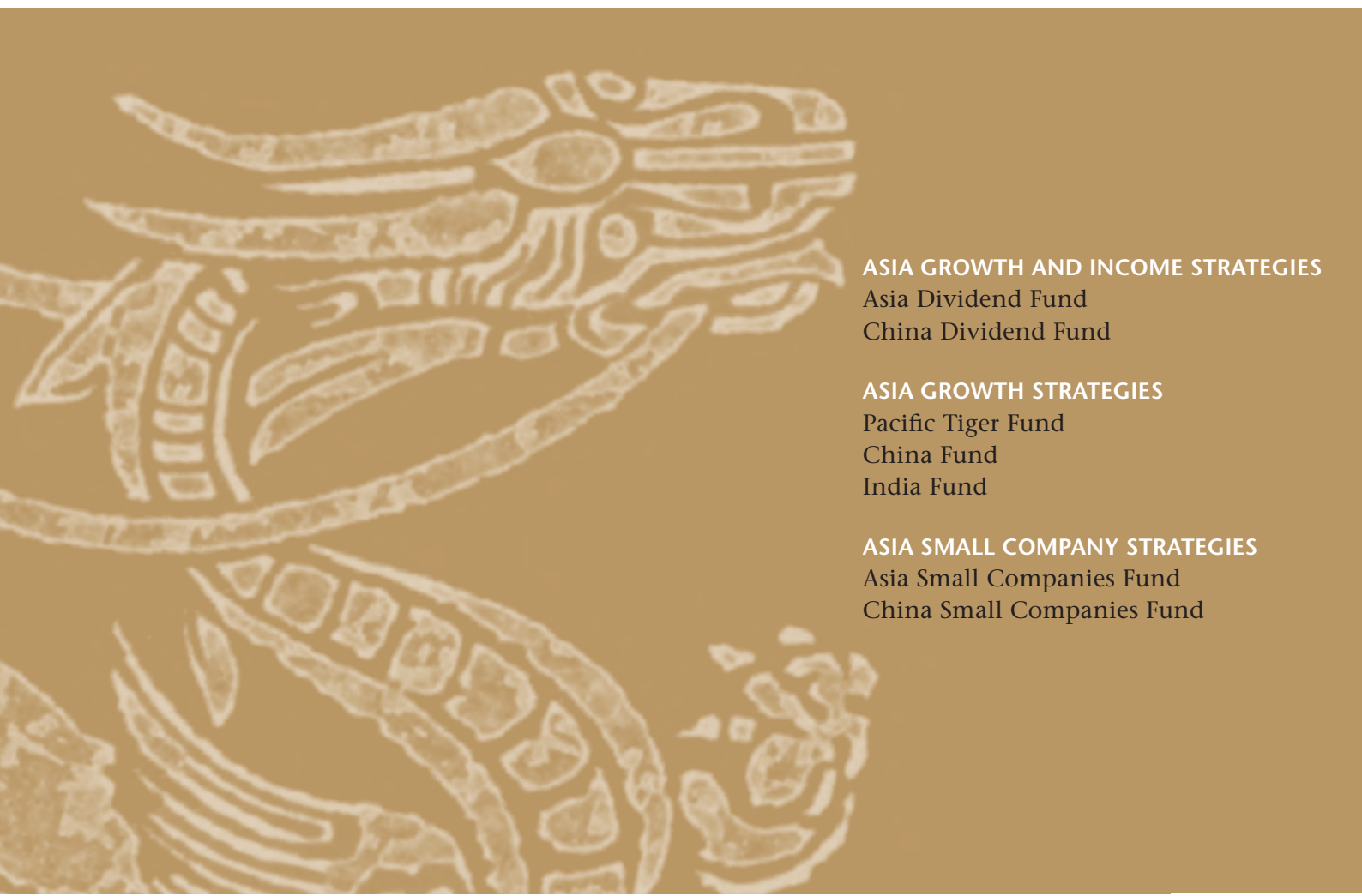


Matthews Asia Funds | Semi-Annual Report

30 September 2013



ASIA GROWTH AND INCOME STRATEGIES

Asia Dividend Fund
China Dividend Fund

ASIA GROWTH STRATEGIES

Pacific Tiger Fund
China Fund
India Fund

ASIA SMALL COMPANY STRATEGIES

Asia Small Companies Fund
China Small Companies 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, seven Sub-Funds were available for investment: Asia Dividend, China Dividend, Pacific Tiger, China, India, China Small Companies and Asia Small Companies Funds. This report covers the period from 1 April 2013 to 30 September 2013. The last day on which official prices were calculated was 30 September 2013. The figures presented in the financial statements are as at that date.

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. 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.

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.

The Board of Directors confirms adherence to the ALFI Code of Conduct for Luxembourg investment funds.

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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 Key Investor Information Documents 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 2013. 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 most current Key Investor Information Documents, full prospectus, and most recent Semi-Annual Report and Annual Report for each Sub-Fund, can be found at global.matthewsasia.com. Please read the Key Investor Information Documents and current full prospectus carefully before investing.

In Singapore, this document is available to, and intended for Institutional Investors under Section 304 of the SFA, and to Relevant Persons pursuant to section 305 of the SFA, as those terms are used under the relevant law. It should not be circulated or distributed to the retail public in Singapore.

In the U.K., this document is available to, and intended for professional clients and eligible counterparties as defined by the rules of the U.K.'s Financial Conduct Authority.

Issued in the UK by Matthews Global Investors (UK) Limited, which is an appointed representative of Mirabella Financial Services LLP, which is authorised and regulated by the Financial Conduct Authority, FRN 415559.

Matthews Asia Funds

Management and Administration

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“Whatever challenges Asia faces in the future, I submit that they are lower obstacles to sustained growth than that which Asia has already overcome.”

Investment Manager’s Report

Dear Valued Investor,

This has been a topsy-turvy year in some respects, with financial markets performing against expectations and central bank activity continuing to give macroeconomists plenty to debate. There have been some reasonably strong results from the world’s economies in the face of controversially tight fiscal policy leading economists to debate whether monetary policy is really all that impotent, even with interest rates close to zero. Developed markets have rallied in the face of austerity and outperformed seemingly healthier emerging economies. China has muddled through while Japan has become the new great hope for growth. Who would have thought it? The resurgence of profits in the U.S. has driven its markets to new highs, whilst those in the emerging market classification have sometimes struggled to push higher. Indeed, it is puzzling that profits were so strong in the U.S., whilst job growth remained so feeble. The answer, of course, is that margins have expanded and profits as a percentage of GDP are now at 12%, similar to the peaks achieved in the booms of the 1950s and 1960s. Investors seem to have taken this short-term performance and extrapolated it into the far future. While it is perfectly possible that the U.S. could enjoy some years of fast non-inflationary growth if it can repair unemployment, nevertheless to accord U.S. corporate earnings a valuation multiple roughly 35% higher than that of Asian corporates seems to place a great deal of confidence in the long-term performance of the U.S. economy relative to those in Asia.

Coupled with this has been the surprising resilience of the U.S. economy in the face of fiscal tightening. For U.S. government spending has contracted by between 2.5% and 3.0% of GDP since the end of the recession with much of that happening quite recently. Given expected multipliers, this ought to have led to a much slower economy. The reason it has not, seems to be that the U.S. Federal Reserve has continued with its loose monetary policy. With short-term interest rates at nearly zero, monetary policy was supposed to be ineffective. But it seems to have been particularly good at offsetting the effects of fiscal contraction. And if unconventional monetary policy truly does work, then there is a good chance that Japan, too, can break out of its deflationary trap and stimulate profit growth in its domestic businesses. Of course, this will depend not only on the desire of policymakers to continue the experiment but also the market’s assessment of their resolve.

We believe Japan has for some time been a useful place to invest because of the cheapness of the market and the seasoned nature of some of its businesses. It has also been considered a “safe harbour” during the financial crisis, and has now become the region’s short-term growth market. In some cases, it has the valuations to match. It has certainly added a lot more volatility into portfolios, where it used to be a “dampener.” And I would expect the volatility to continue as people watch short-run data for any signs of whether “Abenomics” (the policies of Prime Minister Shinzo Abe) is working or failing. In the meantime, Japan’s government appears to be on an unprecedented public relations push for its policies, including an address by its Prime Minister at the New York Stock Exchange. Japan has become a daring experimenter in macroeconomic policy on a grand scale and is doing so with fanfare on the international stage.

Like I say, it’s a world in which conventional wisdom is being tested. And it has led some to conclude that it’s time to ditch the emerging markets in favour of developed markets. As far as I can see, this is great news for investors in Asia! Asia is comparatively cheap. In price-to-earnings ratio terms, Asia ex Japan trades at 11.1x next 12 months’ earnings*, versus 13.7x in the Eurozone, 14x in Latin America and 15.4x in the U.S. Only Malaysia and the

* Forward earnings are calculated by dividing market price per share by expected earnings per share.



Investment Manager's Report *(Continued)*

Philippines have a comparable valuation ratio with the U.S. So the markets, not for the first time since the global financial crisis began, seem to be paying far greater attention to cyclical pressures than they do to secular trends. I reckon it's not hard to see who the culprit is: the Fed and its tapering she-nanigans. For the flip side of effective unconventional monetary policy is that it matters even more what they say rather than what they do. This makes the job of Fed-watching unusually thrilling. When the Fed first began talking about stepping on the brakes, the markets immediately put pressure on emerging currency and debt markets. Bond yields have risen, partly due to the Fed tapering, but mostly, I suspect due to expectations of U.S. growth. And this has made long-term debt and higher yielding equities less attractive investments; growth equities and more cyclical businesses more attractive. There has recently been a switch from financially sound, higher-yielding Asian equities to more risky or cyclical businesses, which have created headwinds for some of our portfolios. But this is not altogether unexpected nor is it something that, whilst it can persist for some time, will cause wholesale changes to what we do. However, we do see more value in stocks that have higher growth profiles than those that seem "safer" in the immediate future.

This market myopia may have offered up some opportunities in instances, for example, in which individual companies might have been sold down aggressively because they had businesses in Indonesia or India. And there is no doubt that Asia's markets are now less expensive. Yet, on another level, the markets were also quite discriminating. This discrimination was also good news. Apart from India and Indonesia, and some (welcome) pressure on the Australian dollar, Asian currencies were fairly resilient. For it is really only the subcontinent plus Indonesia where current account deficits and inflation appear to be in need of being brought under control. The rest of Asia, for the most part, has moderate inflation and a current account surplus. In a world that seems to be dealing with the aftermath of various excesses of borrowing, that may mean that Asia for the most part still lives within its means and on some level, investors are recognising that fact.

At the risk of sounding like a Pollyanna, I believe the problems Asia is now dealing with—shallow and less liquid capital markets; over-reliance on bank credit; underdeveloped infrastructure (sometimes physical, sometimes virtual); the social strains of income inequality and a growing middle class and entrepreneurial class—are all issues that Asia has been successfully grappling with for decades. Productivity growth across Asia continues to outpace the rest of the world and it remains the only region that has consistently outgrown the U.S. on a GDP per capita basis over the last 30 years. So, whatever challenges Asia faces in the future, I submit that these are lesser obstacles to sustained growth than those which Asia has already overcome. This puts me at odds with those who would cast out Asia, and the emerging markets as a whole, in favour of the developed world. That is fine. I take a contrary view and believe I have valuations and history on my side.

Despite the somewhat lacklustre performance of the region's markets, support for investing in Asia has remained strong. As always, we feel privileged to be your investment advisor, and thank you for your support.

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

PORTFOLIO MANAGERS

Yu Zhang, CFA*
Lead Manager

Robert Horrocks, PhD
Lead Manager

Asia Dividend Fund

Fund Manager Report

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

For the six months ending 30 September 2013, the Matthews Asia Dividend Fund gained 3.60% while its benchmark, the MSCI All Country Asia Pacific Index, rose 3.93%.

The divergence in individual equity market performance within the Asian region became rather striking during the last six months. Markets in northern Asia responded positively to signs of a stabilizing Chinese economy. Japan's strong second quarter GDP figure also boosted market confidence, signaling that its policymakers would have enough momentum to launch structural reforms to sustain its economic recovery alongside an aggressive monetary loosening policy and fiscal stimulus. By contrast, emerging markets in South-east Asia and in India underperformed during the period. Indonesia and India saw heavy selloffs in both their equity markets and local currencies. Both countries run current account deficits and are considered by investors to be more vulnerable should foreign capital be withdrawn. The challenge facing policymakers in both countries is the conundrum of taming high inflation and repairing deficits while at the same time avoiding a further deceleration of the economy, which has already noticeably slowed.

While high dividend-yielding stocks performed well in Asia over the last several years, we are now seeing better value in companies that exhibit a more modest current dividend yield combined with a more robust dividend growth outlook. Some of those "dividend growers" were among the main contributors to the Fund's performance during the period, including Ansell, a specialized Australian glove manufacturer. The company commands global leading market positions in both industrial and surgical gloves. We view Ansell as well-positioned to reap the benefits of a steady pick-up in industrial activities, especially in the developed market. When we initiated the position in Ansell, its dividend yield, at just above 2%, was not high. But with an unbroken 10-year history of dividend growth, Ansell has demonstrated the ability to generate strong free cash flow and consistency in growing its dividends.

In terms of detractors for the period, our holdings in Indonesia took a hit during the market turmoil, and posed the biggest drags to Fund performance. As discussed above, the market sell-off in Indonesia was more or less top-down and driven by uncertainty over U.S. monetary policy. We have maintained our individual holdings in Indonesia, as they are all established businesses with proven track records. Our mid-to long-term outlook of the dividend growth for these companies remains intact.

We exited several positions in recent months, including Metcash, PTT Exploration and Production Public and Tisco Financials. These companies faced further uncertainties related to their business fundamentals, and we believe, make the underlying dividend payments less sustainable.

While a potential high-interest rate environment could create some headwinds for a dividend-focused strategy, our total return investment approach, focused both on dividend yield and dividend growth, should help us better navigate different market conditions. In this regard, Asian companies continue to represent a compelling case for investing for both attractive yield and strong dividend growth.

* As of 19 July 2013

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: 95.3%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 31.2%				SINGAPORE: 7.9%			
China Mobile, Ltd. ADR	540,800	30,465,930	3.8	Singapore Technologies Engineering, Ltd.	4,325,500	14,349,063	1.8
HSBC Holdings PLC ADR	508,500	27,502,758	3.4	Ascendas REIT	7,701,000	13,966,674	1.7
Dongfeng Motor Group Co., Ltd. H Shares	14,300,000	21,709,332	2.7	United Overseas Bank, Ltd.	786,000	12,924,812	1.6
Cheung Kong Holdings, Ltd.	1,138,000	17,332,058	2.1	CapitaRetail China Trust, REIT	6,512,000	7,129,208	0.9
China Shenhua Energy Co., Ltd. H Shares	5,652,500	17,195,592	2.1	Super Group, Ltd.	1,912,000	6,450,153	0.8
Shenzhen International Group Holdings, Ltd.	5,275,000	17,108,755	2.1	ARA Asset Management, Ltd.	4,076,710	5,307,033	0.6
Minth Group, Ltd.	8,350,000	16,643,151	2.1	Ascendas India Trust	7,681,000	3,819,187	0.5
Yum! Brands, Inc.	227,300	16,318,536	2.0	Total Singapore		63,946,130	7.9
Television Broadcasts, Ltd.	2,282,500	14,390,222	1.8	TAIWAN: 6.3%			
Jiangsu Expressway Co., Ltd. H Shares	10,826,000	12,774,593	1.6	Chunghwa Telecom Co., Ltd. ADR	604,560	18,962,810	2.4
Haitian International Holdings, Ltd.	5,227,000	12,012,079	1.5	Taiwan Semiconductor Manufacturing Co., Ltd. ADR	665,100	11,215,425	1.4
Guangdong Investment, Ltd.	12,362,000	10,616,048	1.3	Johnson Health Tech Co., Ltd.	2,330,988	7,423,953	0.9
Yuexiu Transport Infrastructure, Ltd.	14,978,000	8,209,198	1.0	St. Shine Optical Co., Ltd.	248,000	6,829,691	0.8
Greatview Aseptic Packaging Co., Ltd.	13,848,000	7,911,316	1.0	TXC Corp.	2,449,219	3,270,911	0.4
Xingda International Holdings, Ltd. H Shares	15,627,000	7,332,963	0.9	Taiwan Hon Chuan Enterprise Co., Ltd.	1,282,754	2,784,749	0.4
Cafe' de Coral Holdings, Ltd.	2,318,000	7,189,298	0.9	Total Taiwan		50,487,539	6.3
The Link REIT	1,408,500	6,909,690	0.9	INDONESIA: 5.2%			
Total China/Hong Kong		251,621,519	31.2	PT Indofood Sukses Makmur	28,555,500	17,267,990	2.1
JAPAN: 22.9%				PT United Tractors	8,273,000	11,550,069	1.4
ORIX Corp.	2,313,900	37,794,814	4.7	PT Perusahaan Gas Negara Persero	19,579,500	8,717,363	1.1
ITOCHU Corp.	2,641,900	32,509,436	4.0	PT Telekomunikasi Indonesia ADR	96,400	3,558,481	0.4
Japan Tobacco, Inc.	886,000	31,997,668	4.0	PT Telekomunikasi Indonesia Persero	6,345,000	1,140,796	0.2
Suntory Beverage & Food, Ltd.	537,100	18,238,952	2.3	Total Indonesia		42,234,699	5.2
Pigeon Corp.	368,600	18,196,740	2.3	SOUTH KOREA: 4.3%			
Toyo Suisan Kaisha, Ltd.	473,000	13,936,411	1.7	LG Chem, Ltd., Pfd.	131,814	17,144,118	2.1
NTT DoCoMo, Inc.	623,800	10,165,436	1.3	KT&G Corp.	238,876	17,107,801	2.2
Lawson, Inc.	115,700	9,110,253	1.1	Total South Korea		34,251,919	4.3
Miraca Holdings, Inc.	186,400	8,359,509	1.0	MALAYSIA: 2.3%			
EPS Corp.	4,135	4,058,755	0.5	AMMB Holdings BHD	8,096,900	18,437,624	2.3
Total Japan		184,367,974	22.9	Total Malaysia		18,437,624	2.3
AUSTRALIA: 11.2%				THAILAND: 1.5%			
Ansell, Ltd.	1,201,707	23,370,856	2.9	Thai Beverage Public Co., Ltd.	28,388,000	12,421,185	1.5
Primary Health Care, Ltd.	4,422,513	19,854,625	2.5	Total Thailand		12,421,185	1.5
Coca-Cola Amatil, Ltd.	1,570,998	17,946,001	2.2				
QBE Insurance Group, Ltd.	1,175,984	16,062,659	2.0				
Breville Group, Ltd.	1,173,831	9,566,634	1.2				
David Jones, Ltd.	1,292,108	3,477,907	0.4				
Total Australia		90,278,682	11.2				

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

	Shares	Value	% of Net Assets
INDIA: 1.5%			
Tata Motors, Ltd. DVR A Shares	4,661,025	12,187,681	1.5
Total India		12,187,681	1.5
PHILIPPINES: 1.0%			
Globe Telecom, Inc.	207,445	7,635,427	1.0
Total Philippines		7,635,427	1.0
TOTAL COMMON EQUITIES		767,870,379	
(Cost \$778,891,704)			
TOTAL INVESTMENTS: 95.3%		767,870,379	
(Cost \$778,891,704)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 4.7%		38,025,679	
NET ASSETS: 100.0%		805,896,058	

ADR: American Depositary Receipt

BHD: Berhad

DVR: Differential Voting Rights

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

PFD: Preferred shares

REIT: Real Estate Investment Trust

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

PORTFOLIO MANAGER

Yu Zhang, CFA
Lead Manager

China Dividend Fund

Fund Manager Report

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

For the six months ending 30 September 2013, the Matthews China Dividend Fund gained 5.20%, while its benchmark, the MSCI China Index, rose 4.91%.

After disappointing performance that came during the first quarter of the fiscal year, China's equity market recovered strongly in the quarter ending 30 September. Investors took comfort as the slowdown in China's economy seemed to come under better control during the summer months, and showed signs of stabilising.

During the period, our holdings in the industrial and consumer discretionary sectors delivered the biggest contribution to Fund performance. Haitian International, a plastic injection machine manufacturer, was among the top individual contributors to Fund performance. Haitian's emphasis on product research and development helped the company protect its profit margin during the industry downturn last year. The same strategy of focusing on product upgrades and climbing the value chain also aided Haitian in its sales and profit growth recovery, which has been faster than that of its peers so far this year and delivered double-digit growth in both interim earnings and dividends.

Yantai Changyu Pioneer Wine was the top detractor to Fund performance during the fiscal first half of the year. Yantai Changyu's business continues to suffer from China's weak wine consumption levels that have also been impacted by recent government measures over anti-corruption, which included a focus on reducing government extravagance. This has impacted the restaurant industry, a key end-consumer of wine products. While we may have underestimated the severity of this headwind facing China's domestic wine industry, we believe a significant amount of negativity has already been priced into its depressed valuations and will continue to monitor this situation.

In recent months, the Fund initiated positions in Far East Horizon, a financial leasing company, Boer Power, an electricity distribution system integrator and Sporton International, a Taiwan-based electronics testing and certification service provider. In addition to attractive current yields, these three companies also delivered impressive growth rates for their underlying respective businesses, a positive sign. Those new positions were funded by the Fund's selling of its positions in E-House and China Merchants Holdings.

China's new leadership is poised to unveil its reform agenda soon; and we will watch for indicators that Beijing can deliver concrete policy plans to rebalance its growth model. We continue to believe Chinese equities, especially those that offer both appealing current dividend yield and dividend growth, remain attractively priced for long-term investors.

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 81.8%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 30.0%				FINANCIALS: 11.4%			
Hotels, Restaurants & Leisure: 8.9%				Commercial Banks: 3.6%			
Yum! Brands, Inc.	11,000	789,722	3.4	HSBC Holdings PLC ADR	15,300	827,517	3.6
Shanghai Jinjiang International Hotels Development Co., Ltd. B Shares	485,324	690,041	3.0			827,517	3.6
Cafe' de Coral Holdings, Ltd.	184,000	570,678	2.5	Real Estate Management & Development: 2.8%			
		2,050,441	8.9	Cheung Kong Holdings, Ltd.	42,000	639,672	2.8
Auto Components: 6.4%						639,672	2.8
Mintch Group, Ltd.	522,000	1,040,446	4.5	Diversified Financial Services: 2.5%			
Xingda International Holdings, Ltd. H Shares	944,000	442,972	1.9	Far East Horizon Limited	891,000	588,170	2.5
		1,483,418	6.4			588,170	2.5
Automobiles: 4.3%				Real Estate Investment Trusts: 2.5%			
Dongfeng Motor Group Co., Ltd. H Shares	654,000	992,860	4.3	Yuexiu, REIT	689,000	341,200	1.5
		992,860	4.3	The Link REIT	47,500	233,021	1.0
Multiline Retail: 3.8%						574,221	2.5
Springland International Holdings, Ltd.	1,631,000	883,408	3.8	Total Financials			
		883,408	3.8			2,629,580	11.4
Textiles, Apparel & Luxury Goods: 3.7%				CONSUMER STAPLES: 5.6%			
Shenzhou International Group Holdings, Ltd.	262,000	849,762	3.7	Beverages: 2.9%			
		849,762	3.7	Yantai Changyu Pioneer Wine Co., Ltd. B Shares	194,813	665,013	2.9
Media: 2.9%						665,013	2.9
Television Broadcasts, Ltd.	107,300	676,482	2.9	Food Products: 2.7%			
		676,482	2.9	Vitasoy International Holdings, Ltd.	496,000	626,105	2.7
Total Consumer Discretionary						626,105	2.7
		6,936,371	30.0	Total Consumer Staples			
INDUSTRIALS: 16.5%						1,291,118	5.6
Machinery: 5.0%				UTILITIES: 3.7%			
Haitian International Holdings, Ltd.	507,000	1,165,128	5.0	Water Utilities: 3.7%			
		1,165,128	5.0	Guangdong Investment, Ltd.	988,000	848,459	3.7
Road & Rail: 3.5%						848,459	3.7
Guangshen Railway Co., Ltd. H Shares	1,102,000	578,197	2.5	Total Utilities			
Guangshen Railway Co., Ltd. ADR	8,900	231,260	1.0			848,459	3.7
		809,457	3.5	ENERGY: 3.5%			
Transportation Infrastructure: 3.1%				Oil, Gas & Consumable Fuels: 3.5%			
Yuexiu Transport Infrastructure, Ltd.	886,000	485,602	2.1	China Shenhua Energy Co., Ltd. H Shares	264,000	803,120	3.5
Jiangsu Expressway Co., Ltd. H Shares	202,000	238,358	1.0			803,120	3.5
		723,960	3.1	Total Energy			
Air Freight & Logistics: 2.9%						803,120	3.5
Shenzhen Chiwan Petroleum B Shares	343,200	662,120	2.9	MATERIALS: 3.1%			
		662,120	2.9	Containers & Packaging: 3.1%			
Electrical Equipment: 2.0%				Greatview Aseptic Packaging Co., Ltd.			
Boer Power Holdings, Ltd.	634,000	469,958	2.0		1,236,000	706,123	3.1
		469,958	2.0			706,123	3.1
Total Industrials						706,123	3.1
		3,830,623	16.5	Total Materials			
TELECOMMUNICATION SERVICES: 2.8%						706,123	3.1
Wireless Telecommunication Services: 2.8%				TELECOMMUNICATION SERVICES: 2.8%			
China Mobile, Ltd. ADR	11,400	642,218	2.8	Wireless Telecommunication Services: 2.8%			
		642,218	2.8	China Mobile, Ltd. ADR			
Total Telecommunication Services						642,218	2.8

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

	Shares	Value	% of Net Assets
HEALTH CARE: 2.6%			
Pharmaceuticals: 2.6%			
Tianjin ZhongXin Pharmaceutical Group Corp., Ltd. S Shares	650,000	598,000	2.6
		<u>598,000</u>	<u>2.6</u>
Total Health Care		598,000	2.6

INFORMATION TECHNOLOGY: 2.5%

Internet Software & Services: 2.5%			
Pacific Online, Ltd.	1,313,000	580,753	2.5
		<u>580,753</u>	<u>2.5</u>
Total Information Technology		580,753	2.5

TOTAL COMMON EQUITIES:**CHINA/HONG KONG: 18,866,365**

(Cost \$18,419,631)

COMMON EQUITIES: TAIWAN: 14.8%**HEALTH CARE: 5.9%**

Health Care Equipment & Supplies: 5.9%			
St. Shine Optical Co., Ltd.	20,000	550,782	2.4
Pacific Hospital Supply Co., Ltd.	241,000	809,462	3.5
		<u>1,360,244</u>	<u>5.9</u>
Total Health Care		1,360,244	5.9

CONSUMER DISCRETIONARY: 2.9%

Leisure Equipment & Products: 2.9%			
Johnson Health Tech Co., Ltd.	214,095	681,870	2.9
		<u>681,870</u>	<u>2.9</u>
Total Consumer Discretionary		681,870	2.9

INDUSTRIALS: 2.5%

Professional Services: 2.5%			
Sporton International, Inc.	191,900	574,445	2.5
		<u>574,445</u>	<u>2.5</u>
Total Industrials		574,445	2.5

TELECOMMUNICATION SERVICES: 2.3%

Diversified Telecommunication Services: 2.3%			
Chunghwa Telecom Co., Ltd. ADR	17,300	542,637	2.3
		<u>542,637</u>	<u>2.3</u>
Total Telecommunication Services		542,637	2.3

COMMON EQUITIES: TAIWAN (continued)

	Shares	Value	% of Net Assets
INFORMATION TECHNOLOGY: 1.2%			
Semiconductors & Semiconductor Equipment: 1.2%			
Taiwan Semiconductor Manufacturing Co., Ltd.	85,000	288,604	1.2
		<u>288,604</u>	<u>1.2</u>
Total Information Technology		288,604	1.2

TOTAL COMMON EQUITIES: TAIWAN**3,447,800 14.8**

(Cost \$3,047,050)

COMMON EQUITIES: SINGAPORE: 2.7%**FINANCIALS: 2.7%**

Real Estate Investment Trusts: 2.7%			
CapitaRetail China Trust, REIT	562,000	615,266	2.7
		<u>615,266</u>	<u>2.7</u>
Total of Financials		615,266	2.7

TOTAL COMMON EQUITIES:**SINGAPORE 615,266**

(Cost \$782,277)

TOTAL COMMON EQUITIES**22,929,431****TOTAL INVESTMENTS: 99.2%****22,929,430**

(Cost \$22,248,958)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 0.8%****195,919****NET ASSETS: 100.0%****23,125,349**

ADR: American Depositary Receipt

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

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

REIT: Real Estate Investment Trust

S Shares: Mainland China companies listed on the Singapore stock exchange but incorporated in mainland China.

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 (USD).

For the six months ending 30 September 2013, the Matthews Pacific Tiger Fund returned -0.96% while its benchmark, the MSCI All Country Asia ex Japan Index, gained 0.34%.

The underperformance relative to the benchmark stems from a confluence of factors that worked against the Fund. Most notable among these was an overweight allocation to Indonesian and Indian equities as well as our underweight and weak stock selection within China and Hong Kong.

Indonesia's capital markets have been weak since May of this year as investors seemed to fret over the prospect of a wide-scale withdrawal of capital from the country. As the flows stalled and then reversed, the central bank has been forced to raise interest rates to slow the depreciation in the Indonesian rupiah, thereby raising the cost of capital, which has further translated into lower growth. In such an environment, Indonesian equities suffered a broad-based sell-off. One of the Fund's biggest holdings, Perusahaan Gas Negara Persero, detracted from Fund performance during the period, even though a significant portion of its business is relatively insulated from the gyrations of the rupiah.

The recent volatility in capital flows for the economies of India and the Association of Southeast Asian Nation (ASEAN) underscores the importance of developing more sustained sources of foreign capital via exports and/or foreign direct investment. In our view, overseas businesses and longer-term capital continue to be attracted to the prospects of better growth in Asia, but these should be distinguished from portfolio flows that are seeking to arbitrage the differential between rates and returns. The longer-term structural inflows require appropriate policies, and a competitive business environment. The progress on both these aspects has been mixed across Asia although the sharp depreciation in some currencies—such as the Indian rupee and the Indonesian rupiah—is forcing some difficult decisions like the elimination of wasteful subsidies.

During the period, the relative performance of the Fund was helped by positive stock selection particularly in South Korea. One of the Fund's Internet-related holdings, Naver Corporation, has continued to gain traction with its mobile applications in several parts of Asia, including Japan and South Korea. In general, our stock selection across much of Asia remained favourable but was unable to offset the negative impact from the allocation effect.

Investor sentiment toward Asia has shifted dramatically, and in opposing directions. China was literally on a knife's edge in June but more recently, the economy has shown some signs of stabilisation. Hence, some investor concerns over the financial system in China seem to be receding. The shift in stance toward China has been somewhat abrupt, but not more so than the falling out of favour of India and ASEAN.

Amidst this volatility in capital markets, our investment approach has remained unchanged. If anything, we have redoubled our efforts to identify businesses that are less dependent on the capital markets to grow, and run by motivated management teams. We are being selective in taking advantage of more favourable valuations, such as consumer-related sectors in China or utility stocks in India.

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: 88.4%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 26.6%				TAIWAN: 7.6%			
Ping An Insurance Group Co. of China, Ltd. H Shares	134,500	999,516	2.9	President Chain Store Corp.	116,000	837,878	2.4
Hang Lung Group, Ltd.	152,000	811,313	2.4	Delta Electronics, Inc.	135,000	654,344	1.9
Dairy Farm International Holdings, Ltd.	69,300	700,623	2.0	Synnex Technology International Corp.	321,297	502,901	1.5
China Resources Enterprise, Ltd.	218,000	692,997	2.0	Taiwan Semiconductor Manufacturing Co., Ltd.	109,000	370,092	1.1
Tingyi (Cayman Islands) Holding Corp.	224,000	593,633	1.7	Yuanta Financial Holding Co., Ltd.	479,962	245,658	0.7
China Mobile, Ltd. ADR	10,500	591,517	1.7	Total Taiwan		2,610,873	7.6
Hengan International Group Co., Ltd.	49,000	572,942	1.7	THAILAND: 7.5%			
Baidu, Inc. ADR	3,670	560,164	1.6	Bank of Ayudhya Public Co., Ltd.	642,200	774,582	2.3
Dongfeng Motor Group Co., Ltd. H Shares	348,000	528,311	1.5	Central Pattana Public Co., Ltd.	485,500	681,656	2.0
Sinopharm Group Co., Ltd. H Shares	198,400	497,766	1.5	Siam Cement Public Co., Ltd. NVDR	44,200	601,168	1.8
Lenovo Group, Ltd.	458,000	478,760	1.4	PTT Exploration & Production Public Co., Ltd.	99,114	517,336	1.4
Digital China Holdings, Ltd.	356,000	436,146	1.3	Total Thailand		2,574,742	7.5
China Resources Land, Ltd.	126,000	358,143	1.0	INDONESIA: 6.3%			
Hong Kong Exchanges and Clearing, Ltd.	20,800	333,301	1.0	PT Perusahaan Gas Negara Persero	1,535,000	683,427	2.0
Tencent Holdings, Ltd.	6,000	314,674	0.9	PT Astra International	846,000	467,399	1.4
Swire Pacific, Ltd. A Shares	26,000	311,404	0.9	PT Telekomunikasi Indonesia Persero	2,357,000	423,775	1.2
China Vanke Co., Ltd. B Shares	133,590	244,353	0.7	PT Bank Central Asia	335,500	287,409	0.8
Shangri-La Asia, Ltd.	55,666	92,175	0.4	PT Indofood CBP Sukses Makmur	247,500	217,091	0.6
Total China/Hong Kong		9,117,738	26.6	PT Telekomunikasi Indonesia Persero - ADR	2,000	73,827	0.3
INDIA: 15.5%				Total Indonesia		2,152,928	6.3
Tata Power Co., Ltd.	649,776	842,254	2.5	MALAYSIA: 5.0%			
GAIL India, Ltd.	131,642	689,278	2.0	Genting BHD	240,000	765,488	2.2
Container Corp. of India, Ltd.	45,964	526,525	1.5	Public Bank BHD	107,600	585,618	1.7
Thermax, Ltd.	53,187	497,845	1.5	IHH Healthcare BHD	237,700	302,062	0.9
Titan Industries, Ltd.	133,374	494,467	1.4	Top Glove Corp. BHD	38,600	74,511	0.2
ITC, Ltd.	79,810	433,948	1.3	Total Malaysia		1,727,679	5.0
Dabur India, Ltd.	157,978	427,718	1.3	SWITZERLAND: 1.6%			
Sun Pharmaceutical Industries, Ltd.	43,791	415,002	1.2	DKSH Holding, Ltd.	6,317	539,861	1.6
Kotak Mahindra Bank, Ltd.	34,036	368,658	1.1	Total Switzerland		539,861	1.6
HDFC Bank, Ltd.	38,217	362,025	1.0	PHILIPPINES: 1.2%			
Housing Development Finance Corp.	18,725	228,585	0.7	SM Prime Holdings, Inc.	1,150,875	423,236	1.2
Total India		5,286,305	15.5	Total Philippines		423,236	1.2
SOUTH KOREA: 15.2%				SINGAPORE: 1.2%			
Amorepacific Corp.	1,211	1,019,351	3.0	Keppel Land, Ltd.	105,000	295,617	0.9
Samsung Electronics Co., Ltd.	670	851,504	2.5	Hyflux, Ltd.	108,000	103,618	0.3
Green Cross Corp.	6,110	781,189	2.3	Total Singapore		399,235	1.2
Cheil Worldwide, Inc.	29,884	688,480	2.0				
Naver Corp.	1,305	675,793	2.0				
Dongbu Insurance Co., Ltd.	13,611	584,474	1.7				
Yuhan Corp.	2,137	389,650	1.1				
Hyundai Mobis	405	107,565	0.3				
MegaStudy Co., Ltd.	1,452	102,639	0.3				
Total South Korea		5,200,645	15.2				

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

	Shares	Value	% of Net Assets
VIETNAM: 0.7%			
Vietnam Dairy Products JSC	34,887	232,943	0.7
Total Vietnam		232,943	0.7
TOTAL COMMON EQUITIES		30,266,185	
(Cost \$29,749,688)			
TOTAL INVESTMENTS: 88.4%		30,266,185	
(Cost \$29,749,688)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 11.6%		3,956,094	
NET ASSETS: 100.0%		34,222,279	

ADR: American Depositary Receipt

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

BHD: Berhad

H Shares: Mainland China companies listed on The Hong Kong Stock exchange but incorporated in mainland China

NVDR: Non-Voting Depositary Receipt

**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 2013, the Matthews China Fund returned 3.57% while its benchmark, the MSCI China Index, returned 4.91%.

After a volatile trading period during the first three months of the fiscal year, Chinese equities rallied strongly across the board during the following quarter. The market rally was initially due to a relatively quick resolution to the liquidity crunch in its financial system, which occurred toward the end of June. By late summer, the Chinese stock market was further boosted by economic indicators that pointed to a broad-based recovery in economic growth.

During the six-month period, the biggest contributor to Fund performance came from the information technology (IT) sector, followed by the consumer staples, consumer discretionary and telecom services sectors. We have continued to position the portfolio to focus more on services-oriented industries such as IT software, education and health care. Among our positions in the IT sector, Internet-related companies demonstrated particularly strong performance.

In terms of detractors, China's health care sector experienced some setbacks during the period. In our view, the negative impact was mainly due to state media exposure over certain corrupt practices among some pharmaceutical companies. We believe this should impact the health care sector over the short term. We further believe that the cleanup in the health care industry will benefit the sector's stronger companies over the long term. Our positive outlook on the industry remains unchanged.

During the period, we rebuilt a position in New Oriental Education, a leading education service provider in China. We previously owned the company but exited it on concerns related to the overhang of an investigation by the U.S. Securities and Exchange Commission over its ownership structure. As that concern no longer exists, the market has refocused on New Oriental's corporate fundamentals. We believe that management's past execution has been strong and that the firm is well-positioned in the fast-growing Chinese education sector. On the other hand, we selectively trimmed our weighting in the property sector.

There are clear signs that China's economy is gradually bottoming out. In addition to the positive economic data in the third quarter of the calendar year, listed companies have also released guidance for overall stronger business operations in the second half of the year. Going forward, we expect to see more economic reform measures from China's new leadership. The recent launch of the Shanghai Free Trade Zone is a good example of such reforms. It shows China's determination to further open up its service sector industries. We will continue to follow the developments in the service industries in China and look for long term investment opportunities to benefit from it.

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 97.7%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
FINANCIALS: 22.8%				INFORMATION TECHNOLOGY: 15.6%			
Real Estate Management & Development: 8.5%				Internet Software & Services: 7.7%			
China Vanke Co., Ltd. B Shares	500,453	915,392	2.7	Tencent Holdings, Ltd.	16,800	881,086	2.5
China Resources Land, Ltd.	312,000	886,831	2.7	Sina Corp.	9,450	768,200	2.3
Hang Lung Group, Ltd.	113,000	603,147	1.8	NetEase, Inc. ADR	9,450	672,151	2.0
Swire Pacific, Ltd. A Shares	39,000	467,106	1.4	Baidu, Inc. ADR	1,900	290,003	0.9
		2,872,476	8.5			2,611,440	7.7
Commercial Banks: 7.4%				Communications Equipment: 2.5%			
China Merchants Bank Co., Ltd. H Shares	439,610	798,904	2.3	ZTE Corp. H Shares	404,480	835,954	2.5
China Construction Bank Corp. H Shares	850,340	654,362	1.9			835,954	2.5
Agricultural Bank of China, Ltd. H Shares	1,155,000	531,533	1.6	Electronic Equipment, Instruments & Components: 1.9%			
BOC Hong Kong Holdings, Ltd.	160,000	513,606	1.5	Digital China Holdings, Ltd.	539,000	660,344	1.9
		2,498,405	7.3			660,344	1.9
Insurance: 5.0%				Computers & Peripherals: 1.9%			
Ping An Insurance Group Co. of China, Ltd. H Shares	120,500	895,478	2.6	Lenovo Group, Ltd.	598,000	625,106	1.8
China Life Insurance Co., Ltd. H Shares	206,000	533,711	1.6			625,106	1.8
China Life Insurance Co., Ltd. ADR	7,000	272,342	0.8	Software: 1.7%			
		1,701,531	5.0	Kingdee International Software Group Co., Ltd.	2,014,800	579,180	1.7
Diversified Financial Services: 2.0%						579,180	1.7
Hong Kong Exchanges and Clearing, Ltd.	42,400	679,422	2.0	Total Information Technology			
		679,422	2.0			5,312,024	15.6
Total Financials		7,751,834	22.8	CONSUMER STAPLES: 11.2%			
CONSUMER DISCRETIONARY: 16.7%				Food Products: 4.5%			
Hotels, Restaurants & Leisure: 7.7%				China Mengniu Dairy Co., Ltd.			
Sands China, Ltd.	126,400	781,217	2.3	Tingyi (Cayman Islands) Holding Corp.	234,000	620,134	1.8
Cafe' de Coral Holdings, Ltd.	246,000	762,971	2.2			1,529,403	4.5
Home Inns & Hotels Management, Inc. ADR	19,300	648,794	1.9	Food & Staples Retailing: 3.2%			
Shangri-La Asia, Ltd.	266,000	440,458	1.3	China Resources Enterprise, Ltd.	164,000	521,337	1.5
		2,633,440	7.7	Lianhua Supermarket Holdings Co., Ltd. H Shares	552,800	332,820	1.0
Textiles, Apparel & Luxury Goods: 2.6%				Sun Art Retail Group, Ltd.	166,000	237,989	0.7
Li & Fung, Ltd.	350,000	509,138	1.5			1,092,146	3.2
Li Ning Co., Ltd.	471,000	370,270	1.1	Beverages: 1.8%			
		879,408	2.6	Tsingtao Brewery Co., Ltd. H Shares	80,000	608,422	1.8
Automobiles: 1.9%						608,422	1.8
Dongfeng Motor Group Co., Ltd. H Shares	434,000	658,871	1.9	Personal Products: 1.7%			
		658,871	1.9	Hengan International Group Co., Ltd.	49,500	578,788	1.7
Specialty Retail: 1.5%						578,788	1.7
Belle International Holdings, Ltd.	351,000	509,318	1.5	Total Consumer Staples			
		509,318	1.5			3,808,759	11.2
Multiline Retail: 1.3%				INDUSTRIALS: 8.6%			
Golden Eagle Retail Group, Ltd.	281,000	438,317	1.3	Transportation Infrastructure: 3.6%			
		438,317	1.3	China Merchants Holdings International Co., Ltd.	194,000	705,044	2.1
Media: 1.2%				Yuexiu Transport Infrastructure, Ltd.	918,000	503,141	1.5
Television Broadcasts, Ltd.	67,000	422,407	1.2			1,208,185	3.6
		422,407	1.2	Machinery: 2.1%			
Diversified Consumer Services: 0.5%				CSR Corp., Ltd. H Shares	804,000	560,734	1.6
New Oriental Education & Technology Group, Inc. ADR	6,700	165,562	0.5	Sany Heavy Equipment International Holdings Co., Ltd.	534,500	162,609	0.5
		165,562	0.5			723,343	2.1
Total Consumer Discretionary		5,707,323	16.7				

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

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
INDUSTRIALS (continued)				HEALTH CARE: 5.5%			
Airlines: 1.5%				Health Care Equipment & Supplies: 2.9%			
Air China, Ltd. H Shares	766,000	518,616	1.5	Mindray Medical International, Ltd. ADR	25,450	1,001,020	2.9
		518,616	1.5			1,001,020	2.9
Industrial Conglomerates: 1.4%				Health Care Providers & Services: 2.0%			
NWS Holdings, Ltd.	313,500	486,540	1.4	Sinopharm Group Co., Ltd. H Shares	265,200	665,360	2.0
		486,540	1.4			665,360	2.0
Total Industrials		2,936,684	8.6	Pharmaceuticals: 0.6%			
UTILITIES: 6.0%				Sino Biopharmaceutical			
Electric Utilities: 2.6%					284,000	192,281	0.6
Cheung Kong Infrastructure Holdings, Ltd.	125,000	866,279	2.6			192,281	0.6
		866,279	2.6	Total Health Care			
Independent Power Producers & Energy Traders: 2.0%						1,858,661	5.5
China Longyuan Power Group Corp. H Shares	618,000	642,069	1.9	TOTAL COMMON EQUITIES			
		642,069	1.9	33,272,291			
Gas Utilities: 1.5%				(Cost \$ 31,400,692)			
Hong Kong & China Gas Co., Ltd.	218,987	526,792	1.5	TOTAL INVESTMENTS: 97.7%			
		526,792	1.5	33,272,291			
Total Utilities		2,035,140	6.0	(Cost \$ 31,400,692)			
ENERGY: 5.7%				CASH AND OTHER ASSETS, LESS LIABILITIES: 2.3%			
Oil, Gas & Consumable Fuels: 3.8%						796,151	
CNOOC, Ltd.	255,000	518,647	1.5	NET ASSETS: 100.0%			
China Shenhua Energy Co., Ltd. H Shares	146,500	445,671	1.3			34,068,442	
Kunlun Energy Co., Ltd.	248,000	346,422	1.0				
		1,310,740	3.8				
Energy Equipment & Services: 1.9%							
China Oilfield Services, Ltd. H Shares	258,000	646,454	1.9				
		646,454	1.9				
Total Energy		1,957,194	5.7				
TELECOMMUNICATION SERVICES: 5.6%							
Wireless Telecommunication Services: 3.4%							
China Mobile, Ltd.	62,500	698,273	2.1				
China Mobile, Ltd. ADR	8,000	450,679	1.3				
		1,148,952	3.4				
Diversified Telecommunication Services: 2.2%							
China Communications Services Corp., Ltd. H Shares	1,294,000	755,720	2.2				
		755,720	2.2				
Total Telecommunication Services		1,904,672	5.6				

ADR: American Depositary Receipt

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

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

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).

For the six months ending 30 September 2013, the Matthews India Fund fell -14.60% while its benchmark, the Bombay Stock Exchange 100 Index, returned -11.26%.

The majority of the market correction resulted from a weakening rupee, which depreciated more than 13% over the past six months, and more than 5% during the recent quarter amid reversing portfolio debt flows and signals from the U.S. Federal Reserve that it would begin tapering quantitative easing. The rupee fell to all-time lows in August before it partially recovered. Given the country's current account deficit and persistent inflation, depreciation pressures may continue.

Our exposure to quality private commercial banks, such as Kotak Mahindra Bank, contributed to our relative performance as the bank managed its credit costs better than state-owned banks. We believe that the current credit cycle could prove to be worse than the one that occurred a decade ago. A significant amount of growth for public sector banks and some private banks has come from financing infrastructure projects that lack sufficient hard collateral available against loans. Making these projects operational and sufficiently cash-generative to repay loans is possible, but may be difficult without the enforcement of structural reforms.

Our avoidance of energy stocks also helped Fund performance as policy log-jams and the government's practice of sharing the subsidy burden with public sector energy companies have impacted the sector. Our limited holdings of metal stocks within the materials sector worked against us amid a recovery in global metal prices during the most recent quarter. We believe that over the long term, materials stocks with pricing power and distribution reach should do better than metal firms, which are mainly governed by hard-to-control macroeconomic factors.

Our limited exposure to technology services exporters, which rallied amid currency depreciation, also posed a drag on Fund performance. We had begun trimming some of our large-cap holdings in this segment, such as Infosys, a few quarters ago as we sensed that business models are shifting in favor of providing niche services versus just labour arbitrage. We believe that these weaknesses have been masked temporarily by a currency windfall.

During the latter quarter, we exited a few companies across sectors and have become more concentrated, especially within the small and mid-cap space, taking advantage of the market correction. Given high political and macro uncertainties, we decided to trim areas in which we had less conviction.

At a macroeconomic level, inflation may be quite enduring and given the upcoming elections, the government may not be able to make some needed bold reforms. The government has approved some large stalled projects and is trying to release coal blocks in a transparent fashion. However, many reform initiatives have largely been delayed. Fortunately, India's rainfall this year was good and the resulting uptick in rural consumption could partially mitigate the delay in an industrial recovery.

Given the macroeconomic uncertainties, we maintain our belief in investing for the long term, using our bottom-up research process.

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: INDIA: 98.6%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CONSUMER STAPLES: 23.4%				MATERIALS: 12.5%			
Personal Products: 15.6%				Chemicals: 9.4%			
Emami, Ltd.	76,741	594,511	6.2	Supreme Industries, Ltd.	67,180	362,700	3.8
Dabur India, Ltd.	185,681	502,722	5.2	Asian Paints, Ltd.	45,750	335,607	3.5
Bajaj Corp., Ltd.	95,096	398,961	4.2	Castrol India, Ltd.	40,902	202,272	2.1
		1,496,194	15.6			900,579	9.4
Tobacco: 5.2%				Construction Materials: 1.7%			
ITC, Ltd.	91,844	499,380	5.2	Grasim Industries, Ltd.	3,879	163,949	1.7
		499,380	5.2			163,949	1.7
Food Products: 2.6%				Metals & Mining: 1.4%			
Zydus Wellness, Ltd.	29,725	253,165	2.6	NMDC, Ltd.	69,218	132,786	1.4
		253,165	2.6			132,786	1.4
Total Consumer Staples		2,248,739	23.4	Total Materials		1,197,314	12.5
FINANCIALS: 19.4%				CONSUMER DISCRETIONARY: 11.6%			
Diversified Financial Services: 8.1%				Auto Components: 3.9%			
Kotak Mahindra Bank, Ltd.	46,609	504,841	5.3	Exide Industries, Ltd.	183,366	378,858	3.9
IDFC, Ltd.	168,512	237,002	2.5			378,858	3.9
Multi Commodity Exchange of India, Ltd.	6,398	38,947	0.3	Textiles, Apparel & Luxury Goods: 2.9%			
		780,790	8.1	Titan Industries, Ltd.	75,676	280,559	2.9
Commercial Banks: 5.7%				Household Durables: 2.4%			
HDFC Bank, Ltd.	41,367	391,865	4.0	Symphony, Ltd.	47,041	229,288	2.4
ICICI Bank, Ltd.	11,604	163,787	1.7			229,288	2.4
		555,652	5.7	Media: 2.4%			
Consumer Finance: 3.7%				Jagran Prakashan, Ltd.			
Shriram City Union Finance, Ltd.	20,777	351,140	3.7	173,107	226,459	2.4	
		351,140	3.7		226,459	2.4	
Thriffs & Mortgage Finance: 1.9%				Total Consumer Discretionary			
Housing Development Finance Corp.	14,593	178,144	1.9			1,115,164	11.6
		178,144	1.9	INFORMATION TECHNOLOGY: 5.8%			
Total Financials		1,865,726	19.4	Internet Software & Services: 3.2%			
INDUSTRIALS: 18.8%				Info Edge India, Ltd.			
Machinery: 8.6%				60,637	307,326	3.2	
AIA Engineering, Ltd.	83,017	416,776	4.4		307,326	3.2	
Thermax, Ltd.	29,859	279,488	2.9	IT Services: 2.6%			
Ashok Leyland, Ltd.	524,515	126,929	1.3	MindTree, Ltd.	12,749	248,260	2.6
		823,193	8.6			248,260	2.6
Transportation Infrastructure: 4.5%				Total Information Technology			
Gujarat Pipavav Port, Ltd.	580,818	428,157	4.5			555,586	5.8
		428,157	4.5	HEALTH CARE: 4.5%			
Industrial Conglomerates: 3.0%				Pharmaceuticals: 4.5%			
MAX India, Ltd.	92,788	284,344	3.0	Sun Pharmaceutical Industries, Ltd.	46,177	437,614	4.5
		284,344	3.0			437,614	4.5
Road & Rail: 2.7%				Total Health Care			
Container Corp. of India, Ltd.	23,721	271,728	2.7			437,614	4.5
		271,728	2.7	UTILITIES: 2.6%			
Total Industrials		1,807,422	18.8	Gas Utilities: 2.6%			
				GAIL India, Ltd.			
				47,815	250,359	2.6	
					250,359	2.6	
				Total Utilities			
						250,359	2.6
				TOTAL COMMON EQUITIES: INDIA			
				9,477,924			
				(Cost \$10,889,614)			

*Schedule of Investments (Unaudited) (continued)***COMMON EQUITIES: SINGAPORE: 2.1%**

	Shares	Value	% of Net Assets
FINANCIALS: 2.1%			
Real Estate Management & Development: 2.1%			
Ascendas India Trust	405,000	201,376	2.1
		<u>201,376</u>	<u>2.1</u>
Total Financials		<u>201,376</u>	<u>2.1</u>
TOTAL COMMON EQUITIES: SINGAPORE			
		<u>201,376</u>	
(Cost \$252,696)			
TOTAL COMMON EQUITIES		<u>9,679,300</u>	
TOTAL INVESTMENTS: 100.7%		<u>9,679,300</u>	
(Cost \$11,142,310)			
LIABILITIES IN EXCESS OF CASH AND OTHER ASSETS: (0.7%)		<u>(66,767)</u>	
NET ASSETS: 100.0%		<u><u>9,612,533</u></u>	

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



PORTFOLIO MANAGERS

Lydia So, CFA
Lead Manager

Kenichi Amaki
Co-Manager

Asia Small Companies Fund

Fund Manager Report

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

The Matthews Asia Small Companies Fund was launched on 30 April 2013. For the period ending 30 September 2013, since its inception, the Fund declined -5.20%, while its benchmark, the MSCI All Country Asia ex Japan Small Cap Index, fell -3.33%.

Since the Fund's inception, Asian markets have experienced immense volatility. In May and June, macroeconomic issues ranged from large spikes in inter-bank rates in China as well as weakening current account deficits in India and Indonesia to concerns over the potential for U.S. Federal Reserve tapering of quantitative easing. Toward the end of August and early September, concerns over U.S. monetary policy further heightened. Markets fretted in anticipation of the potential for capital flows into the region to be negatively impacted.

The bulk of the Fund's underperformance relative to its benchmark occurred in August due to our overweight in Indonesia and Thailand. Equities in these markets were sold off more aggressively than their North Asian counterparts, where the Fund is underweight. In addition, the depreciation of the Indonesian rupiah, which stemmed from concerns over the country's current account deficits, also exacerbated the underperformance. Bank Tabungan Pensiunan Nasional was the biggest detractor to Fund performance for the period due to a moderating outlook for growth as well as margin pressure from rising funding costs. The company is a consumer-focused bank with microfinancing services in Indonesia, and it performed poorly due to worries over its reliance on wholesale funding and competition from larger banks that have the advantage of stronger funding.

The Fund's overweight in India since inception and the weakness of the Indian rupee also hurt performance. However, good stock selection helped as most of our India holdings held up better than the broader group of Indian companies in the benchmark in local currency terms.

Toward the end of the period, we made some portfolio adjustments, exiting some holdings in the consumer staples sector due to our view that valuations have grown too rich relative to their growth outlook. Within the same sector, we initiated a new position in Binggrae, a leading Korean dairy products and ice cream manufacturer with growing revenue streams from exports to neighbouring countries.

Asia's health care industry is one area that we believe will benefit from the secular growth trend of rising household income and health awareness. We have continued to expand our exposure to the sector, and recently initiated a new position in Raffles Medical Group in Singapore. The company operates a full service private hospital in Singapore with double-digit growth through an increased volume of patients treated as well as in its pricing. We view the company to be attractive as demand for health care services tends to be resilient irrespective of economic conditions.

Despite the fact that the market has recently focused on monetary policy and capital flows, evaluating the strength of individual businesses and fundamentals remains core to our strategy. While GDP growth in the region is likely to moderate going forward, we believe that there are still many compelling opportunities in Asia's small-cap universe for bottom-up investors.

Investing in small- and mid-size companies is more risky and volatile than investing in large companies as they may be more volatile and less liquid than larger companies.

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: 98.3%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 27.3%				TAIWAN: 9.4%			
Towngas China Co., Ltd.	34,000	30,950	2.9	St. Shine Optical Co., Ltd.	1,000	27,539	2.6
Minth Group, Ltd.	14,000	27,905	2.7	PChome Online, Inc.	4,000	22,998	2.2
Haitian International Holdings, Ltd.	12,000	27,577	2.6	Pacific Hospital Supply Co., Ltd.	6,000	20,152	1.9
Vitasoy International Holdings, Ltd.	20,000	25,246	2.4	Sinmag Equipment Corp.	4,200	18,117	1.7
Airtac International Group	3,210	22,564	2.1	TXC Corp.	8,000	10,684	1.0
Pacific Online, Ltd.	48,000	21,231	2.1	Total Taiwan		99,490	9.4
Lee's Pharmaceutical Holdings, Ltd.	25,000	20,946	2.0	SOUTH KOREA: 8.0%			
Stelux Holdings International, Ltd.	51,000	18,078	1.7	Pyeong Hwa Automotive Co., Ltd.	1,140	26,842	2.6
Sunny Optical Technology Group Co., Ltd.	16,000	16,686	1.6	Daum Communications Corp.	210	18,100	1.7
Xingda International Holdings, Ltd. H Shares	33,000	15,485	1.5	Cheil Worldwide, Inc.	670	15,436	1.5
Yip's Chemical Holdings, Ltd.	16,000	13,904	1.3	Bingrae Co., Ltd.	164	14,694	1.4
Convenience Retail Asia, Ltd.	18,000	12,976	1.2	Kiwoom Securities Co., Ltd.	183	8,827	0.8
KWG Property Holding, Ltd.	17,500	11,030	1.0	Total South Korea		83,899	8.0
Trinity, Ltd.	30,000	10,098	1.0	SINGAPORE: 7.8%			
Vinda International Holdings, Ltd.	7,000	9,891	0.9	Super Group, Ltd.	8,000	26,988	2.6
Lifetech Scientific Corp.	4,000	2,992	0.3	Petra Foods, Ltd.	8,000	22,039	2.1
Total China/Hong Kong		287,559	27.3	ARA Asset Management, Ltd.	16,000	20,829	1.9
INDIA: 13.9%				Raffles Medical Group, Ltd.	5,000	12,540	1.2
Emami, Ltd.	2,770	21,459	2.0	Total Singapore		82,396	7.8
Ipca Laboratories, Ltd.	1,871	21,380	2.0	THAILAND: 7.7%			
Gruh Finance, Ltd.	5,195	17,774	1.7	Bangkok Chain Hospital Public Co., Ltd.	77,500	16,466	1.6
Page Industries, Ltd.	253	17,755	1.7	Supalai Public Co., Ltd.	28,900	14,588	1.4
MindTree, Ltd.	782	15,228	1.5	Aeon Thana Sinsap Thailand Public Co., Ltd. NVDR	4,100	12,248	1.2
Supreme Industries, Ltd.	2,244	12,115	1.1	Tisco Financial Group Public Co., Ltd.	10,100	12,181	1.2
Berger Paints India, Ltd.	3,359	11,646	1.1	Oishi Group Public Co., Ltd.	3,500	10,120	1.0
Gujarat Pipavav Port, Ltd.	15,559	11,469	1.1	SNC Former Public Co., Ltd.	13,800	8,597	0.7
CRISIL, Ltd.	537	10,107	1.0	Siam Global House Public Co., Ltd.	11,800	6,705	0.6
AIA Engineering, Ltd.	1,561	7,837	0.7	Total Thailand		80,905	7.7
Total India		146,770	13.9	MALAYSIA: 7.6%			
INDONESIA: 10.9%				Dialog Group BHD	21,100	16,435	1.6
PT Bank Tabungan Pensiunan Nasional	45,000	15,343	1.5	Alliance Financial Group BHD	10,400	15,990	1.5
PT Wismilak Inti Makmur	218,000	12,882	1.2	KPJ Healthcare BHD	8,400	15,854	1.5
PT Astra Otoparts	34,000	12,739	1.2	Oldtown BHD	17,200	14,252	1.4
PT Arwana Citramulia	170,000	12,395	1.2	LPI Capital BHD	2,700	12,673	1.2
PT AKR Corporindo	30,500	10,465	1.0	Apex Healthcare BHD	3,600	5,322	0.4
PT Selamat Sempurna	40,000	10,293	1.0	Total Malasiya		80,526	7.6
PT Sumber Alfaria Trijaya	210,000	10,267	0.9				
PT Modern Internasional	137,000	9,518	0.9				
PT Sarana Menara Nusantara	35,000	8,331	0.8				
PT Ultrajaya Milk Industry & Trading Co.	21,500	7,561	0.7				
PT Jasa Marga Persero	11,500	5,123	0.5				
Total Indonesia		114,917	10.9				

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

	Shares	Value	% of Net Assets
PHILIPPINES: 5.7%			
Security Bank Corp.	5,370	16,185	1.6
RFM Corp.	140,900	15,712	1.5
Vista Land & Lifescapes, Inc.	122,400	14,997	1.4
Philippine Seven Corp.	5,060	12,688	1.2
Total Philippines		59,582	5.7
TOTAL COMMON EQUITIES		1,036,044	
(Cost \$1,086,081)			
TOTAL INVESTMENTS: 98.3%		1,036,044	
(Cost \$1,086,081)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 1.7%		18,057	
NET ASSETS: 100.0%		1,054,101	

BHD: Berhad

NVDR: Non-Voting Depositary Receipt

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



PORTFOLIO MANAGERS

Richard Gao
Lead Manager

Henry Zhang, CFA
Co-Manager

China Small Companies Fund

Fund Manager Report

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

For the six months ending 30 September 2013, the Matthews China Small Companies Fund returned 10.15%, while its benchmark, the MSCI China Small Cap Index, gained 4.04%.

Following an economic slowdown in the first three months of the fiscal year, China's economic activity picked up significantly in the recent quarter, and its equity markets performed well. The recovery was broad-based, as industrial production, investment and trade all showed meaningful improvement. Investor sentiment was further boosted after the U.S. Federal Reserve decided to delay tapering its quantitative easing program.

During the six-month period, industrials, health care and consumer discretionary were the main contributors to the Fund's absolute performance. Many of our holdings in these sectors demonstrated resilient and consistent growth in both revenues and profits in spite of the volatile economic environment. Elevator manufacturer and service provider Yungtay Engineering was a top contributor to Fund performance. Although the company is headquartered in Taiwan, it has been running its business in mainland China for about 20 years. As elevators are used in developing new residential buildings and retrofitting older buildings, Yungtay should be a long-term beneficiary of both China's urbanisation process and aging population.

Minth Group, an automobile parts supplier, was another top contributor to Fund performance. The company delivered strong operating results as it has gradually transformed itself from a China auto parts supplier to a global parts maker. With its efficient operations and strong execution, we expect Minth to benefit from both China's growth and overseas auto market recovery.

On the other hand, holdings in the materials and financials sectors were among the major detractors to Fund performance during the fiscal first half of the year. Yip's Chemical, a leading petrochemical product producer in China, posed one of the biggest drags to Fund performance. The company's results for the first half of 2013 fell short of expectations due to a slowdown in China's economic growth. While the company may face some short-term uncertainties, we believe its solid execution and efficient operations should deliver growth over the long term.

During the latter part of the period, the Fund initiated a new position in China Lodging Group, a leading hotel chain operator, which has more than 1,200 hotels under five different brands in China. Given the company's strong financial position and solid execution record, we believe the firm will continue to be a consolidator among China's highly fragmented hotel industry.

As China continues to take on more economic reform and deregulate some state-dominated sectors, non-state-owned enterprises should encounter many growth opportunities, and we expect smaller companies, in particular, to be chief beneficiaries of this long-term process. Management teams for most large state-owned enterprises have little or no equity ownership, and we believe investing in smaller companies offers greater growth potential to investors in the long run as the interests of management teams for small companies are much more aligned to those of minority shareholders.

China's economic growth appears to have stabilised from its recent trough. The country's increasing urbanisation and rising household income should continue to serve as the main drivers for promoting domestic demand and narrowing income gaps. We will continue to seek small companies for the portfolio that can benefit from these shifts with sustainable business models, strong competitive positions and quality management teams.

China Small Companies Fund

30 September 2013

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 2013, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 80.1%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 19.1%				HEALTH CARE: 12.0%			
Auto Components: 4.1%				Pharmaceuticals: 7.9%			
Minth Group, Ltd.	28,000	55,809	4.1	Sino Biopharmaceutical	80,000	54,164	4.0
		55,809	4.1	Lee's Pharmaceutical Holdings, Ltd.	45,000	37,704	2.7
Hotels, Restaurants & Leisure: 3.4%				Tianjin ZhongXin Pharmaceutical Group Corp., Ltd. S Shares	10,000	9,200	0.7
Tao Heung Holdings, Ltd.	28,000	20,253	1.5	CSPC Pharmaceutical Group, Ltd.	14,000	7,472	0.5
Home Inns & Hotels Management, Inc. ADR	600	20,170	1.5			108,540	7.9
China Lodging Group, Ltd. ADS	300	5,649	0.4	Life Sciences Tools & Services: 4.1%			
		46,072	3.4	WuXi PharmaTech Cayman, Inc. ADR	2,000	55,523	4.1
Diversified Consumer Services: 2.7%						55,523	4.1
TAL Education Group ADR	2,500	37,450	2.7	Total Health Care			
		37,450	2.7			164,063	12.0
Leisure Equipment & Products: 2.6%				INFORMATION TECHNOLOGY: 11.6%			
Goodbaby International Holdings, Ltd.	72,000	36,197	2.6	Electronic Equipment, Instruments & Components: 6.5%			
		36,197	2.6	Sunny Optical Technology Group Co., Ltd.	38,000	39,628	2.9
Multiline Retail: 2.3%				PAX Global Technology, Ltd.	56,000	23,615	1.7
Springland International Holdings, Ltd.	57,000	30,873	2.3	Digital China Holdings, Ltd.	12,000	14,702	1.1
		30,873	2.3	Truly International Holdings	20,000	11,602	0.8
Media: 1.8%						89,547	6.5
Television Broadcasts, Ltd.	4,000	25,218	1.8	Internet Software & Services: 4.4%			
		25,218	1.8	21Vianet Group, Inc. ADR	2,700	43,401	3.2
Specialty Retail: 1.2%				Sina Corp.	200	16,258	1.2
Hengdeli Holdings, Ltd.	66,000	15,831	1.2			59,659	4.4
		15,831	1.2	Semiconductors & Semiconductor Equipment: 0.7%			
Textiles, Apparel & Luxury Goods: 1.0%				Spreadtrum Communications, Inc. ADR	300	9,040	0.7
Anta Sports Products, Ltd.	11,000	14,172	1.0			9,040	0.7
		14,172	1.0	Total Information Technology			
Total Consumer Discretionary		261,622	19.1			158,246	11.6
INDUSTRIALS: 15.6%				FINANCIALS: 9.3%			
Machinery: 5.1%				Real Estate Management & Development: 9.3%			
Haitian International Holdings, Ltd.	14,000	32,173	2.3	China Overseas Grand Oceans Group, Ltd.	42,000	51,116	3.7
Airtac International Group	3,210	22,564	1.6	Franshion Properties China, Ltd.	124,000	40,767	3.0
CIMC Enric Holdings, Ltd.	6,000	8,045	0.6	K Wah International Holdings, Ltd.	39,000	21,013	1.6
Sany Heavy Equipment International Holdings Co., Ltd.	25,000	7,606	0.6	KWG Property Holding, Ltd.	22,000	13,866	1.0
		70,388	5.1			126,762	9.3
Electrical Equipment: 3.2%				Total Financials			
Hangzhou Steam Turbine Co., Ltd. B Shares	20,960	28,705	2.1			126,762	9.3
Zhuzhou CSR Times Electric Co., Ltd. H Shares	3,000	9,746	0.7	UTILITIES: 4.8%			
Boer Power Holdings, Ltd.	7,000	5,189	0.4	Gas Utilities: 4.8%			
		43,640	3.2	Towngas China Co., Ltd.	72,000	65,542	4.8
Professional Services: 3.1%						65,542	4.8
51job, Inc. ADR	600	42,398	3.1	Total Utilities			
		42,398	3.1			65,542	4.8
Transportation Infrastructure: 2.4%				MATERIALS: 4.5%			
Yuexiu Transport Infrastructure, Ltd.	60,000	32,885	2.4	Containers & Packaging: 3.0%			
		32,885	2.4	Greatview Aseptic Packaging Co., Ltd.	72,000	41,133	3.0
Marine: 1.8%						41,133	3.0
SITC International Holdings Co., Ltd.	62,000	24,946	1.8	Chemicals: 1.5%			
		24,946	1.8	Yip's Chemical Holdings, Ltd.	24,000	20,856	1.5
Total Industrials		214,257	15.6			20,856	1.5
				Total Materials			
						61,989	4.5

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

	Shares	Value	% of Net Assets
CONSUMER STAPLES: 2%			
Household Products: 1.0%			
Vinda International Holdings, Ltd.	10,000	14,130	1.0
		<u>14,130</u>	<u>1.0</u>
Food Products: 1.0%			
Shenguan Holdings Group, Ltd.	32,000	13,701	1.0
		<u>13,701</u>	<u>1.0</u>
Total Consumer Staples		<u>27,831</u>	<u>2.0</u>

ENERGY: 1.2%

Energy Equipment & Services: 0.7%			
Hilong Holding, Ltd.	17,000	9,884	0.7
		<u>9,884</u>	<u>0.7</u>
Oil, Gas and Consumable Fuels: 0.5%			
Sinopec Kantons Holdings, Ltd.	8,000	6,879	0.5
		<u>6,879</u>	<u>0.5</u>
Total Energy		<u>16,763</u>	<u>1.2</u>

TOTAL COMMON EQUITIES:

CHINA/HONG KONG:	1,097,075	80.1
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(Cost: \$847,349)

COMMON EQUITIES: TAIWAN: 15.3%**HEALTH CARE: 5.7%**

Health Care Equipment & Supplies: 5.7%			
Ginko International Co., Ltd.	2,000	37,012	2.7
St. Shine Optical Co., Ltd.	1,000	27,539	2.0
Pacific Hospital Supply Co., Ltd.	4,000	13,435	1.0
		<u>77,986</u>	<u>5.7</u>
Total Health Care		<u>77,986</u>	<u>5.7</u>

FINANCIALS: 4.1%

Diversified Financial Services: 4.1%			
Chailease Holding Co., Ltd.	24,200	56,737	4.1
		<u>56,737</u>	<u>4.1</u>
Total Financials		<u>56,737</u>	<u>4.1</u>

INDUSTRIALS: 3.9%

Machinery: 3.9%			
Yungtay Engineering Co., Ltd.	20,000	52,542	3.9
		<u>52,542</u>	<u>3.9</u>
Total Industrials		<u>52,542</u>	<u>3.9</u>

CONSUMER DISCRETIONARY: 1.6%

Hotels, Restaurants & Leisure 1.6%			
Gourmet Master Co., Ltd.	3,100	22,234	1.6
		<u>22,234</u>	<u>1.6</u>
Total Consumer Discretionary		<u>22,234</u>	<u>1.6</u>

TOTAL COMMON EQUITIES: TAIWAN

209,499	15.3
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(Cost: \$176,309)

TOTAL COMMON EQUITIES1,306,574**TOTAL INVESTMENTS: 95.4%**1,306,574

(Cost: \$1,023,658)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 4.6%**63,379**NET ASSETS: 100.0%**1,369,953

ADR: American Depositary Receipt

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

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

S Shares: Mainland China companies listed on the Singapore stock exchange but incorporated in mainland China

Statement of Assets and Liabilities

As at 30 September 2013

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)
ASSETS				
Investment in securities at value	767,870,379	30,266,185	33,272,291	9,679,300
At cost	778,891,704	29,749,688	31,400,692	11,142,310
Cash and cash equivalent at bank	37,551,693	4,349,861	847,410	105,282
Amount receivable on sales of investments	16,970	1,931	–	827,511
Interests and dividends receivable	3,670,444	20,609	56,476	18,288
Subscriptions receivable	2,690,252	601,408	–	–
Formation expenses (note 2I)	12,419	12,419	11,126	21,604
Prepaid expenses and other receivables (note 2H)	186,707	26,810	27,095	30,765
TOTAL ASSETS	811,998,864	35,279,223	34,214,398	10,682,750
LIABILITIES				
Amounts payable on purchases of investments	748,049	933,596	–	–
Redemptions payable	3,607,604	–	–	958,790
Management fees (note 4)	1,169,188	22,474	42,277	12,983
Payable for foreign taxes (note 7B)	–	412	–	6,660
Accrued expenses and other payables	577,965	100,462	103,679	91,784
TOTAL LIABILITIES	6,102,806	1,056,944	145,956	1,070,217
TOTAL NET ASSETS	805,896,058	34,222,279	34,068,442	9,612,533

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

Statement of Assets and Liabilities *(Continued)*

As at 30 September 2013

	Asia Small Companies Fund* (USD)	China Small Companies Fund (USD)	China Dividend Fund (USD)	Combined (USD)
ASSETS				
Investment in securities at value	1,036,044	1,306,574	22,929,430	866,360,203
At cost	1,086,081	1,023,658	22,248,958	815,544,364
Cash and cash equivalent at bank	29,681	62,860	179,298	43,126,085
Amount receivable on sales of investments	–	–	–	846,412
Interests and dividends receivable	700	1,443	84,145	3,852,105
Subscriptions receivable	–	593	–	3,292,253
Formation expenses (note 2I)	–	–	–	57,568
Prepaid expenses and other receivables (note 2H)	8,706	32,933	31,461	344,477
TOTAL ASSETS	1,075,131	1,404,403	23,224,334	917,879,103
LIABILITIES				
Amounts payable on purchases of investments	–	–	20,744	1,702,389
Redemptions payable	–	–	–	4,566,394
Management fees (note 4)	2,173	2,803	30,111	1,282,009
Payable for foreign taxes (note 7B)	2,605	–	–	9,677
Accrued expenses and other payables	16,252	31,647	48,130	969,919
TOTAL LIABILITIES	21,030	34,450	98,985	8,530,388
TOTAL NET ASSETS	1,054,101	1,369,953	23,125,349	909,348,715

* For the period from 30 April 2013 (date of launch) to 30 September 2013.

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

Statement of Operations and Changes in Net Assets

For the year/period ended 30 September 2013

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)
NET ASSETS AT THE BEGINNING OF THE YEAR / PERIOD	435,670,083	12,211,274	34,560,395	13,663,700
INCOME				
Dividends income, net	14,634,470	173,026	653,377	140,258
Interest income, net	291	–	45	1,172
Other income	26,317	–	–	–
TOTAL INCOME	14,661,078	173,026	653,422	141,430
EXPENSES				
Overdraft interest on bank accounts	387	9	54	274
Management fees and administration fees (note 4)	3,940,156	74,723	170,616	65,028
Domiciliation, Administration and Transfer agency fees	119,924	35,335	36,766	32,155
Professional fees	21,190	9,320	9,662	9,593
Printing fees	112,841	1,705	3,698	4,458
Custodian fees	33,058	10,496	10,496	10,490
Amortization of formation expenses (note 2I)	4,010	4,010	4,010	4,010
Taxe d'abonnement (note 7A)	76,087	1,027	1,753	666
Transaction costs (note 8)	598,973	59,392	10,575	23,666
Other fees	141,914	14,794	26,343	9,332
TOTAL EXPENSES	5,048,540	210,811	273,973	159,672
Fee waiver (note 2H)	97,449	52,799	10,853	41,109
NET INVESTMENT INCOME/(LOSS)	9,709,987	15,014	390,302	22,867
Net realised gain/(loss) on investments	6,169	138,057	7,678	(1,028,848)
Net realised gain/(loss) on foreign exchanges	(326,950)	(3,272)	(701)	(43,377)
Net realised gain/(loss) for the year/period	(320,781)	134,785	6,977	(1,072,225)
Net change in unrealised gain/(loss) on investments	7,261,453	(625,819)	736,453	(917,410)
Net change in unrealised gain/(loss) on foreign tax provision (note 7B)	–	(2,108)	–	13,717
Net change in unrealised gain/(loss) on foreign exchanges	33,817	4,015	9	(912)
Net change in unrealised gain/(loss) for the year/period	7,295,270	(623,912)	736,462	(904,605)
Increase/(decrease) in net assets as a result of operations	16,684,476	(474,113)	1,133,741	(1,953,963)
Subscriptions	465,923,783	23,336,561	12,529	1,671,192
Redemptions	(110,650,666)	(851,443)	(1,638,223)	(3,768,396)
Dividend distributions (note 10)	(1,731,618)	–	–	–
NET ASSETS AT THE END OF THE YEAR/PERIOD	805,896,058	34,222,279	34,068,442	9,612,533

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

Statement of Operations and Changes in Net Assets *(Continued)*

For the year/period ended 30 September 2013

	Asia Small Companies Fund* (USD)	China Small Companies Fund (USD)	China Dividend Fund (USD)	Combined (USD)
NET ASSETS AT THE BEGINNING OF THE YEAR / PERIOD	–	1,187,192	22,064,469	519,357,113
INCOME				
Dividends income, net	15,355	24,234	650,012	16,290,732
Interest income, net	2	–	–	1,510
Other income	–	–	–	26,317
TOTAL INCOME	15,357	24,234	650,012	16,318,559
EXPENSES				
Overdraft interest on bank accounts	5	2	63	794
Management fees and administration fees (note 4)	6,351	9,724	118,376	4,384,974
Domiciliation, Administration and Transfer agency fees	5,782	23,946	11,910	265,818
Professional fees	4,635	8,530	13,938	76,868
Printing fees	20	574	515	123,811
Custodian fees	2,096	10,476	7,726	84,838
Amortization of formation expenses (note 2I)	–	–	–	16,040
Taxe d'abonnement (note 7A)	128	208	1,328	81,197
Transaction costs (note 8)	2,715	3,978	56,051	755,350
Other fees	6,189	7,698	9,937	216,207
TOTAL EXPENSES	27,921	65,136	219,844	6,005,897
Fee waiver (note 2H)	16,740	51,792	19,504	290,246
NET INVESTMENT INCOME/(LOSS)	4,176	10,890	449,672	10,602,908
Net realised gain/(loss) on investments	(3,941)	(22,457)	(101,123)	(1,004,465)
Net realised gain/(loss) on foreign exchanges	(2,792)	(227)	(1,833)	(379,152)
Net realised gain/(loss) for the year/period	(6,733)	(22,684)	(102,956)	(1,383,617)
Net change in unrealised gain/(loss) on investments	(50,037)	132,861	797,042	7,334,543
Net change in unrealised gain/(loss) on foreign tax provision (note 7B)	(2,001)	–	–	9,608
Net change in unrealised gain/(loss) on foreign exchanges	(3)	(2)	391	37,315
Net change in unrealised gain/(loss) for the year/period	(52,041)	132,859	797,433	7,381,466
Increase/(decrease) in net assets as a result of operations	(54,598)	121,065	1,144,149	16,600,757
Subscriptions	1,108,699	63,033	3,324,218	495,440,015
Redemptions	–	(1,337)	(3,395,924)	(120,305,989)
Dividend distributions (note 10)	–	–	(11,563)	(1,743,181)
NET ASSETS AT THE END OF THE YEAR/PERIOD	1,054,101	1,369,953	23,125,349	909,348,715

* For the period from 30 April 2013 (date of launch) to 30 September 2013.

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

Statement of Changes in Number of Shares

For the year/period ended 30 September 2013

	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 year/period	10,846,388	2,513,627	8,987,379	2,093,032	8,004,916	232,015	720,101	20,498	136,438
Shares subscribed	19,686,947	3,225,136	9,417,472	1,095,956	–	30,092	1,077,288	14,351	136,968
Shares redeemed	4,191,083	358,708	2,502,248	668,622	–	63,906	484,541	676	8,737
Shares outstanding at the end of the year/period	26,342,252	5,380,055	15,902,603	2,520,366	8,004,916	198,201	1,312,848	34,173	264,669
PACIFIC TIGER FUND									
Shares outstanding at the beginning of the year/period	880,854	n.a.	94,025	n.a.	n.a.	215	n.a.	3,183	n.a.
Shares subscribed	1,502,939	n.a.	98,781	n.a.	n.a.	175,907	n.a.	780	n.a.
Shares redeemed	51,178	n.a.	18,577	n.a.	n.a.	–	n.a.	–	n.a.
Shares outstanding at the end of the year/period	2,332,615	n.a.	174,229	n.a.	n.a.	176,122	n.a.	3,963	n.a.
CHINA FUND									
Shares outstanding at the beginning of the year/period	3,221,673	n.a.	25,071	n.a.	n.a.	215	n.a.	1,968	n.a.
Shares subscribed	–	n.a.	126	n.a.	n.a.	488	n.a.	267	n.a.
Shares redeemed	156,696	n.a.	–	n.a.	n.a.	–	n.a.	1,539	n.a.
Shares outstanding at the end of the year/period	3,064,977	n.a.	25,197	n.a.	n.a.	703	n.a.	696	n.a.
INDIA FUND									
Shares outstanding at the beginning of the year/period	1,564,937	n.a.	1,000	n.a.	n.a.	622	n.a.	2,556	n.a.
Shares subscribed	140,023	n.a.	42,408	n.a.	n.a.	–	n.a.	6,681	n.a.
Shares redeemed	423,888	n.a.	42,308	n.a.	n.a.	–	n.a.	2,222	n.a.
Shares outstanding at the end of the year/period	1,281,072	n.a.	1,100	n.a.	n.a.	622	n.a.	7,015	n.a.
ASIA SMALL COMPANIES FUND*									
Shares outstanding at the beginning of the year/period	–	n.a.	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	52,500	n.a.	58,790	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	–	n.a.	–	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the year/period	52,500	n.a.	58,790	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CHINA SMALL COMPANIES FUND									
Shares outstanding at the beginning of the year/period	50,000	n.a.	65,115	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	143	n.a.	5,735	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	–	n.a.	121	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the year/period	50,143	n.a.	70,729	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CHINA DIVIDEND FUND									
Shares outstanding at the beginning of the year/period	2,149,161	25,000	39,564	34,618	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	101,626	219,666	14,161	281	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	339,908	–	742	–	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the year/period	1,910,879	244,666	52,983	34,899	n.a.	n.a.	n.a.	n.a.	n.a.

* For the period from 30 April 2013 (date of launch) to 30 September 2013.

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 2013			As at 31 March 2013			
	Net Assets	NAV per Share	Shares Outstanding	Net Assets	NAV per Share	Shares Outstanding	
ASIA DIVIDEND FUND							
I Acc (USD)	30 April 2010	USD 354,970,399	USD 13.48	26,342,252	USD 141,057,180	USD 13.00	10,846,388
I Dist (USD)	26 August 2010	USD 68,600,275	USD 12.75	5,380,055	USD 31,407,246	USD 12.49	2,513,627
A Acc (USD)	26 August 2010	USD 210,854,428	USD 13.26	15,902,603	USD 115,335,104	USD 12.83	8,987,379
A Dist (USD)	26 August 2010	USD 32,133,056	USD 12.75	2,520,366	USD 26,142,354	USD 12.49	2,093,032
C Acc (USD)	20 September 2010	USD 104,477,416	USD 13.05	8,004,916	USD 100,744,165	USD 12.59	8,004,916
I Acc (GBP)	28 February 2011	GBP 2,489,516	GBP 12.56	198,201	GBP 2,998,605	GBP 12.92	232,015
I Dist (GBP)	28 February 2011	GBP 15,544,400	GBP 11.84	1,312,848	GBP 8,907,454	GBP 12.37	720,101
A Acc (GBP)	28 February 2011	GBP 423,432	GBP 12.39	34,173	GBP 262,186	GBP 12.79	20,498
A Dist (GBP)	28 February 2011	GBP 3,142,134	GBP 11.87	264,669	GBP 1,692,208	GBP 12.40	136,438
PACIFIC TIGER FUND							
I Acc (USD)	30 April 2010	USD 28,830,795	USD 12.36	2,332,615	USD 11,029,555	USD 12.52	880,854
A Acc (USD)	26 August 2010	USD 2,040,170	USD 11.71	174,229	USD 1,118,208	USD 11.89	94,025
I Acc (GBP)	28 February 2011	GBP 2,031,306	GBP 11.53	176,122	GBP 2,682	GBP 12.45	215
A Acc (GBP)	28 February 2011	GBP 45,161	GBP 11.39	3,963	GBP 39,268	GBP 12.34	3,183
CHINA FUND							
I Acc (USD)	26 February 2010	USD 33,789,437	USD 11.02	3,064,977	USD 34,279,946	USD 10.64	3,221,673
A Acc (USD)	26 August 2010	USD 257,043	USD 10.20	25,197	USD 247,486	USD 9.87	25,071
I Acc (GBP)	28 February 2011	GBP 6,882	GBP 9.79	703	GBP 2,168	GBP 10.07	215
A Acc (GBP)	28 February 2011	GBP 6,726	GBP 9.66	696	GBP 19,604	GBP 9.96	1,968
INDIA FUND							
I Acc (USD)	30 June 2011	USD 9,514,559	USD 7.43	1,281,072	USD 13,611,132	USD 8.70	1,564,937
A Acc (USD)	30 June 2011	USD 8,080	USD 7.34	1,100	USD 8,617	USD 8.62	1,000
I Acc (GBP)	30 June 2011	GBP 4,584	GBP 7.37	622	GBP 5,722	GBP 9.20	622
A Acc (GBP)	30 June 2011	GBP 51,115	GBP 7.29	7,015	GBP 23,308	GBP 9.12	2,556
ASIA SMALL COMPANIES FUND*							
I Acc (USD)	30 April 2013	USD 497,837	USD 9.48	52,500	n.a.	n.a.	n.a.
A Acc (USD)	30 April 2013	USD 556,265	USD 9.46	58,790	n.a.	n.a.	n.a.
CHINA SMALL COMPANIES FUND							
I Acc (USD)	29 February 2012	USD 570,958	USD 11.39	50,143	USD 517,224	USD 10.34	50,000
A Acc (USD)	29 February 2012	USD 798,995	USD 11.30	70,729	USD 669,967	USD 10.29	65,115
CHINA DIVIDEND FUND							
I Acc (USD)	31 January 2013	USD 19,713,628	USD 10.32	1,910,879	USD 21,091,779	USD 9.81	2,149,161
I Dist (USD)	31 January 2013	USD 2,512,049	USD 10.27	244,666	USD 245,320	USD 9.81	25,000
A Acc (USD)	31 January 2013	USD 544,719	USD 10.28	52,983	USD 387,906	USD 9.80	39,564
A Dist (USD)	31 January 2013	USD 354,952	USD 10.17	34,899	USD 339,463	USD 9.81	34,618

* For the period from 30 April 2013 (date of launch) to 30 September 2013.

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

Notes to Financial Statements *(Unaudited)*

As at 30 September 2013

1. GENERAL

MATTHEWS ASIA FUNDS (the “Fund”) 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 17 December 2010 relating to collective investment undertakings. The Fund was incorporated on 5 February 2010.

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

The Fund 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.

At the date of the report, seven Sub-Funds were available for investments.

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

SHARE CLASS	Asia Dividend Fund	Pacific Tiger Fund	China Fund	India Fund	Asia Small Companies Fund	China Small Companies Fund	China Dividend Fund
I Acc (USD)	x	x	x	x	x	x	x
I Dist (USD)	x						x
A Acc (USD)	x	x	x	x	x	x	x
C Acc (USD)	x						
A Dist (USD)	x						x
I Acc (GBP)	x	x	x	x			
I Dist (GBP)	x						
A Acc (GBP)	x	x	x	x			
A Dist (GBP)	x						

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.

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

As at 30 September 2013

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. When such events occur, the Fund may fair value its securities if the impact of such events can be reasonably determined. Notwithstanding the foregoing, the Fund may determine not to fair value securities where it believes that the impact of doing so would not have a material impact on the calculation of a Fund's NAV on that day.

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.

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 year/period and realised gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current year/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:

	CURRENCY
Asia Dividend Fund	USD
Pacific Tiger Fund	USD
China Fund	USD
India Fund	USD
Asia Small Companies Fund	USD
China Small Companies Fund	USD
China Dividend 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 Fund may not be able to exchange significant amounts of VND directly for USD. However, the Investment Manager believes that the Fund would be able to exchange significant amounts of VND for Hong Kong dollars, which it can exchange directly for USD. Accordingly, the Fund 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.

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

As at 30 September 2013

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. Fees that have been previously reimbursed may be recovered by the advisor.

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 USD 157,391. 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.

3. EXCHANGE RATES

The exchange rates used in the financial statements as at 30 September 2013 are:					
Australian Dollar (AUD)	1.0736	Japanese Yen (JPY)	97.62	Thai Bhat (THB)	31.3
Swiss Franc (CHF)	0.9057	South Korean Won (KRW)	1,075.15	Taiwan New Dollar (TWD)	29.558
Hong Kong Dollar (HKD)	7.7543	Malaysian Ringgit (MYR)	3.2585	United States Dollar (USD)	1
Indonesian Rupiah (IDR)	11,658.35	Philippine Peso (PHP)	43.47	Vietnamese Dong (VND)*	21,117
Indian Rupee (INR)	62.605	Singapore Dollar (SGD)	1.2560		

*Please refer to note 2E.

4. MANAGEMENT FEES AND ADMINISTRATION FEES

The Investment Advisor receives an amount corresponding to the Management Fee, which may be 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. The Investment Advisor will remunerate the Investment Manager out of this fee.

	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%	—
Asia Small Companies Fund	1.00%	—	1.50%	—	—	—	—	—	—
China Small Companies Fund	1.00%	—	1.50%	—	—	—	—	—	—
China Dividend Fund	0.75%	0.75%	1.25%	1.25%	—	—	—	—	—

In addition, the Investment Advisor receives an Administration Fee, which may be 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. The Investment Advisor pays the Administration Fee to the Investment Manager.

Sub-Fund	
Asia Dividend Fund	0.25%
Pacific Tiger Fund	0.25%
China Fund	0.25%
India Fund	0.25%
Asia Small Companies Fund	0.25%
China Small Companies Fund	0.25%
China Dividend Fund	0.25%

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

As at 30 September 2013

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 Fund pays Richard Goddard EUR 43,000 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 law of 17 December 2010.

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 for a period of one year or less. 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 at 30 September 2013, the Matthews Asia Funds Pacific Tiger Fund has recorded a payable of USD 412, the Matthews Asia Funds India Fund a payable of USD 6,660 and the Matthews Asia Funds Asia Small companies Fund a payable of USD 2,605 as an estimate for potential future India capital gains taxes.

The South Korean tax authorities have issued a ruling advising that the reduced South Korea/Luxembourg double tax treaty withholding rates would not apply to SICAVs, and the Seoul Regional Tax Office has claimed withholding taxes on dividend and income from August 2010 from the following Sub-Funds: Matthews Asia Funds Pacific Tiger Fund and Matthews Asia Funds Asia Dividend Fund.

Those amounts have been recorded as a reduction of "Dividend Income, Net".

8. TRANSACTION COSTS

For the six months ended 30 September 2013, the Fund incurred transaction costs which have been defined as brokerage fees and custody transaction fees relating to purchase or sale of transferable securities or other eligible assets as follows:

Sub-Fund (USD)	Transaction costs	Custody transaction fees	Brokerage fees and commissions
Asia Dividend Fund	598,973	27,876	571,097
Pacific Tiger Fund	59,392	11,476	47,916
China Fund	10,575	3,098	7,477
India Fund	23,666	2,824	20,842
Asia Small Companies Fund	2,715	—	2,715
China Small Companies Fund	3,978	3,525	453
China Dividend Fund	56,051	32,006	24,045

9. SOFT COMMISSION ARRANGEMENTS

The Investment Manager may effect transactions with or through the agency of another person with whom the Investment Manager or an entity affiliated to the Investment Manager has arrangements under which that person will, from time to time, provide to or procure for the Investment Manager and/or an affiliated party goods, services or other benefits such as research and advisory services, specialised computer hardware or software. No direct payment may be made for such goods or services but the Investment Manager may undertake to place business with that person provided that person has agreed to provide best execution with respect to such business and the services provided must be of a type which assist in the provision of investment services to the Company. The total monetary value of these arrangements for the six months ended 30 September 2013 are USD 47,662.46.

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

As at 30 September 2013

10. DIVIDENDS

The Company intends to declare and distribute dividends representing substantially all of the net investment income attributable to Distributing Shares. Dividends in respect of these Shares will normally be payable quarterly or semi-annually, will be declared in the currency of denomination of the relevant Fund and will be recorded on ex-date. Interim dividends in respect of the Distributing Shares of any particular Fund may be paid from the attributable net investment income and realised capital gains with a frequency and at such intervals as the Board of Directors may decide.

The following dividend payments were made during the twelve months ended 30 September 2013:

Asia Dividend Fund	Currency	Ex-Date	Date of dividend payment	Dividend per Share	Dividend paid out of net distributable income for the month (%)	Dividend paid out of capital (%)
I Dist	USD	19/09/2012	26/09/2012	0.081012	100%	0%
I Dist	USD	12/12/2012	19/12/2012	0.005824	100%	0%
I Dist	USD	20/03/2013	27/03/2013	0.019796	100%	0%
I Dist	USD	19/06/2013	26/06/2013	0.103118	100%	0%
I Dist	USD	18/09/2013	25/09/2013	0.087778	100%	0%
A Dist	USD	19/09/2012	26/09/2012	0.056179	100%	0%
A Dist	USD	12/12/2012	19/12/2012	0.000000	n.a.	0%
A Dist	USD	20/03/2013	27/03/2013	0.010987	100%	0%
A Dist	USD	19/06/2013	26/06/2013	0.078571	100%	0%
A Dist	USD	18/09/2013	25/09/2013	0.074034	100%	0%
I Dist	GBP	19/09/2012	26/09/2012	0.079421	100%	0%
I Dist	GBP	12/12/2012	19/12/2012	0.003967	100%	0%
I Dist	GBP	20/03/2013	27/03/2013	0.025641	100%	0%
I Dist	GBP	19/06/2013	26/06/2013	0.090032	100%	0%
I Dist	GBP	18/09/2013	25/09/2013	0.092037	100%	0%
A Dist	GBP	19/09/2012	26/09/2012	0.042017	100%	0%
A Dist	GBP	12/12/2012	19/12/2012	0.000000	n.a.	0%
A Dist	GBP	20/03/2013	27/03/2013	0.014864	100%	0%
A Dist	GBP	19/06/2013	26/06/2013	0.082513	100%	0%
A Dist	GBP	18/09/2013	25/09/2013	0.066411	100%	0%
China Dividend Fund						
I Dist	USD	19/06/2013	26/06/2013	0.041924	100%	0%
A Dist	USD	19/06/2013	26/06/2013	0.106094	100%	0%

The Securities and Futures Commission of Hong Kong ("SFC") requires disclosure of the composition of dividends distributed by SFC authorized funds. This disclosure should include the amount of the distribution per share as well as the portion of the dividend paid out of capital on a rolling twelve-month period.

11. SWING PRICING

The Board of Directors of the Company implemented a price adjustment policy in order to protect the interests of the Fund's Shareholders. The purpose of the price adjustment policy is to allocate the costs associated with large inflows and outflows to investors transacting that day, thereby protecting the long-term Shareholders from the worst effects of dilution. It achieves this purpose by adjusting the price at which deals in a Sub-Fund are transacted. In other words, Sub-Fund prices may be adjusted up or down depending on the level and type of investor transactions on a particular day. In this way the existing and remaining Shareholders do not suffer an inappropriate level of dilution. The Fund will only trigger an adjustment in the price when there are net flows. The adjustment will be based on the normal dealing costs for the particular assets in which a Sub-Fund is invested but will not exceed 2% of the price. Once an adjustment is made to the price, that price is the official price for that Sub-Fund for all deals that day.

Further Information

STATEMENT OF CHANGES IN PORTFOLIO

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

Performance and Expenses *(Unaudited)*

As at 30 September 2013

	Average Annual Total Return ¹					Inception Date	Portfolio Turnover ²	Total Expense Ratio ³
	3 Months	1 year	3 years	5 years	Since Inception			
ASIA DIVIDEND FUND								
I Acc (USD)	5.46%	16.65%	8.59%	n.a.	9.22%	30 April 2010	-38.72%	1.20%
I Dist (USD)	5.46%	16.69%	8.63%	n.a.	10.21%	26 August 2010	-38.72%	1.23%
A Acc (USD)	5.38%	16.04%	8.12%	n.a.	9.68%	26 August 2010	-38.72%	1.73%
A Dist (USD)	5.27%	16.00%	8.10%	n.a.	9.65%	26 August 2010	-38.72%	1.76%
C Acc (USD)	5.56%	17.07%	9.16%	n.a.	9.33%	20 September 2010	-38.72%	0.95%
I Acc (GBP)	-0.47%	16.99%	n.a.	n.a.	9.35%	28 February 2011	-38.72%	1.28%
I Dist (GBP)	-0.41%	17.05%	n.a.	n.a.	9.33%	28 February 2011	-38.72%	1.19%
A Acc (GBP)	-0.56%	16.39%	n.a.	n.a.	8.77%	28 February 2011	-38.72%	1.82%
A Dist (GBP)	-0.62%	16.43%	n.a.	n.a.	8.80%	28 February 2011	-38.72%	1.74%
MSCI AC Asia Pacific Index (USD)	7.13%	16.16%	6.08%	n.a.	5.87% ⁴			
PACIFIC TIGER FUND								
I Acc (USD)	3.16%	6.26%	2.54%	n.a.	6.49%	30 April 2010	-47.39%	1.50%
A Acc (USD)	3.07%	5.76%	2.04%	n.a.	5.35%	26 August 2010	-47.39%	2.00%
I Acc (GBP)	-2.53%	6.64%	n.a.	n.a.	5.80%	28 February 2011	-47.39%	1.50%
A Acc (GBP)	-2.72%	6.13%	n.a.	n.a.	5.30%	28 February 2011	-47.39%	2.00%
MSCI AC Asia ex Japan Index (USD)	5.86%	5.61%	2.76%	n.a.	4.93% ⁴			
CHINA FUND								
I Acc (USD)	10.20%	10.31%	-2.14%	n.a.	2.74%	26 February 2010	4.70%	1.50%
A Acc (USD)	10.03%	9.80%	-2.63%	n.a.	0.64%	26 August 2010	4.70%	2.00%
I Acc (GBP)	4.15%	10.87%	n.a.	n.a.	-0.82%	28 February 2011	4.70%	1.50%
A Acc (GBP)	3.87%	10.27%	n.a.	n.a.	-1.33%	28 February 2011	4.70%	2.00%
MSCI China Index (USD)	12.25%	13.04%	0.50%	n.a.	3.50% ⁴			
INDIA FUND								
I Acc (USD)	-6.19%	-15.47%	n.a.	n.a.	-12.36%	30 June 2011	4.63%	1.50%
A Acc (USD)	-6.38%	-15.92%	n.a.	n.a.	-12.83%	30 June 2011	4.63%	2.00%
I Acc (GBP)	-11.42%	-15.19%	n.a.	n.a.	-12.67%	30 June 2011	4.63%	1.50%
A Acc (GBP)	-11.53%	-15.53%	n.a.	n.a.	-13.09%	30 June 2011	4.63%	2.00%
Bombay Stock Exchange 100 Index (USD)	-5.58%	-13.92%	n.a.	n.a.	-12.35% ⁴			
ASIA SMALL COMPANIES FUND								
I Acc (USD)	-1.04%	n.a.	n.a.	n.a.	-5.20%	30 April 2013	33.44%	1.75%
A Acc (USD)	-1.25%	n.a.	n.a.	n.a.	-5.40%	30 April 2013	33.44%	2.25%
MSCI AC Asia ex Japan Small Cap Index	4.62%	n.a.	n.a.	n.a.	-3.33% ⁴			
CHINA SMALL COMPANIES FUND								
I Acc (USD)	10.69%	30.92%	n.a.	n.a.	8.55%	29 February 2012	72.30%	1.75%
A Acc (USD)	10.57%	30.33%	n.a.	n.a.	8.01%	29 February 2012	72.30%	2.25%
MSCI China Small Cap Index (USD)	7.75%	32.48%	n.a.	n.a.	7.59% ⁴			
CHINA DIVIDEND FUND								
I Acc (USD)	6.72%	n.a.	n.a.	n.a.	3.20%	31 January 2013	24.71%	1.50%
I Dist (USD)	6.76%	n.a.	n.a.	n.a.	3.14%	31 January 2013	24.71%	1.50%
A Acc (USD)	6.64%	n.a.	n.a.	n.a.	2.80%	31 January 2013	24.71%	2.00%
A Dist (USD)	6.60%	n.a.	n.a.	n.a.	2.81%	31 January 2013	24.71%	2.00%
MSCI China Index (USD)	12.25%	n.a.	n.a.	n.a.	-3.82% ⁴			

1 Annualised performance for periods of at least one year, otherwise cumulative and performance is based on swung net asset value per share, see note 11.

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.

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.

Disclosures and Index Definitions *(Unaudited)*

Investor Disclosure

All performance quoted represents past performance and is no guarantee of future results. The performance data do not take into account of the commissions and costs incurred on the issue and redemption of units. 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.

Calculation Method of the Risk Exposure

The methodology used in order to calculate the global exposure is the commitment approach in accordance with the CSSF Circular 11/512. As of 30 September 2013, the Sub-Funds did not hold any derivatives.

Index Definitions

It is not possible to invest directly in an index.

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.

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

The **MSCI China Small Cap Index** is a free float-adjusted market capitalization-weighted small cap index of the Chinese equity securities markets, including H shares listed on the Hong Kong Exchange, B shares listed on the Shanghai and Shenzhen exchanges, and Hong Kong-listed securities known as Red Chips (issued by entities owned by national or local governments in China) and P Chips (issued by companies controlled by individuals in China and deriving substantial revenues in China).



Matthews Asia

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