

Matthews Asia Funds | Semi-Annual Report

30 September 2011



ASIA DIVIDEND FUND
PACIFIC TIGER FUND
CHINA FUND
INDIA FUND



Matthews Asia

Société d'investissement à Capital Variable
Luxembourg
RCS Luxembourg B 151 275



General Information

Matthews International Capital Management, LLC (“Matthews”), formed under the laws of Delaware and regulated by the U.S. Securities and Exchange Commission, acts as Investment Manager to the Matthews Asia Funds (“the Fund”). Matthews believes in the long-term growth of Asia. Since Matthews was founded in 1991 by Paul Matthews, the firm has focused its efforts and expertise within the Asian region, investing through a variety of market environments. As an independent, privately owned firm, Matthews is the largest dedicated Asia investment specialist in the United States.

The Fund has an “umbrella” structure comprising a number of separate Sub-Funds. At the date of this report, four Sub-Funds were available for investment: Asia Dividend, Pacific Tiger, China and India Funds. This report covers the period from 1 April 2011 to 30 September 2011. The last day on which prices were calculated was 30 September 2011.

The annual general meeting of Shareholders will be held at the registered office of the Fund in Luxembourg on the third Tuesday of the month of June of each year at 2:00 p.m. or, if any such day is not a Business Day in Luxembourg, on the next following Business Day, and for the first time in 2011. Notices of all general meetings will be published to the extent required by Luxembourg Law, and in such other newspaper as the Board of Directors shall determine and will be sent to the Shareholders of registered Shares in accordance with Luxembourg Law to their addresses shown on the register of Shareholders. Such notices should include the agenda and will specify the time and place of the meeting and the conditions of admission. They will also refer to the rules of quorum and majorities required by Luxembourg Law.

Each Share confers the right to one vote. The vote on the payment of a dividend on a particular Class requires a separate majority vote from the meeting of Shareholders of the Class concerned. Any change in the Articles of Incorporation affecting the rights of a Sub-Fund must be approved by a resolution of both the general meeting of the Fund and the Shareholders of the Sub-Fund concerned.

Audited annual reports shall be published within four months following the end of the accounting year and unaudited semi-annual reports shall be published within two months following the period to which they refer. The annual reports and the semi-annual reports shall be made available at the registered offices of the Fund during ordinary office hours.

The Fund’s accounting year ends on 31 March in each year and for the first accounting year, on 31 March 2011. This was the first audited annual report of the Fund.

The Base Currency of the Fund is U.S. dollars (USD). The aforesaid reports will comprise consolidated accounts of the Fund expressed in USD as well as individual information on each Sub-Fund expressed in the Base Currency of each Sub-Fund.

Shares have not been registered under the United States Securities Act of 1933, as amended, nor the Investment Companies Act of 1940, as amended, and may not be offered directly or indirectly in the United States of America (including its territories and possessions) to nationals or residents thereof or to persons normally resident therein, or to any partnership or persons connected thereto unless pursuant to any applicable statute, rule or interpretation available under United States Law.

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This report does not constitute or form part of any offer of shares or an invitation to apply for shares of the Matthews Asia Funds (the "Fund"). Subscriptions are to be made on the basis of the current simplified prospectus accompanied by the current full prospectus, and supplemented by the latest Annual Report or the most recent Semi-Annual Report.

The views and opinions in this report were current as at 30 September 2011. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of a Fund's future investment intent.

The subject matter contained herein has been derived from several sources believed to be reliable and accurate at the time of compilation. Matthews International Capital Management, LLC does not accept any liability for losses either direct or consequential caused by the use of this information.

The Fund's most current full and simplified prospectus, and most recent Semi-Annual Report and Annual Report, can be found at global.matthewsasia.com. Please read the prospectus carefully before investing.

Matthews Asia Funds

Management and Administration

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“We place more emphasis on investing in businesses and securities that we believe can best weather sudden, painful draw-downs caused by investors with shorter-term goals.”

Investment Manager’s Report

How has the recent bear market affected our investment views for Asia? Are there opportunities we can now seize upon? These questions naturally spring to investors’ minds at times like this. Economic volatility over the past six months has led to declines in Fund performance and sell-offs in the marketplace. However, we take some comfort in the fact that our Funds outperformed their respective benchmarks. As long-term investors, we tend not to place too much emphasis on managing the short-term volatility of the Funds in a daily fashion. We place more emphasis on investing in businesses and securities that we believe can best weather sudden, painful draw-downs caused by investors with shorter-term goals.

The fall in markets over the past three months has been due to various factors: first, Europe’s sovereign debt problems have been the proximate catalyst. These factors have created a consensus that Greece will indeed default. Secondly, compounding these issues, has been a renewed slowdown of the economies of Europe and the U.S. Most of the issues that Asian markets are dealing with recently are not of their own making. Is Asia the baby being thrown out with the bathwater?

I believe the answer is that Asia’s treatment at the hands of global investors may be a little excessive, but is not entirely unfair. After all, Asia came through its own crisis in 1997–98 understanding that it needed to do more to develop its own domestic capital markets—particularly bond markets—but has taken only small steps in that direction. The fear rippling over from Europe also comes at a time when Asian countries are stepping on the monetary brakes.

On the other hand, yes, Asia’s growth prospects are much brighter than those in the West. They are brighter because Asia has shown itself capable of growing productivity at faster rates of growth than any other region of the world. This is partly because they are starting from a lower base. But it is also because they have put in place enough of the right kinds of institutions and market incentives to encourage profitable growth.

Our strategy is to try to tap into these sources of growth. A significant part of the relative performance of our Funds has been our focus on buying businesses for the long term—trying to identify those corporations that grow core earnings or dividends at a reasonable rate and with greater certainty over extended periods of time. We believe these companies are able to attract support in the market in uncertain times. We will not change our stock selection strategy just because of the dislocation in the markets, but we will look more closely at those opportunities that we may have passed over previously because valuations appeared too high.

Asia’s markets began the year with some growth prospects but valuations that offered no protection against bad news. Recent events have simply brought into greater relief the risks that we already knew the global economy was facing. Thus, Asia’s markets appear to be starting the final quarter of the year with still solid, long-run growth prospects, but at valuations that are much cheaper as investors are now more nearsighted than they were in January. Today’s problems have become the focus of analysis and commentary; tomorrow’s opportunities seem to have slipped from view.

As always, we are privileged to serve as your investment advisor.

Robert Horrocks, PhD
Chief Investment Officer
Matthews International Capital Management, LLC

**PORTFOLIO MANAGERS**

Jesper O. Madsen, CFA
Lead Manager

Yu Zhang, CFA
Co-Manager

Asia Dividend Fund

Fund Manager Report

Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).

For the six months ending 30 September 2011, the Matthews Asia Dividend Fund returned -9.72% while its benchmark, the MSCI All Country Asia Pacific Index, fell -15.19%.

The value of Asian equities was negatively impacted by continued uncertainty related to a resolution of the European sovereign debt crisis, ongoing weak economic data and a broad-based depreciation in Asian currencies, apart from the yen. Among the worst-hit currencies were the Australian dollar, the Korean won and Indian rupee—all of which fell by nearly 10% over the period. The Fund was not immune to these factors, but as the sell-off progressed, the relative performance of the Fund widened as the marketplace seemed to recognise companies better able to pay dividends. This generally resulted in lower volatility for the Fund relative to the benchmark.

The Fund's Japanese holdings, especially within the consumer staples and health care sectors, were the main contributors to performance during the period. Japan Tobacco, one of the largest holdings in the Fund, was added earlier this year because of its strong market position both in Japan and in several international markets. Furthermore, the company was valued at a discount to international peers. We also believe Japan Tobacco's strong cash flow generation should enable the company to raise dividends going forward. The stock price has responded positively to indications that the government would be reducing both its ownership and influence over the company in coming years.

While the Fund's strategy of investing in companies that pay stable and growing dividends may have helped its relative performance during the period, its execution was not without challenges. This was particularly true for some of our holdings within the consumer discretionary sector, especially within retailers like Billabong and Esprit Holdings. The turnaround for these companies has taken longer than initially estimated, and with investors having little tolerance for uncertainty, the stocks were punished. We sold our position in Billabong in recent months, as it became apparent that the outlook for the dividend had significantly deteriorated since our initial investment.

With ongoing uncertainty over the short to mid-term weighing on sentiment, the Fund consolidated somewhat in the past three months around positions with a higher degree of stability in dividend payments. The Fund maintains its significant exposure to small and mid-sized companies with an eye to growth, but is otherwise focused on anchoring the portfolio in stable businesses that deliver a significant portion of total return via dividends.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 30 September 2011, expressed in U.S. dollars.

COMMON EQUITIES: 98.6%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
JAPAN: 26.5%				TAIWAN: 9.1%			
Japan Tobacco Inc	595	2,798,346	3.51	Taiwan Semiconductor Manufacturing Co Ltd - Spon ADR	182,300	2,128,256	2.67
Itochu Corp	263,700	2,543,197	3.19	Chunghwa Telecom Co Ltd - ADR	48,560	1,607,662	2.01
Orix Corp	26,670	2,106,719	2.64	Taiwan Hon Chuan Enterprise Co Ltd	523,754	1,118,614	1.40
Pigeon Corp	46,300	1,908,533	2.39	TXC Corp	725,219	850,596	1.07
Point Inc	35,190	1,789,393	2.24	St Shine Optical Co Ltd	61,000	746,481	0.94
Hisamitsu Pharmaceutical Co Inc	35,400	1,707,864	2.14	Johnson Health Tech Co Ltd	268,550	493,493	0.62
Lawson Inc	28,500	1,619,577	2.03	Cyberlink Corp	175,015	328,071	0.41
NTT DoCoMo Inc	869	1,593,720	2.00	Taiwan Semiconductor Manufacturing Co Ltd	9,000	20,508	0.02
EPS Co Ltd	488	1,121,064	1.41	Total Taiwan		7,293,681	9.14
Ship Healthcare Holdings Inc	43,500	1,083,118	1.36	AUSTRALIA: 8.8%			
Shinko Plantech Co Ltd	91,400	861,738	1.08	Metcash Ltd	750,435	2,989,732	3.75
Miraca Holdings Inc	18,000	796,197	1.00	QBE Insurance Group Ltd	116,000	1,442,528	1.81
Hokuto Corp	32,600	759,821	0.95	David Jones Ltd	478,000	1,397,866	1.75
Monex Group Inc	2,910	454,079	0.57	Coca-Cola Amatil Ltd	103,754	1,199,465	1.50
Total Japan		21,143,366	26.51	Total Australia		7,029,591	8.81
CHINA/HONG KONG: 24.4%				SOUTH KOREA: 6.3%			
Cheung Kong Infrastructure Holdings Ltd	438,000	2,561,925	3.21	KT&G Corp	35,190	2,186,205	2.74
China Mobile Ltd - Spon ADR	51,300	2,485,979	3.12	Woongjin Thinkbig Co Ltd	72,880	996,572	1.25
Guangdong Investment Ltd	2,486,000	1,548,806	1.94	SK Telecom Co Ltd - ADR	50,000	721,663	0.91
Shenzhou International Group Holdings Ltd	1,356,000	1,471,636	1.85	MegaStudy Co Ltd	7,060	713,537	0.89
Television Broadcasts Ltd	248,000	1,358,606	1.70	SK Telecom Co Ltd	3,028	382,133	0.48
Li Ning Co Ltd	1,235,000	1,267,695	1.59	Total South Korea		5,000,110	6.27
Cafe de Coral Holdings Ltd	504,000	1,198,495	1.50	THAILAND: 6.2%			
Link REIT	359,000	1,136,440	1.42	Thai Beverage Public PCL	7,857,000	1,534,293	1.93
China Fishery Group Ltd	1,187,000	1,010,045	1.27	PTT Exploration & Production PCL - Foreign	337,000	1,510,040	1.89
Jiangsu Express Co Ltd - H Share	1,242,000	946,007	1.19	Tisco Financial Group PCL - Foreign	800,000	925,335	1.16
Sichuan Expressway Co Ltd - H Share	2,116,000	864,256	1.08	Glow Energy PCL - Foreign	274,500	416,778	0.52
Minth Group Ltd	834,000	761,714	0.95	LPN Development PCL - Foreign	1,125,200	401,213	0.50
Yuexiu Transport Infrastructure Ltd	2,100,000	745,579	0.94	Land & Houses PCL - Foreign	700,000	148,377	0.19
Kingboard Laminates Holdings Ltd	1,526,500	635,176	0.80	Total Thailand		4,936,036	6.19
Esprit Holdings Ltd	512,100	625,585	0.78	INDONESIA: 3.3%			
Yip's Chemical Holdings Ltd	578,000	431,863	0.54	PT Perusahaan Gas Negara	4,648,000	1,365,379	1.71
China Communications Services Corp Ltd - H Share	936,000	431,092	0.54	PT Telekomunikasi Indonesia - Spon ADR	38,500	1,266,759	1.59
Total China/Hong Kong		19,480,899	24.42	Total Indonesia		2,632,138	3.30
SINGAPORE: 9.6%				UNITED KINGDOM: 2.6%			
Super Group Ltd	1,303,000	1,565,721	1.96	HSBC Holdings PLC - Spon ADR	52,700	2,080,593	2.61
Singapore Technologies Engineering Ltd	711,500	1,535,101	1.93	Total United Kingdom		2,080,593	2.61
Ara Asset Management Ltd	1,662,100	1,512,276	1.90				
United Overseas Bank Ltd	103,000	1,341,695	1.68				
CapitaRetail China Trust	1,366,000	1,221,890	1.53				
Ascendas India Trust - RegS	827,000	488,936	0.61				
Total Singapore		7,665,619	9.61				

*Schedule of Investments (Unaudited) (continued)***COMMON EQUITIES (continued)**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
PHILIPPINES: 1.5%							
Globe Telecom Inc	57,270	1,160,917	1.46				
Total Philippines		1,160,917	1.46				
MALAYSIA: 0.3%							
Top Glove Corp Bhd	163,200	210,102	0.26				
Total Malaysia		210,102	0.26				
				TOTAL COMMON EQUITIES		78,633,052	
				(Cost \$86,219,917)			
				TOTAL INVESTMENTS: 98.6%		78,633,052	
				(Cost \$86,219,917)			
				CASH AND OTHER ASSETS, LESS LIABILITIES: 1.4%		1,128,532	
				NET ASSETS: 100.0%		79,761,584	

ADR: American Depositary Receipt

B Shares: Mainland Chinese companies listed on the Shanghai and Shenzhen stock exchanges, available to both Chinese and non-Chinese investors

Bhd: Berhad

H Shares: Mainland Chinese companies listed on the Hong Kong exchange but incorporated in mainland China

REIT: Real Estate Investment Trust

RegS: Regulation S

The accompanying notes form an integral part of these financial statements.

**PORTFOLIO MANAGERS**

Richard H. Gao
Lead Manager

Sharat Shroff, CFA
Lead Manager

Pacific Tiger Fund

Fund Manager Report

Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares.

For the six months ending 30 September 2011, the Matthews Pacific Tiger Fund declined -13.46%, while its benchmark, the MSCI All Country Asia ex Japan Index, declined -20.68%.

At the start of the period, the portfolio was helped by a recovery in many of its consumer and financial sector holdings. However more recent concerns emanating from growing uncertainties in the Eurozone and the slow recovery of the U.S. economy ultimately impacted performance. Asian equities declined sharply from these worries and also from increasing concerns, in the past few months, that the Chinese economy would suffer a hard landing. The China-related fears led to an across-the-board sell-off of Chinese equities that impacted banks and property firms, as well as consumer- and technology-related industries. The selling pressure also extended to other parts of the region as investors worried that a Chinese slowdown would drag down growth prospects elsewhere. In this environment, cheaper valuation levels did not necessarily offer shelter.

During the period, China and Hong Kong holdings were among the biggest detractors to Fund performance. Over the past year, we have seen escalating investor concerns over China—first as a result of corporate margin erosion and signs of moderating growth, then from weakening balance sheets and debt-related issues. Both the government's efforts at controlling the flow of funds through the economy to tame inflation and some structural weaknesses in the financial sector are leading to unintended consequences. For example, a less tightly regulated "grey loan" market is emerging as households and some cash-rich corporates are trying to enhance yields. The size of this informal lending market is unknown, and implications for the formal banking sector are still unclear. In spite of attractive valuations, we are underweight Chinese financial firms in the portfolio and are awaiting more clarity over the extent of their challenges going forward.

While the recent sell-off was broad, impacting much of the region, the Fund remained focused on domestically oriented businesses with strong cash flow, and this approach has provided some buffer in this harsh environment. These companies are well-represented in the portfolio, including a Hong Kong dairy company, a Thai department store operator, a Chinese telecom services provider, a Taiwanese supermarket chain and a Korean advertising services provider. We have been attracted to these holdings for their transparency, predictable growth, steady cash flow and solid balance sheets.

During the period we trimmed our holding in Hon Hai Precision Industry, a manufacturer of electrical components, due to its inability to make productivity enhancements fast enough to overcome cost pressures. Meanwhile, we increased our exposure to consumer sectors by adding a Korean retailer and distributor of consumer electronics and household appliances.

Looking forward, global uncertainty continues and challenges from within the region, particularly from China, seem increasingly apparent. However, we believe that the overall financial strength of the Asian household is quite healthy as leverage across the region remains low. We are also encouraged to see that levels of foreign direct investments (FDI) in the region are holding up, as countries like Indonesia and India saw surges in FDI earlier this year. As valuations of Asian equities approach historically lower levels, we will continue to seek opportunities for our long-term shareholders.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 30 September 2011, expressed in U.S. dollars.

COMMON EQUITIES: 96.0%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 29.1%				INDIA: 15.1%			
Dairy Farm International Holdings Ltd	7,200	60,979	2.34	HDFC Bank Ltd	5,054	48,259	1.85
Hang Lung Group Ltd	11,000	56,193	2.15	ITC Ltd	11,500	46,493	1.78
Lenovo Group Ltd	66,000	44,593	1.71	Housing Development Finance Corp	3,264	42,714	1.64
Hengan International Group Co Ltd	5,500	44,310	1.70	Kotak Mahindra Bank Ltd	4,438	41,657	1.59
Tingyi (Cayman Islands) Holding Corp	18,000	44,214	1.69	Tata Power Co Ltd	19,654	40,070	1.53
China Mobile Ltd - Spon ADR	900	43,614	1.67	Sun Pharmaceutical Industries Ltd	3,655	34,516	1.32
Ping An Insurance Group Co - H Share	7,500	42,315	1.62	Container Corp of India Ltd	1,343	26,578	1.02
Ctrip.com International - ADR	1,250	41,642	1.59	Infosys Ltd - Spon ADR	500	25,534	0.98
China Resources Enterprise Ltd	12,000	40,177	1.54	Dabur India Ltd	10,787	22,686	0.87
Sinopharm Group Co Ltd - H Share	13,600	36,089	1.38	Titan Industries Ltd	5,084	21,691	0.83
Shangri-La Asia Ltd	17,666	33,938	1.30	Sun TV Network Ltd	4,338	20,563	0.79
Hong Kong Exchanges and Clearing Ltd	2,200	32,245	1.24	Larsen & Toubro Ltd	590	16,355	0.63
Digital China Holdings Ltd	24,000	31,658	1.21	HDFC Bank Ltd - ADR	200	6,060	0.23
Swire Pacific Ltd - A Share	3,000	30,941	1.19	Total India		393,176	15.06
Baidu Inc - Spon ADR	270	29,275	1.12	INDONESIA: 9.1%			
New Oriental Education & Technology Group - Spon ADR	1,200	28,984	1.11	PT Astra International	7,500	52,408	2.01
Tencent Holdings Ltd	1,300	27,242	1.04	PT Telekomunikasi Indonesia - Spon ADR	1,500	49,354	1.89
China Vanke Co Ltd - B Share	24,890	21,517	0.82	PT Perusahaan Gas Negara	167,500	49,204	1.88
China Resources Land Ltd	18,000	19,536	0.75	PT Bank Central Asia	56,000	47,400	1.82
Dongfeng Motor Group Co Ltd - H Share	14,000	19,154	0.73	PT Indofood CBP Sukses Makmur	71,000	38,399	1.47
Li & Fung Ltd	10,000	16,909	0.65	Total Indonesia		236,765	9.07
China Merchants Bank Co Ltd - H Share	10,000	15,296	0.59	TAIWAN: 7.7%			
Total China/Hong Kong		760,821	29.14	President Chain Store Corp	11,000	62,169	2.38
SOUTH KOREA: 17.8%				Synnex Technology International Corp	24,297	52,807	2.02
Hyundai Mobis	236	67,528	2.59	Yuanta Financial Holding Co Ltd	70,962	35,770	1.37
Dongbu Insurance Co Ltd	1,494	64,593	2.47	Delta Electronics Inc	12,000	28,312	1.09
Green Cross Corp	404	57,880	2.22	Taiwan Semiconductor Manufacturing Co Ltd	8,000	18,229	0.70
Cheil Worldwide Inc	3,304	51,867	1.99	Hon Hai Precision Industry Co Ltd	1,264	2,838	0.11
Samsung Electronics Co Ltd	68	47,929	1.84	Total Taiwan		200,125	7.67
Amorepacific Corp	37	36,850	1.41	THAILAND: 6.4%			
Posco	113	35,295	1.35	Bank of Ayudhya PCL - Foreign	94,900	60,999	2.33
NHN Corp	168	32,155	1.23	Central Pattana PCL - Foreign	46,900	51,604	1.98
MegaStudy Co Ltd	240	24,256	0.93	PTT Exploration & Production PCL - Foreign	8,000	35,847	1.37
Yuhan Corp	261	23,784	0.91	Land & Houses PCL - Foreign	89,600	18,992	0.73
Himart Co Ltd	230	16,596	0.63	Total Thailand		167,442	6.41
LS Corp	104	6,465	0.25				
Total South Korea		465,198	17.82				

*Schedule of Investments (Unaudited) (continued)***COMMON EQUITIES (continued)**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
MALAYSIA: 5.2%				SINGAPORE: 1.6%			
Genting - Bhd	23,400	66,524	2.55	Hyflux Ltd	18,000	20,593	0.79
Public Bank - Bhd	13,200	50,390	1.93	Keppel Land Ltd	10,000	19,832	0.76
Top Glove Corp - Bhd	14,900	19,182	0.73	Total Singapore		40,425	1.55
Total Malaysia		136,096	5.21				
PHILIPPINES: 2.2%				TOTAL COMMON EQUITIES			
SM Prime Holdings Inc	209,500	58,374	2.24			2,505,748	
Total Philippines		58,374	2.24	(Cost \$2,899,658)			
VIETNAM: 1.8%				TOTAL INVESTMENTS: 96.0%			
Vietnam Dairy Products JSC	7,950	47,326	1.81			2,505,748	
Total Vietnam		47,326	1.81	(Cost \$2,899,658)			
				CASH AND OTHER ASSETS, LESS LIABILITIES: 4.0%			
						105,064	
				NET ASSETS: 100.0%			
						2,610,812	

ADR: American Depositary Receipt

B Shares: Mainland Chinese companies listed on the Shanghai and Shenzhen stock exchanges, available to both Chinese and non-Chinese investors

Bhd: Berhad

H Shares: Mainland Chinese companies listed on the Hong Kong exchange but incorporated in mainland China

**PORTFOLIO MANAGERS**

Richard H. Gao
Lead Manager

Henry Zhang, CFA
Co-Manager

China Fund

Fund Manager Report

Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).

For the six months ending 30 September 2011, the Matthews China Fund returned -20.95%, while its benchmark, the MSCI China Index, declined -26.49%.

Chinese equities came under selling pressure during the period as investors became bearish on emerging market equities. Concerns stemmed from Europe's ongoing sovereign debt crisis and fears over a U.S. recession. General market sentiment over China also turned negative as inflation continued to rise and the government's monetary tightening policies have not shown signs of easing. Meanwhile, we expect banks and real estate companies to face stronger headwinds ahead as the government has tightened controls on loans related to trusts, and some property companies have begun to lower real estate prices with the aim of raising liquidity.

Under such a bearish environment, defensive sectors including utilities and telecommunication services outperformed the overall market. Firms in such sectors generally have a more stable earnings profile and tend to be less affected by periods of economic slowdown and uncertainty. As the Fund maintains a diversified approach to portfolio construction, it holds some exposure to such relatively stable and defensive sectors despite our focus on domestic growth areas, including consumer discretionary, consumer staples and financials. More recently, utilities and telecom-related holdings served as good stabilisers for the portfolio amid the volatile market environment. Our weighting in these sectors increased slightly, predominantly due to relative price appreciation versus other sectors, which showed much weaker performance.

During the period, consumer and financial sector holdings were the biggest detractors to Fund performance. Consumer-related companies, which had been trading at relatively higher valuations, came under strong selling pressure. Investors also continued to sell off China's financial sector firms, including banks, insurance and real estate companies, due to concerns over local government debt issues, expectations of deteriorating bank asset quality and a significant slowdown in the property market. We slightly trimmed our weightings in these sectors; however, our general focus on Chinese domestic consumption remains unchanged. During our on-the-ground research trips in China, we continue to detect that aggregate demand in consumer areas remains strong as wage growth continues to climb rapidly.

The sharp decline in Chinese equities in recent months seems to imply that investors are expecting a hard landing for the Chinese economy, possibly marked by a property market crash and financial industry woes. While we foresee strong headwinds ahead for the economy and continue to keep a keen eye on problems facing the property and banking sectors, we maintain that a soft landing can be achieved. We are also closely monitoring inflationary trends in China and believe that signs of easing inflation will be a catalyst for the government to loosen its monetary tightening policy.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 30 September 2011, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 95.7%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 23.9%				FINANCIALS: 14.6%			
Hotels, Restaurants & Leisure: 8.8%				Real Estate Management & Development: 5.3%			
Sands China Ltd - RegS	17,200	40,909	2.57	Hang Lung Group Ltd	6,000	30,651	1.92
Ctrip.com International - ADR	925	30,815	1.93	China Vanke Co Ltd - B Share	24,000	20,747	1.30
Cafe de Coral Holdings Ltd	12,000	28,536	1.79	Swire Pacific Ltd - A Share	2,000	20,627	1.29
Shangri-La Asia Ltd	12,000	23,053	1.45	China Resources Land Ltd	12,000	13,024	0.82
Home Inns & Hotels Management Inc - ADR	600	17,492	1.10			85,049	5.34
		140,805	8.84	Commercial Banks: 4.6%			
Multiline Retail: 3.6%				BOC Hong Kong Holdings Ltd			
Golden Eagle Retail Group Ltd	18,000	36,810	2.31	China Merchants Bank Co Ltd - H Share	14,455	22,110	1.39
Parkson Retail Group Ltd	17,500	21,256	1.33	China Construction Bank Corp - H Share	28,340	17,337	1.09
		58,066	3.64	Agricultural Bank of China Ltd - H Share	24,000	7,911	0.50
Specialty Retail: 2.7%						72,966	4.58
Belle International Holdings Ltd	25,000	43,432	2.73	Insurance: 3.1%			
		43,432	2.73	Ping An Insurance Group Co - H Share			
Diversified Consumer Services: 2.3%				China Life Insurance Co Ltd - H Share			
New Oriental Education & Technology Group - Spon ADR	1,500	36,230	2.27	China Life Insurance Co Ltd - ADR	200	7,058	0.44
		36,230	2.27			48,823	3.06
Automobiles: 2.1%				Diversified Financial Services: 1.6%			
Dongfeng Motor Group Co Ltd - H Share	24,000	32,836	2.06	Hong Kong Exchanges and Clearing Ltd			
		32,836	2.06		1,700	24,917	1.56
Textiles, Apparel & Luxury Goods: 2.0%						24,917	1.56
Ports Design Ltd	10,500	16,176	1.02	Total Financials			
Li Ning Co Ltd	8,000	8,212	0.52			231,755	14.54
Glorious Sun Enterprises Ltd	22,000	7,077	0.44	CONSUMER STAPLES: 12.9%			
		31,465	1.97	Food & Staples Retailing: 5.3%			
Distributors: 1.7%				China Resources Enterprise Ltd			
Li & Fung Ltd	16,000	27,054	1.70	Lianhua Supermarket Holdings Co Ltd - H Share	19,800	28,162	1.77
		27,054	1.70	Sun Art Retail Group Ltd	22,000	22,871	1.44
Media: 0.7%						84,514	5.30
Television Broadcasts Ltd	2,000	10,957	0.69	Food Products: 3.2%			
		10,957	0.69	Tingyi (Cayman Islands) Holding Corp			
Total Consumer Discretionary					16,000	39,301	2.47
		380,845	23.90	China Yurun Food Group Ltd	11,000	11,804	0.74
INFORMATION TECHNOLOGY: 14.7%						51,105	3.21
Internet Software & Services: 5.6%				Personal Products: 2.3%			
Sina Corp	450	32,353	2.03	Hengan International Group Co Ltd			
Tencent Holdings Ltd	1,500	31,433	1.97		4,500	36,253	2.28
Netease.com Inc - ADR	650	25,013	1.57			36,253	2.28
		88,799	5.57	Beverages: 2.1%			
Computers & Peripherals: 3.1%				Tsingtao Brewery Co Ltd - H Share			
Lenovo Group Ltd	60,000	40,539	2.54		6,000	33,106	2.08
TPV Technology Ltd	30,000	8,832	0.55			33,106	2.08
		49,371	3.10	Total Consumer Staples			
Communications Equipment: 2.1%						204,978	12.86
ZTE Corp - H Share	11,880	34,000	2.13				
		34,000	2.13				
Software: 2.1%							
Kingdee International Software Group Co Ltd	88,800	33,397	2.10				
		33,397	2.10				
Electronic Equipment, Instruments & Components: 1.8%							
Digital China Holdings Ltd	22,000	29,020	1.82				
		29,020	1.82				
Total Information Technology							
		234,587	14.72				

*Schedule of Investments (Unaudited) (continued)***COMMON EQUITIES: CHINA/HONG KONG (continued)**

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
INDUSTRIALS: 8.3%				TELECOMMUNICATION SERVICES: 5.3%			
Transportation Infrastructure: 2.8%				Wireless Telecommunication Services: 4.0%			
China Merchants Holdings International Co Ltd	12,000	32,497	2.04	China Mobile Ltd	4,500	44,393	2.79
Yuexiu Transport Infrastructure Ltd	32,000	11,361	0.71	China Mobile Ltd - Spon ADR	400	19,384	1.22
		43,858	2.75			63,777	4.00
Machinery: 2.6%				Diversified Telecommunication Services: 1.3%			
Sany Heavy Equipment International Holdings Co Ltd	19,500	15,502	0.97	China Communications Services Corp Ltd - H Share	46,000	21,186	1.33
CSR Corp Ltd - H Share	40,000	14,323	0.90			21,186	1.33
China National Materials Co Ltd - H Share	33,000	12,015	0.75	Total Telecommunication Services		84,963	5.33
		41,840	2.63				
Airlines: 1.5%				HEALTH CARE: 2.1%			
Air China Ltd - H Share	34,000	23,857	1.50	Health Care Providers & Services: 1.1%			
		23,857	1.50	Sinopharm Group Co Ltd - H Share	6,800	18,044	1.13
Industrial Conglomerates: 0.9%						18,044	1.13
NWS Holdings Ltd	11,500	15,279	0.96	Health Care Equipment & Supplies: 1.0%			
		15,279	0.96	Mindray Medical International Ltd - ADR	650	15,780	0.99
Electrical Equipment: 0.5%						15,780	0.99
China High Speed Transmission Equipment Group Co Ltd	17,000	7,833	0.49	Total Health Care		33,824	2.12
		7,833	0.49				
Total Industrials		132,667	8.33	TOTAL COMMON EQUITIES			
						1,524,282	
ENERGY: 7.1%				TOTAL INVESTMENTS: 95.7%			
Oil, Gas & Consumable Fuels: 5.8%						1,524,282	
Cnooc Ltd	22,000	36,439	2.29	(Cost \$1,994,588)			
China Shenhua Energy Co Ltd - H Share	8,500	33,684	2.11	CASH AND OTHER ASSETS, LESS LIABILITIES: 4.3%			
China Petroleum & Chemical Corp - H Share	22,000	21,582	1.35			69,134	
		91,705	5.76	NET ASSETS: 100.0%		1,593,416	
Energy Equipment & Services: 1.3%							
China Oilfield Services Ltd - H Share	16,000	20,602	1.29				
		20,602	1.29				
Total Energy		112,307	7.05				
UTILITIES: 6.8%							
Electric Utilities: 3.7%							
Cheung Kong Infrastructure Holdings Ltd	10,000	58,491	3.67				
		58,491	3.67				
Gas Utilities: 2.4%							
Hong Kong & China Gas Co Ltd	16,940	38,231	2.40				
		38,231	2.40				
Independent Power Producers & Energy Traders: 0.7%							
China Longyuan Power Group Corp - H Share	14,000	11,634	0.73				
		11,634	0.73				
Total Utilities		108,356	6.80				

The accompanying notes form an integral part of these financial statements.



PORTFOLIO MANAGERS

Sharat Shroff, CFA
Lead Manager

Sunil Asnani
Co-Manager

India Fund

Fund Manager Report

Performance figures discussed in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).

Matthews India Fund was first offered on 30 June 2011. From its inception through 30 September 2011, the India Fund fell –18.40%, while its benchmark, the Bombay Stock Exchange 100 Index, returned –19.67%. The equity market in India suffered from an environment of heightened risk aversion, and negative returns were further exacerbated as India's rupee continued to depreciate against the U.S. dollar. The ongoing malaise stemming from the country's governance-related issues showed no signs of abating as new investigations, primarily scrutinising public works projects, were launched. A positive outcome of this process should be a strengthening of the institutions of Indian governance. However, there is still the risk that the process could degenerate without accountability, which could cause greater uncertainty during an already tough economic period.

During the period, the correction in markets was fairly broad across sectors, although commodity-oriented stocks declined more than the broader market. The portfolio's limited exposure to commodities and cyclical stocks helped contain losses, and holdings in foreign currency convertible bonds were somewhat better preservers of capital compared to the overall market. However, the Fund saw weak performance among its industrials and consumer discretionary holdings.

The portfolio is overweight industrials and is positioned to benefit from a pickup in investment spending. In our view, the current base of physical assets in India is operating at high utilisation levels and without further expansion, high levels of economic growth would be difficult to sustain. However, persistently high inflation, stalled policy initiatives and an environment of uncertainty have weighed heavily on the corporate sector. Contrary to our expectations, these factors have not shown any significant signs of moderation. As a result, the portfolio's industrials holdings were a significant cause of the weak performance.

The portfolio's largest holding, Exide Industries—a leading manufacturer of automotive and industrial batteries—has been facing its own unique challenges aside from the general slowdown in the automotive industry. The firm had previously lost some market share due to capacity constraints, and is now struggling to win it back. However, Exide's long-term growth prospects remain attractive given the under-penetration of cars and the increasing usage of batteries in motorcycles and scooters.

Looking ahead, as concerns over a global recovery mount, investors may take a knee-jerk reaction to reducing, or even reversing, allocations to areas such as India. However, one outcome of a global slowdown could be a more beneficial environment for India—characterised by lower oil and commodity prices that may help contain inflationary pressures. This does not change the imperative to lift constraints, particularly as they relate to capital investments like land acquisition. India also needs ongoing reform of its labour laws and improved governance standards. If these developmental issues are addressed effectively, the underpinning of India's long-term growth will be further strengthened.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 30 September 2011, expressed in U.S. dollars.

COMMON EQUITIES: INDIA: 88.9%

	Shares	Value	% of Net Assets
FINANCIALS: 20.1%			
Commercial Banks: 12.5%			
HDFC Bank Ltd	45,013	429,818	3.95
ICICI Bank Ltd	17,873	319,470	2.93
Allahabad Bank Corporation Bank	92,770	298,626	2.74
Axis Bank Ltd	17,141	147,610	1.36
Oriental Bank of Commerce	4,051	84,279	0.77
	13,802	82,333	0.76
		1,362,136	12.51
Diversified Financial Services: 4.4%			
Kotak Mahindra Bank Ltd	30,247	283,911	2.60
Infrastructure Development Finance Co Ltd	88,040	199,180	1.83
		483,091	4.43
Thriffs & Mortgage Finance: 2.0%			
Housing Development Finance Corp	16,938	221,655	2.04
		221,655	2.04
Consumer Finance: 1.2%			
Shriram Transport Finance Co Ltd	9,968	124,643	1.15
		124,643	1.15
Total Financials		2,191,525	20.13
INDUSTRIALS: 16.6%			
Machinery: 6.7%			
Ashok Leyland Ltd	501,650	267,342	2.46
Thermax Ltd	17,329	156,518	1.44
Jain Irrigation Systems Ltd	49,954	156,058	1.43
AIA Engineering Ltd	24,148	154,010	1.41
		733,928	6.74
Road & Rail: 3.0%			
Container Corp of India	16,564	327,796	3.01
		327,796	3.01
Electrical Equipment: 2.4%			
Crompton Greaves Ltd	83,133	258,862	2.38
		258,862	2.38
Transportation Infrastructure: 2.0%			
Gujarat Pipavav Port Ltd	160,515	214,184	1.97
		214,184	1.97
Industrial Conglomerates: 1.8%			
Max India Ltd	51,423	198,342	1.82
		198,342	1.82
Construction & Engineering: 0.7%			
Larsen & Toubro Ltd	2,582	71,574	0.66
		71,574	0.66
Total Industrials		1,804,686	16.58

COMMON EQUITIES: INDIA (continued)

	Shares	Value	% of Net Assets
INFORMATION TECHNOLOGY: 10.7%			
IT Services: 5.0%			
Infosys Ltd	5,472	283,019	2.60
CMC Ltd	15,167	256,902	2.36
		539,921	4.96
Internet Software & Services: 3.5%			
Info Edge India Ltd	26,933	380,829	3.50
		380,829	3.50
Software: 2.2%			
Polaris Software Lab Ltd	62,430	168,966	1.55
Financial Technologies India Ltd	4,489	74,491	0.68
		243,457	2.23
Total Information Technology		1,164,207	10.69
CONSUMER STAPLES: 10.3%			
Tobacco: 4.0%			
ITC Ltd	108,414	438,305	4.02
		438,305	4.02
Personal Products: 6.3%			
Emami Ltd	41,133	356,864	3.28
Dabur India Ltd	154,185	324,269	2.98
		681,133	6.26
Total Consumer Staples		1,119,438	10.28
CONSUMER DISCRETIONARY: 9.4%			
Auto Components: 4.4%			
Exide Industries Ltd	180,705	478,190	4.39
		478,190	4.39
Media: 4.2%			
Sun TV Network Ltd	41,018	194,432	1.79
Jagran Prakashan Ltd	80,426	179,080	1.65
Dish TV India Ltd	50,611	79,831	0.73
		453,343	4.17
Textiles, Apparel & Luxury Goods: 0.8%			
Titan Industries Ltd	21,220	90,534	0.83
		90,534	0.83
Total Consumer Discretionary		1,022,067	9.39
MATERIALS: 9.1%			
Chemicals: 7.4%			
Asian Paints Ltd	6,653	428,937	3.94
Castrol India Ltd	26,429	257,598	2.37
Grasim Industries Ltd	2,398	114,663	1.05
		801,198	7.36
Metals & Mining: 1.7%			
NMDC Ltd	40,847	189,452	1.74
		189,452	1.74
Total Materials		990,650	9.10

*Schedule of Investments (Unaudited) (continued)***COMMON EQUITIES: INDIA (continued)**

	Shares	Value	% of Net Assets
HEALTH CARE: 5.0%			
Pharmaceuticals: 5.0%			
Sun Pharmaceutical Industries Ltd	47,039	444,217	4.08
Cipla Ltd	17,531	100,712	0.92
		544,929	5.00
Total Health Care		544,929	5.00

UTILITIES: 4.6%

Gas Utilities: 3.4%			
GAIL India Ltd	43,214	362,256	3.33
		362,256	3.33
Electric Utilities: 1.2%			
CESC Ltd	23,835	135,102	1.24
		135,102	1.24
Total Utilities		497,358	4.57

ENERGY: 1.8%

Oil, Gas & Consumable Fuels: 1.8%			
Reliance Industries Ltd	12,223	201,745	1.85
		201,745	1.85
Total Energy		201,745	1.85

TELECOMMUNICATION SERVICES: 1.3%

Wireless Telecommunication Services: 1.3%			
Bharti Airtel Ltd	18,530	143,019	1.31
		143,019	1.31
Total Telecommunication Services		143,019	1.31

TOTAL COMMON EQUITIES: INDIA

(Cost \$11,532,521)

COMMON EQUITIES: SINGAPORE: 2.2%**FINANCIALS: 2.2%**

Real Estate Management & Development: 2.2%			
Ascendas India Trust - RegS	402,000	237,669	2.18
		237,669	2.18
Total Financials		237,669	2.18

TOTAL COMMON EQUITIES:**SINGAPORE**

(Cost \$305,932)

TOTAL COMMON EQUITIES**CONVERTIBLE BONDS: INDIA: 5.3%**

	Units	Value	% of Net Assets
TELECOMMUNICATION SERVICES: 2.1%			
Wireless Telecommunication Services: 2.1%			
Reliance Communications Ltd 0%			
01/03/2012	200,000	230,500	2.12
		230,500	2.12
Total Telecommunication Services		230,500	2.12

MATERIALS: 2.4%

Metals & Mining: 2.4%			
Welspun Corp Ltd 4.5% 17/10/2014	200,000	170,000	1.56
Sesa Goa Ltd 5% 31/10/2014	100,000	87,250	0.80
		257,250	2.36
Total Materials		257,250	2.36

UTILITIES: 0.8%

Electric Utilities: 0.8%			
Tata Power Company Ltd 1.75%			
21/11/2014	100,000	88,250	0.81
		88,250	0.81
Total Utilities		88,250	0.81

TOTAL CONVERTIBLE BONDS**576,000**

(Cost \$643,000)

TOTAL INVESTMENTS: 96.4%**10,493,293**

(Cost \$12,481,453)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 3.6%****395,271****NET ASSETS: 100.0%****10,888,564**

RegS : Regulation S

Statement of Assets and Liabilities

As at 30 September 2011

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)	Combined (USD)
ASSETS					
Investment in securities at value	78,633,052	2,505,748	1,524,282	10,493,293	93,156,375
At cost	86,219,917	2,899,658	1,994,588	12,481,453	103,595,616
Cash at bank	776,554	137,589	85,028	419,936	1,419,107
Amount receivable on sales of investments	459,371	92	–	–	459,463
Interests and dividends receivable	374,616	4,426	5,200	12,406	396,648
Formation expenses (note 2I)	28,180	28,180	26,886	37,364	120,610
Prepaid expenses and other receivables (note 2H)	150,241	62,708	52,146	18,806	283,901
TOTAL ASSETS	80,422,014	2,738,743	1,693,542	10,981,805	95,836,104
LIABILITIES					
Amounts payable on purchases of investments	427,227	–	–	–	427,227
Redemptions payable	–	22,099	–	–	22,099
Management fees (note 4)	146,120	3,804	2,622	13,481	166,027
Payable for foreign taxes (note 7B)	–	–	–	10,419	10,419
Accrued expenses and other payables	87,083	102,028	97,504	69,341	355,956
TOTAL LIABILITIES	660,430	127,931	100,126	93,241	981,728
TOTAL NET ASSETS	79,761,584	2,610,812	1,593,416	10,888,564	94,854,376

The accompanying notes form an integral part of these financial statements.

Statement of Operations and Changes in Net Assets

For the period ended 30 September 2011

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)	Combined (USD)
NET ASSETS AT THE BEGINNING OF THE PERIOD	85,975,876	3,967,306	1,961,415	–	91,904,597
INCOME					
Dividends income, net	1,986,342	49,020	33,501	27,283	2,096,146
Interest income, net	33	–	7	1,996	2,036
TOTAL INCOME	1,986,375	49,020	33,508	29,279	2,098,182
EXPENSES					
Overdraft interest on bank accounts	8	137	–	723	868
Management fees (note 4)	432,888	13,779	8,188	14,111	468,966
Domiciliation, Administration and Transfer agency fees	30,554	23,862	26,140	13,937	94,493
Professional fees	65,931	35,132	31,469	4,523	137,055
Printing fees	5,749	2,690	2,655	2,532	13,626
Custodian fees	15,248	30,681	13,396	9,177	68,502
Amortization of formation expenses (note 2I)	3,945	3,945	3,945	1,984	13,819
Taxe d'abonnement (note 7A)	21,192	288	187	187	21,854
Other fees	100,546	28,918	18,741	647	148,852
TOTAL EXPENSES	676,061	139,432	104,721	47,821	968,035
Fee waiver (note 2H)	253,112	112,770	89,317	18,977	474,176
NET INVESTMENT INCOME/(LOSS)	1,563,426	22,358	18,104	435	1,604,323
Net realised gain/(loss) on investments	(365,111)	115,121	2,429	37,000	(210,561)
Net realised gain/(loss) on forward foreign exchange contracts	4,354	–	(31)	201	4,524
Net realised gain/(loss) on foreign exchanges	(17,484)	(4,089)	9	19,167	(2,397)
Net realised gain/(loss) for the period	(378,241)	111,032	2,407	56,368	(208,434)
Net change in unrealised (loss) on investments	(9,553,836)	(466,947)	(444,654)	(1,988,160)	(12,453,597)
Net change in unrealised (loss) on foreign tax provision (note 7B)	–	–	–	(10,419)	(10,419)
Net change in unrealised (loss) on foreign exchanges	(9,596)	(260)	–	(248)	(10,104)
Net change in unrealised (loss) for the period	(9,563,432)	(467,207)	(444,654)	(1,998,827)	(12,474,120)
Increase/(decrease) in net assets as a result of operations	(8,378,247)	(333,817)	(424,143)	(1,942,024)	(11,078,231)
Subscriptions	3,316,432	1,237,662	56,144	12,830,588	17,440,826
Redemptions	(1,131,255)	(2,260,339)	–	–	(3,391,594)
Dividend distributions	(21,222)	–	–	–	(21,222)
NET ASSETS AT THE END OF THE PERIOD	79,761,584	2,610,812	1,593,416	10,888,564	94,854,376

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Number of Shares

For the period ended 30 September 2011

	I Acc (USD)	I Dist (USD)	A Acc (USD)	A Dist (USD)	C Acc (USD)	I Acc (GBP)	I Dist (GBP)	A Acc (GBP)	A Dist (GBP)
ASIA DIVIDEND FUND									
Shares outstanding at the beginning of the period	171,189	46,734	9,304	355	8,009,833	215	216	215	216
Shares subscribed	–	226,152	2,284	42,800	–	19,685	3	4,455	2
Shares redeemed	102,234	–	–	29	4,917	–	–	–	–
Shares outstanding at the end of the period	68,955	272,886	11,588	43,126	8,004,916	19,900	219	4,670	218
PACIFIC TIGER FUND									
Shares outstanding at the beginning of the period	322,519	n.a.	24,517	n.a.	n.a.	215	n.a.	215	n.a.
Shares subscribed	21,625	n.a.	8,452	n.a.	n.a.	51,336	n.a.	–	n.a.
Shares redeemed	187,701	n.a.	2,299	n.a.	n.a.	–	n.a.	–	n.a.
Shares outstanding at the end of the period	156,443	n.a.	30,670	n.a.	n.a.	51,551	n.a.	215	n.a.
CHINA FUND									
Shares outstanding at the beginning of the period	143,628	n.a.	27,269	n.a.	n.a.	215	n.a.	215	n.a.
Shares subscribed	–	n.a.	5,095	n.a.	n.a.	–	n.a.	–	n.a.
Shares redeemed	–	n.a.	–	n.a.	n.a.	–	n.a.	–	n.a.
Shares outstanding at the end of the period	143,628	n.a.	32,364	n.a.	n.a.	215	n.a.	215	n.a.
INDIA FUND									
Shares outstanding at the beginning of the period	–	n.a.	–	n.a.	n.a.	–	n.a.	–	n.a.
Shares subscribed	1,330,837	n.a.	1,000	n.a.	n.a.	622	n.a.	622	n.a.
Shares redeemed	–	n.a.	–	n.a.	n.a.	–	n.a.	–	n.a.
Shares outstanding at the end of the period	1,330,837	n.a.	1,000	n.a.	n.a.	622	n.a.	622	n.a.

The accompanying notes form an integral part of these financial statements.

Statement of NAV per Share and Net Asset Statistics

	Inception Dates	As at 30 September 2011			As at 31 March 2011		
		Net Assets	NAV per Share	Shares Outstanding	Net Assets	NAV per Share	Shares Outstanding
ASIA DIVIDEND FUND							
I Acc (USD)	30 April 2010	678,236	9.84	68,955	1,865,135	10.90	171,189
I Dist (USD)	26 August 2010	2,643,976	9.69	272,886	507,455	10.86	46,734
A Acc (USD)	26 August 2010	113,217	9.77	11,588	100,932	10.85	9,304
A Dist (USD)	26 August 2010	417,428	9.68	43,126	3,847	10.82	355
C Acc (USD)	20 September 2010	75,539,102	9.44	8,004,916	83,484,402	10.42	8,009,833
I Acc (GBP)	28 February 2011	188,925	9.49	19,900	2,192	10.18	215
I Dist (GBP)	28 February 2011	2,044	9.33	219	2,192	10.16	216
A Acc (GBP)	28 February 2011	44,205	9.47	4,670	2,191	10.17	215
A Dist (GBP)	28 February 2011	2,038	9.33	218	2,191	10.16	216
PACIFIC TIGER FUND							
I Acc (USD)	30 April 2010	1,548,277	9.90	156,443	3,690,709	11.44	322,519
A Acc (USD)	26 August 2010	290,498	9.47	30,670	269,171	10.98	24,517
I Acc (GBP)	28 February 2011	493,412	9.57	51,551	2,308	10.72	215
A Acc (GBP)	28 February 2011	2,055	9.54	215	2,307	10.71	215
CHINA FUND							
I Acc (USD)	26 February 2010	1,311,606	9.13	143,628	1,659,160	11.55	143,628
A Acc (USD)	26 August 2010	276,185	8.53	32,364	295,130	10.82	27,269
I Acc (GBP)	28 February 2011	1,808	8.39	215	2,214	10.28	215
A Acc (GBP)	28 February 2011	1,802	8.37	215	2,214	10.28	215
INDIA FUND							
I Acc (USD)	30 June 2011	10,864,157	8.16	1,330,837	n.a.	n.a.	n.a.
A Acc (USD)	30 June 2011	8,151	8.15	1,000	n.a.	n.a.	n.a.
I Acc (GBP)	30 June 2011	5,220	8.39	622	n.a.	n.a.	n.a.
A Acc (GBP)	30 June 2011	5,213	8.38	622	n.a.	n.a.	n.a.

The accompanying notes form an integral part of these financial statements.

Notes to Financial Statements *(Unaudited)*

As at 30 September 2011

1. GENERAL

MATTHEWS ASIA FUNDS is a self-managed investment company organised under the laws of the Grand Duchy of Luxembourg as a “société d’investissement à capital variable” (SICAV) and is authorised under Part I of the Luxembourg Law of 20 December 2002 until 30 June 2011 and under Part I of the Luxembourg Law of 17 December 2010 since 1 July 2011 relating to collective investment undertakings. The Fund was incorporated on 5 February 2010.

The Company’s articles of incorporation have been deposited with the Luxembourg Trade and Companies Register and were published in the *Mémorial C, Recueil des Sociétés et Associations* (the “**Mémorial**”) on 25 February 2010.

The Company has been registered under number B-151275 with the Luxembourg Trade and Companies Register.

The objective of the Fund is to achieve long-term capital appreciation through diversification of investments. Each Sub-Fund will have a specific investment objective.

The Fund offers the following Classes of Shares; Shares may further be made available as accumulation and for distribution Shares:

MATTHEWS ASIA FUNDS ASIA DIVIDEND FUND	MATTHEWS ASIA FUNDS PACIFIC TIGER FUND	MATTHEWS ASIA FUNDS CHINA FUND	MATTHEWS ASIA FUNDS INDIA FUND
I Acc (USD)	I Acc (USD)	I Acc (USD)	I Acc (USD)
I Dist (USD)	A Acc (USD)	A Acc (USD)	A Acc (USD)
A Acc (USD)	I Acc (GBP)	I Acc (GBP)	I Acc (GBP)
A Dist (USD)	A Acc (GBP)	A Acc (GBP)	A Acc (GBP)
C Acc (USD)			
I Acc (GBP)			
I Dist (GBP)			
A Acc (GBP)			
A Dist (GBP)			

The Fund may offer both accumulation (“Acc”) and distribution Shares (“Dist”), but in relation to Shares referenced as “Acc” Shares, no distributions will be made and all interests and other income earned by the Sub-Fund will be reflected in the Net Asset Value of such Shares. In relation to Shares referenced as “Dist” Shares, it is the intention of the Board of Directors to periodically distribute substantially all the net income earned on investment. All classes belonging to the same Sub-Fund will be commonly invested in adherence with the specific investment objective of the relevant Sub-Fund but may differ with regard to fee structure, minimum subscription amount, dividend policy or other particular features described in the Fund’s prospectus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) PRESENTATION OF FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Luxembourg regulations relating to Undertakings for Collective Investment.

B) COMBINED FINANCIAL STATEMENTS

The Combined Statement of Assets and Liabilities and Combined Statements of Operations and Changes in Net Assets are expressed in USD.

C) VALUATION OF THE INVESTMENTS IN SECURITIES AND MONEY MARKET INSTRUMENTS

The Fund’s equity securities are valued based on market quotations or at fair value as determined in good faith by or under the direction of the Board of Directors (the “Board”) when no market quotations are available or when market quotations have become unreliable.

Market values for equity securities are determined based on the last sale price on the principal (or most advantageous) market on which the security is traded. If a reliable last sale price is not available, market values for equity securities are determined using the mean between the last available bid and asked price. Securities are valued through valuations obtained from a commercial pricing service or at the most recent mean of the bid and asked prices provided by investment dealers in accordance with the Fund’s Pricing Policies.

Events affecting the value of foreign investments may occur between the time at which they are determined and the Fund’s valuation point of 2:00 p.m. Luxembourg. Such events would not normally be reflected in a calculation of a Fund’s NAV on that day. If events that materially affect the value of the Fund’s foreign investments occur during such period, and the impact of such events can be reasonably determined, the investments will be valued at their fair value.

The Board has delegated the responsibility of making fair value determinations to the Investment Manager’s Valuation Committee (the “Valuation Committee”), subject to the Fund’s Pricing Policies. The Fund has retained third-party pricing services that may be utilized by the Valuation Committee under circumstances described in the Pricing Policies to provide fair value prices for certain securities held by the Fund. When fair value pricing is employed, the prices of securities used by a Sub-Fund to calculate its NAV differ from quoted or published prices for the same securities for that day. All fair value determinations are made subject to the Board’s oversight.

Notes to Financial Statements *(Unaudited) (Continued)*

As at 30 September 2011

D) NET REALISED AND UNREALISED GAIN/(LOSS) ON SALES OF INVESTMENTS

Realised and unrealised gains or losses on sales of investments are calculated on the basis of first in first out cost method of the investments sold.

E) CONVERSION OF FOREIGN CURRENCIES

The books and records of the Fund are maintained in USD.

Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into USD at the current exchange rate.

Translation gains or losses resulting from changes in the exchange rate during the reporting period and realised gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period.

The Fund does not isolate that portion of gains and losses on investments in equity securities that are due to changes in the foreign exchange rate from those that are due to changes in market prices of equity securities.

The accounting records and the financial statements of each Sub-Fund are expressed in the currency indicated below:

MATTHEWS ASIA FUNDS	CURRENCY
Asia Dividend Fund	USD
Pacific Tiger Fund	USD
China Fund	USD
India Fund	USD

Bank accounts, other net assets and market value of the investments in securities expressed in currencies other than the currency of a Sub-Fund are converted at the exchange rates prevailing on the date of the balance sheet. Income and expenses in currencies other than the currency of a Sub-Fund are converted at the rate of exchange prevailing at payment date.

Net realised and unrealised gains and losses on foreign exchange transactions represent: (i) foreign exchange gains and losses from the sale and holding of foreign currencies; (ii) gains and losses between trade date and settlement date on securities transactions and (iii) gains and losses arising from the difference between amounts of dividends and interest recorded and the amounts actually received.

The Vietnamese dong ("VND") trades within an established exchange rate with the USD. Upon the sale of a Vietnamese asset, the Company may not be able to exchange significant amounts of VND directly for USD. However, the Investment Manager believes that the Company would be able to exchange significant amounts of VND for Hong Kong dollars, which it can exchange directly for USD. Accordingly, the Company values its Vietnamese assets in terms of USD taking into account the VND/Hong Kong dollar and Hong Kong dollar/USD exchange rates (a "triangulated exchange rate"), which it believes is more representative of the net value it would actually receive in connection with a significant sale of Vietnamese assets and the repatriation of the proceeds to Luxembourg.

F) COST OF INVESTMENTS IN SECURITIES

Cost of investments in securities in currencies other than the currency of a Sub-Fund is converted into the Sub-Fund's currency at the exchange rate applicable at purchase date.

G) INCOME

Interest income is accrued on a daily basis and may include the amortisation of premiums and accretions of discounts. Bank and time deposits interest income is recognised on an accrual basis.

Dividends are credited to income on the date upon which the relevant securities are first listed as 'ex dividend' provided that the amount of a dividend is known with reasonable certainty. This income is shown net of any withholding taxes, except where the withholding tax has been received or is receivable.

H) FEE WAIVER

The Investment Manager may, for such time as it considers appropriate, choose to waive all or part of the fees that it is entitled to receive, as well as other Fund expenses, in order to reduce the impact such fees and expenses may have on the performance of the Class. The investment manager will reimburse on a monthly basis the amount of the fee waiver to the respective Sub-Fund.

The amount of such fee waiver is separately disclosed as a "Fee Waiver" in the Statements of Operations and Changes in Net Assets.

I) FORMATION EXPENSES

The cost of establishing the Fund amounted to 134,429 USD. The establishment costs are amortised on a straight line basis over five years from the date of which the Fund commenced business.

J) USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Notes to Financial Statements *(Unaudited) (Continued)*

As at 30 September 2011

3. EXCHANGE RATES AS AT 30 SEPTEMBER 2011

The exchange rates used in the financial statements as at 30 September 2011 are:

Australian Dollar (AUD)	1.0288	Japanese Yen (JPY)	76.935	Singapore Dollar (SGD)	1.3024
Hong Kong Dollar (HKD)	7.7915	South Korean Won (KRW)	1,180.8	Thai Bhat (THB)	31.12
Indonesian Rupiah (IDR)	9,075	Malaysian Ringgit (MYR)	3.1925	Taiwan New Dollar (TWD)	30.55
Indian Rupee (INR)	48.975	Philippine Peso (PHP)	43.728	Vietnamese Dong (VND) *	20,998.09
British Pound (GBP)	1.5351				

*Please refer to note 2E.

4. MANAGEMENT FEES AND ADMINISTRATION FEES

The Investment Advisor is entitled to a Management Fee of up to 1.25% per annum of the NAV of the Sub-Fund calculated (before deduction of accrued Management and Advisory Fees) on each Valuation Day. Such fees and any and all properly incurred expenses are payable out of the assets of the Sub-Fund monthly in arrears. These fees also represent the effective fees paid to the Advisor.

MATTHEWS ASIA FUNDS	I Acc (USD)	I Dist (USD)	A Acc (USD)	A Dist (USD)	C Acc (USD)	I Acc (GBP)	I Dist (GBP)	A Acc (GBP)	A Dist (GBP)
Asia Dividend Fund	0.75%	0.75%	1.25%	1.25%	0.75%	0.75%	0.75%	1.25%	1.25%
Pacific Tiger Fund	0.75%	—	1.25%	—	—	0.75%	—	1.25%	—
China Fund	0.75%	—	1.25%	—	—	0.75%	—	1.25%	—
India Fund	0.75%	—	1.25%	—	—	0.75%	—	1.25%	—

In addition, the Investment Advisor is entitled to an Administration Fee of up to 0.25% per annum of the NAV of the Sub-Fund calculated (before deduction of accrued Management and Advisory Fees) on each Valuation Day. Such fees and any and all properly incurred expenses are payable out of the assets of the Sub-Fund monthly in arrears. These fees also represent the effective fees paid to the Advisor.

MATTHEWS ASIA FUNDS	
Asia Dividend Fund	0.25%
Pacific Tiger Fund	0.25%
China Fund	0.25%
India Fund	0.25%

5. CUSTODIAN AND CENTRAL ADMINISTRATION FEES

The Custodian and the Administrative Agent receive from the Fund aggregate fees that amount to a maximum of 2% per annum of the total net assets of each Sub-Fund. Transaction costs will be charged separately. The fees effectively charged to each Sub-Fund will be disclosed in the semi-annual and annual reports of the Fund. The Custodian and Administration Agent fees are payable monthly in arrears.

6. INDEPENDENT DIRECTOR FEE

The Company pays Richard Goddard 35,000 EUR on an annual basis in connection with his services as Independent Director and Conducting Officer. The Directors and Conducting Officer who are employees of Matthews International Capital Management, LLC do not receive additional compensation in respect of these roles.

7. TAXATION

A) TAXE D'ABONNEMENT

The subscription tax is payable quarterly and calculated on the total net assets of each Sub-Fund at the end of the relevant quarter at a rate of 0.05% per annum.

This rate is reduced to 0.01% (i) for sub-funds or individual classes of shares reserved to one or more institutional investors or (ii) funds or sub-funds having the exclusive object to invest in money market instruments as defined by the Grand-Ducal Decree of 14 April 2003.

B) PROVISION FOR FOREIGN TAXES

The Sub-Funds may be subject to short-term capital gains tax in India on gains realised upon disposition of Indian securities held less than one year. The tax is computed on net realised gains; any realised losses in excess of gains may be carried forward for a period of up to eight years to offset future gains. Any net taxes payable must be remitted to the Indian government prior to repatriation of sales proceeds. The Sub-Funds that invest in Indian securities accrue a deferred tax liability for net unrealised short-term gains in excess of available carry forwards on Indian securities. This accrual may reduce a Sub-Fund's net asset value. As of 30 September 2011, the Matthews India Fund has recorded a payable of 10,419 USD as an estimate for potential future India capital gains taxes.

Further information

STATEMENT OF CHANGES IN PORTFOLIO

A copy of the changes in the securities portfolio for the period is available free of charge at the registered office of the SICAV.

Performance and Expenses *(Unaudited)*

As at 30 September 2011

	6 months	1 year	Total Return ¹			Inception Date	Portfolio Turnover ²	Total Expense Ratio ³
			3 years	5 years	Since Inception			
ASIA DIVIDEND FUND								
I Acc (USD)	-9.72%	-6.82%	n.a.	n.a.	-1.13%	30 April 2010	50.38%	1.50%
I Dist (USD)	-9.74%	-6.80%	n.a.	n.a.	-1.61%	26 August 2010	50.38%	1.50%
A Acc (USD)	-9.95%	-7.22%	n.a.	n.a.	-1.42%	26 August 2010	50.38%	1.99%
A Dist (USD)	-9.92%	-7.19%	n.a.	n.a.	-2.08%	26 August 2010	50.38%	1.99%
C Acc (USD)	-9.40%	-6.26%	n.a.	n.a.	-5.45%	20 September 2010	50.38%	0.95%
I Acc (GBP)	-6.78%	n.a.	n.a.	n.a.	-5.10%	28 February 2011	50.38%	1.46%
I Dist (GBP)	-6.76%	n.a.	n.a.	n.a.	-5.12%	28 February 2011	50.38%	1.50%
A Acc (GBP)	-6.88%	n.a.	n.a.	n.a.	-5.30%	28 February 2011	50.38%	1.99%
A Dist (GBP)	-7.00%	n.a.	n.a.	n.a.	-5.39%	28 February 2011	50.38%	2.00%
MSCI AC Asia Pacific Index (USD)	-15.19%	-7.90%	n.a.	n.a.	-4.43%⁴			
PACIFIC TIGER FUND								
I Acc (USD)	-13.46%	-13.91%	n.a.	n.a.	-0.71%	30 April 2010	-55.84%	1.50%
A Acc (USD)	-13.75%	-14.38%	n.a.	n.a.	-1.07%	26 August 2010	-55.84%	1.99%
I Acc (GBP)	-10.73%	n.a.	n.a.	n.a.	-4.30%	28 February 2011	-55.84%	1.50%
A Acc (GBP)	-10.92%	n.a.	n.a.	n.a.	-4.60%	28 February 2011	-55.84%	2.00%
MSCI AC Asia ex Japan Index (USD)	-20.68%	-14.33%	n.a.	n.a.	-4.92%⁴			
CHINA FUND								
I Acc (USD)	-20.95%	-22.36%	n.a.	n.a.	-5.56%	26 February 2010	-9.37%	1.50%
A Acc (USD)	-21.16%	-22.81%	n.a.	n.a.	-5.97%	26 August 2010	-9.37%	1.99%
I Acc (GBP)	-18.39%	n.a.	n.a.	n.a.	-16.10%	28 February 2011	-9.37%	1.49%
A Acc (GBP)	-18.58%	n.a.	n.a.	n.a.	-16.30%	28 February 2011	-9.37%	2.00%
MSCI China Index (USD)	-26.49%	-23.85%	n.a.	n.a.	-9.76%⁴			
INDIA FUND								
I Acc (USD)	n.a.	n.a.	n.a.	n.a.	-18.40%	30 June 2011	n.a.	1.50%
A Acc (USD)	n.a.	n.a.	n.a.	n.a.	-18.50%	30 June 2011	n.a.	2.00%
I Acc (GBP)	n.a.	n.a.	n.a.	n.a.	-16.10%	30 June 2011	n.a.	1.50%
A Acc (GBP)	n.a.	n.a.	n.a.	n.a.	-16.20%	30 June 2011	n.a.	2.00%
Bombay Stock Exchange 100 Index (USD)	n.a.	n.a.	n.a.	n.a.	-19.67%⁴			

1 Annualised performance for periods of at least one year, otherwise cumulative.

2 The Portfolio Turnover is calculated in accordance with the CSSF Circular 03/122 i.e. the aggregated sales and purchases less aggregated subscriptions and redemptions, divided by average net assets. The portfolio turnover ratio may be negative as a result of shareholder transactions exceeding the investment transactions for the accounting period. The Portfolio Turnover is not disclosed for funds which are less than 12 months old.

3 The Total Expense Ratio include such fees as the Management and Administration fee, Domiciliation, Administration and Transfer agency fees, Professional fees, Printing fees, Custodian fee and Taxe d'abonnement. The total expense ratio is annualised for periods of less than 12 months.

4 Based on the inception date of the I Acc (USD) Share Class.

Investor Disclosure

A Class, Accumulation Shares (USD) were first offered on 26 August 2010. Performance prior to its inception is based on the performance of the I Class, Accumulation Shares (USD). Performance differences between the A Class and I Class may arise due to differences in fees charged to each class.

All performance quoted represents past performance and is no guarantee of future results. Investment returns and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than the original cost. Current performance may be lower or higher than the return figures quoted. Investors investing in Sub-Funds denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal.

Performance details provided for the Sub-Funds are based on a NAV to NAV basis, assume reinvestment of dividends and capital gains, and are net of management fees and other expenses.

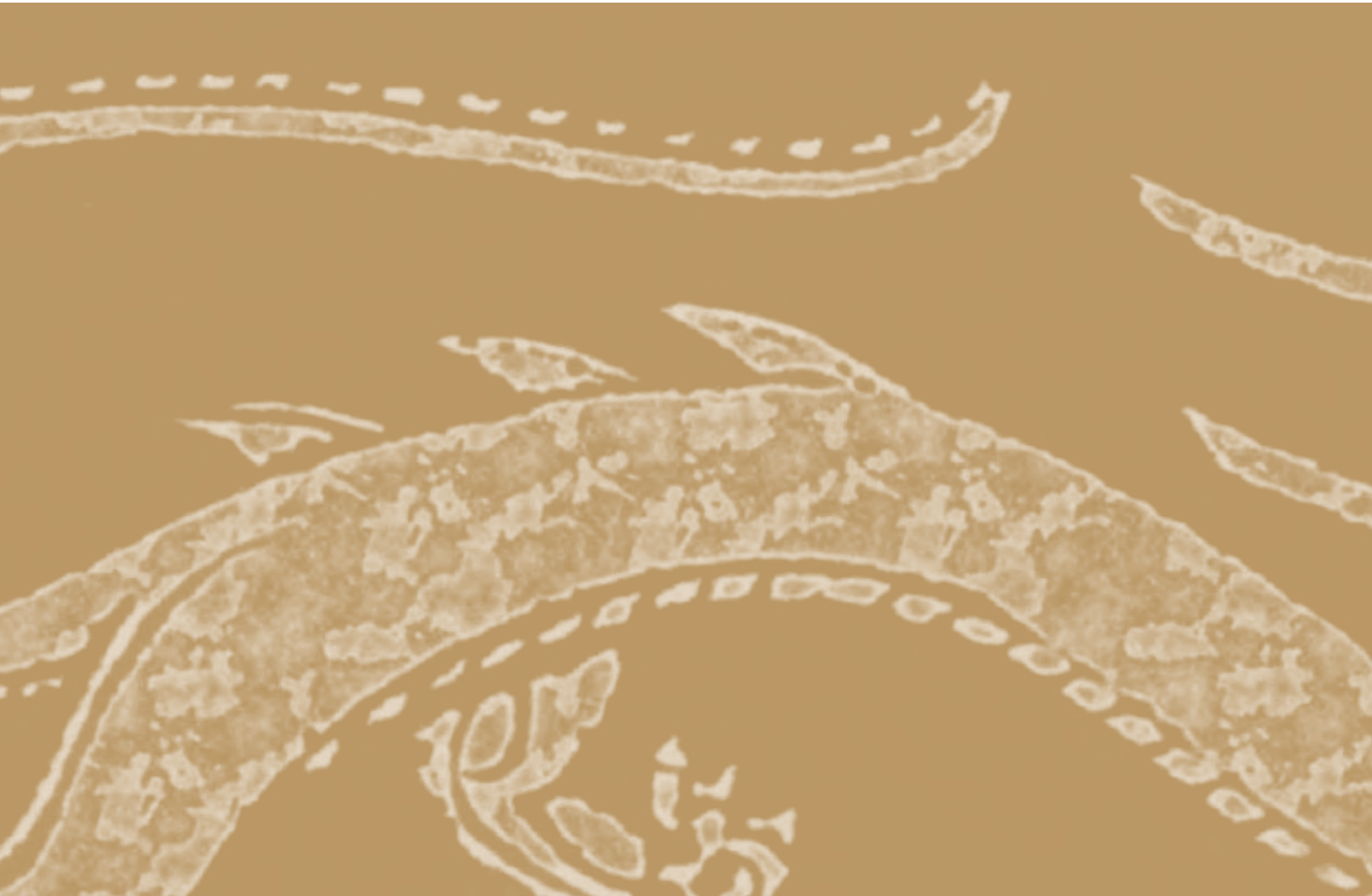
Index Definitions

The **MSCI All Country Asia Pacific Index** is a free float-adjusted market capitalisation-weighted index of the stock markets of Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, South Korea, Taiwan and Thailand.

The **MSCI All Country Asia ex Japan Index** is a free float-adjusted market capitalisation-weighted index of the stock markets of China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand.

The **MSCI China Index** is a free float-adjusted market capitalisation-weighted index of Chinese equities that includes China-affiliated corporations and H shares listed on the Hong Kong Exchange, and B shares listed on the Shanghai and Shenzhen Exchanges.

The **Bombay Stock Exchange 100 (BSE100) Index** is a free float-adjusted market capitalisation-weighted index of the 100 stocks listed on the Bombay Stock Exchange.



Matthews Asia

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