOTES ABSTAINED
1,999,830	2,228,966	40,324

Also effective July 31, 2003, John D. Barrett II, Thomas P. Gerrity, Gerard E. Jones, Vincent R. McLean, C. Oscar Morong, Jr. and William G. Morton, Jr. have resigned from the Board of Directors.

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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

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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  
1-800-278-4353

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. [RESERVED.]

ITEM 9. CONTROLS AND PROCEDURES.

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.

There were no significant changes or corrective actions with regard to significant deficiencies or material weaknesses in the Fund's internal controls or in other factors that could significantly affect the Fund's internal controls subsequent to the date of their evaluation.

ITEM 10. EXHIBITS.

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(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: Ronald E. Robison  
Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: August 19, 2003

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: Ronald E. Robison  
Name: Ronald E. Robison  
Title: Principal Executive Officer  
Date: August 19, 2003

By: James W. Garrett  
Name: James W. Garrett  
Title: Principal Financial Officer  
Date: August 19, 2003