

Matthews Asia Funds | Semi-Annual Report

30 September 2010 | global.matthewsasiasia.com

ASIA DIVIDEND FUND

PACIFIC TIGER FUND

CHINA FUND



Matthews Asia

Société d'investissement à Capital Variable
Luxembourg

R.C.S. 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, three Sub-Funds were available for investment: Asia Dividend, Pacific Tiger and China Funds. This report covers the period from 5 February 2010 to 30 September 2010. The last day on which prices were calculated was 30 September 2010.

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

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

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

The Fund’s accounting year ends on 31 March in each year and for the first accounting year, on 31 March 2011. The first audited annual report of the Fund will be the annual report as of 31 March 2011. The first unaudited semi-annual report of the Fund is the semi-annual report as of 30 September 2010.

The Base Currency of the Fund is U.S. dollars. The aforesaid reports will comprise consolidated accounts of the Fund expressed in U.S. dollars 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 nor the Investment Companies Act of 1940 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.

Contents

Investment Manager's Report	2
Management and Administration	3
Fund Manager Reports and Schedules of Investments:	
Asia Dividend Fund	4
Pacific Tiger Fund	7
China Fund	10
Statements of Assets and Liabilities	13
Statements of Operations and Changes in Net Assets	14
Statements of Changes in Number of Shares	15
Statements of NAV per Share and Net Asset Statistics	16
Notes to Financial Statements	17
Performance	20

Cover Photo: Huc Bridge, Hanoi, Vietnam
© Eric Brandt

.....

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

The views and opinions in this report were current as at 30 September 2010. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of a Fund's future investment intent.

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

The Fund's most current full and simplified prospectus, and most recent Semi-Annual Report, are available from Matthews International Capital Management, LLC. Please read the prospectus carefully before investing.



“Of prime importance in our philosophy are our long-term focus, and the concepts of survivability and sustainability of businesses.”

Investment Manager’s Report

We were pleased to launch the Matthews Asia Funds in February 2010. With the recent run-up in the markets and the return of more speculative behaviour and momentum-driven sentiment by some investors and commentators, it is important to outline Matthews’ investment philosophy.

The Companies We Seek

Of prime importance in our philosophy are our long-term focus, and the concepts of survivability and sustainability of businesses. This is partly based on an assessment of how relevant a business and its products will remain over time; no less important, however, is its balance sheet strength. Low levels of debt, coupled with lower than average volatility in margins and returns, give a company a better chance of surviving and sustaining growth.

Not too distantly related is our focus on cash flow and dividends. First, they indicate value; second, they are indicators of corporate governance; third, over the long term, dividends have accounted for a large portion of equity investors’ total returns. Also important has been our long-standing focus on Asia’s domestic demand opportunities. The growth in wealth of the Asian household has been a stable secular trend and one that we expect to continue. Just as important, the types of businesses in these sectors tend to be much stronger franchises than those producing for the export market.

Finally, an important part of our strategy is our bias toward mid- and small-capitalisation companies. This is partly because of growth prospects for these companies—which tend to be higher—and also because such growth tends to be reasonably priced relative to large caps.

Cyclical Companies Are Not Our Focus

Equally important is the Funds’ relatively low weighting in materials stocks. These businesses remain very cyclical—with the health of this global industry still very reliant on commodity prices and, therefore, underlying monetary conditions in the world. Added to this is the likelihood that over time, after having built up their modern infrastructure, the GDP of Asian countries is likely to become less intensive in the use of hard commodities. As an offshoot of this, our exposure to Australia is relatively light, given its weight in the region (on a market capitalisation basis). Of course, this is partly a reflection of the high weighting to materials companies in the country and the linkage between the commodity cycle and the Australian dollar.

Assessing The Risks

While we do not wish to be inflexible, these biases are a part of our long-term thinking and strategic outlook for investing in the region. Nevertheless, we realise that at times momentum may take over the market and businesses with exciting near-term performance characteristics outperform those with less stellar but more solid long-term prospects.

Our portfolio managers are mindful of these various risks. Nevertheless, it is difficult to sacrifice long-term strategic principle for short-term tactical gain. It presumes greater foresight as to the degree and duration of any cycle than we are comfortable claiming.

It is a privilege to serve as your investment advisor.

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

Matthews Asia Funds

Management and Administration

BOARD OF DIRECTORS

Chairman

William J. Hackett, Chief Executive Officer
Matthews International Capital Management, LLC
Four Embarcadero Center, Suite 550
San Francisco, CA 94111, United States of America

Directors

Timothy B. Parker, General Counsel
Matthews International Capital Management, LLC
Four Embarcadero Center, Suite 550
San Francisco, CA 94111, United States of America

John P. McGowan, Senior Vice President
Matthews International Capital Management, LLC
Four Embarcadero Center, Suite 550
San Francisco, CA 94111, United States of America

Richard Goddard, Independent Director
The Directors' Office
19, rue de Bitbourg, L-1273 Luxembourg
Grand Duchy of Luxembourg

INVESTMENT MANAGER AND GLOBAL DISTRIBUTOR

Matthews International Capital Management, LLC
Four Embarcadero Center, Suite 550
San Francisco, CA 94111, United States of America

INVESTMENT ADVISOR

Matthews Global Investors S.à.r.l.
19, rue de Bitbourg, L-1273 Luxembourg
Grand Duchy of Luxembourg

CUSTODIAN, ADMINISTRATIVE AGENT AND LISTING AGENT

J.P. Morgan Bank Luxembourg S.A.
European Bank & Business Centre
6c, route de Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

AUDITORS

Deloitte S.A.
560, rue de Neudorf
L-2220 Luxembourg
Grand Duchy of Luxembourg

LEGAL ADVISOR

Elvinger, Hoss & Prussen
2, Place Winston Churchill
L-1340 Luxembourg
Grand Duchy of Luxembourg

REGISTERED OFFICE

J.P. Morgan Bank Luxembourg S.A.
European Bank & Business Centre
6c, route de Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

**PORTFOLIO MANAGERS**

Jesper O. Madsen, CFA
Lead Manager

Andrew Foster
Co-Manager

Asia Dividend Fund

Fund Manager Report

The Asia Dividend Fund was launched on 30 April 2010. From its inception through 30 September 2010, the Asia Dividend Fund gained 5.60%, while its benchmark, the MSCI All Country Asia Pacific Index, returned 1.82%. The Fund intends to distribute dividends semi-annually, with its initial distribution planned for December.

Most investors still think of Asia mainly as a region for growth investing. However, earnings growth combined with the propensity of companies to pay dividends has made Asia fertile ground for investors seeking dividend growth and yield. The Asia Dividend Fund invests in companies that we believe offer this attractive combination of dividend yield and sustainable growth.

Because Asia has generally been unburdened by the deleveraging process taking place in developed nations, monetary and fiscal stimulus has been effective in reviving the region's economies, unlike the experience of the U.S. Furthermore, Asia's monetary policies remain closely linked to those of the U.S., leading Asian central banks to hesitate in raising interest rates even as growth strengthened and inflation within certain segments picked up. This may, in part, explain the appreciation seen in Asian equities and other asset prices since the Fund's inception.

Investors in the region should look beyond the short-term appreciation in share prices when allocating to Asia. The appreciation during September seemed to be driven in large part by a top-down allocation rather than selective, bottom-up stock picking. Valuations on the whole are not overly expensive compared to historical averages. However, equities of companies within certain sectors such as domestically oriented consumer staples have experienced healthy appreciation and currently trade at a premium to the overall market. Many of these companies do indeed have solid growth prospects. But the price paid to own these businesses will be an essential determinant of long-term returns.

The Fund's telecommunications holdings were the main contributor to performance during the period, closely followed by holdings in the consumer staples sector. The telecommunications sector—the highest-yielding within Asia Pacific—continues to be one of the main allocations in the Fund.

With valuations expanding in the region as shares appreciated over the latter half of the period, the Fund initiated positions in companies that still offer attractive yields given the longer-term prospects for dividend growth. One such addition was Australia's QBE Insurance Group. This firm offers insurance and reinsurance with operations in 48 countries, and generates healthy earnings from its core insurance underwriting business. The company experienced rapid growth during the past decade largely fueled by acquisitions. However, it currently faces headwinds from a low interest rate environment, which reduces the income generated from the money received from policyholders. Primarily due to these headwinds and the consensus view that interest rates will stay low for an extended period, the company is trading at low valuations compared to its history.

We will continue to seek out and invest in companies across Asia Pacific that offer absolute value in terms of attractive current dividend yields relative to dividend growth.

Schedule of Investments (unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in other regulated market. As at 30 September 2010, expressed in U.S. dollars.

COMMON EQUITIES: 92.1%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 26.5%				SOUTH KOREA: 6.9%			
China Mobile Ltd-Spon ADR	55,400	2,836,626	3.49	KT&G Corp	36,290	2,171,384	2.67
Cheung Kong Infrastructure	642,000	2,546,444	3.14	Grand Korea Leisure Co Ltd	105,800	2,082,093	2.57
Esprit Holdings Ltd	337,100	1,825,579	2.25	MegaStudy Co Ltd	6,124	908,651	1.12
China Communications Service - H	3,016,000	1,786,013	2.20	SK Telecom	3,016	455,185	0.56
Television Broadcasts Ltd	313,000	1,783,733	2.20	S1 Corporation	150	8,264	0.01
Link REIT	554,000	1,640,993	2.02	Cheil Worldwide Inc	396	4,723	0.01
China Fishery Group Ltd	867,000	1,306,640	1.61	Total South Korea		5,630,300	6.94
Shenzhou International Group	1,049,000	1,280,214	1.58	THAILAND: 6.2%			
Yip's Chemical Holdings Ltd	1,008,000	1,239,622	1.53	Thai Beverage Public Co Ltd	8,057,000	1,686,725	2.08
Jiangsu Express Co Ltd - H	1,182,000	1,237,756	1.53	LPN Development PCL - Foreign	2,025,200	700,144	0.86
Kingboard Laminates Holding	1,211,500	1,228,214	1.51	Land & Houses Pub Co - Foreign	2,700,000	675,535	0.83
Cafe de Coral Holdings Ltd	404,000	1,147,860	1.41	Major Cineplex Group - Foreign	1,414,200	675,425	0.83
Sichuan Expressway Co - H	1,516,000	1,014,777	1.25	Glow Energy PCL - Foreign	464,500	653,708	0.81
Minth Group Ltd	314,000	625,771	0.77	Siam Makro Public Co - Foreign	126,400	624,380	0.77
Total China/Hong Kong		21,500,242	26.49	Land & Houses Pub - NVDR	31,600	7,697	0.01
JAPAN: 21.9%				Total Thailand		5,023,614	6.19
Itochu Corp	251,700	2,308,748	2.84	INDONESIA: 5.3%			
Orix Corp	23,170	1,773,898	2.19	PT Perusahaan Gas Negara	5,148,000	2,221,951	2.74
Hisamitsu Pharmaceutical Co	42,400	1,734,822	2.14	PT Telekomunikasi Indonesia-Spon ADR	50,500	2,103,483	2.59
Monex Group Inc	4,756	1,604,110	1.98	Total Indonesia		4,325,434	5.33
Pigeon Corp	48,300	1,537,856	1.89	UNITED KINGDOM: 3.2%			
Point Inc	30,190	1,372,581	1.69	HSBC Holdings PLC-Spon ADR	50,400	2,576,785	3.18
Lawson Inc	29,500	1,353,470	1.67	Total United Kingdom		2,576,785	3.18
Hamamatsu Photonics KK	40,500	1,323,396	1.63	SINGAPORE: 3.1%			
Shinko Plantech Co Ltd	141,400	1,286,208	1.58	CapitaRetail China Trust	1,410,000	1,340,609	1.65
EPS Co Ltd	351	897,134	1.10	Super Group Ltd	1,000,000	837,108	1.03
Hokuto Corp	39,100	876,577	1.08	Ara Asset Management Ltd	345,000	320,393	0.40
Nintendo Co Ltd	3,000	752,184	0.93	Total Singapore		2,498,110	3.08
Fanuc Ltd	4,000	510,437	0.63	PHILIPPINES: 2.0%			
Ship Healthcare Holdings Inc	53,500	467,400	0.58	Globe Telecom Inc	79,720	1,617,186	1.99
United Urban Investment Corp	1	6,896	0.01	Total Philippines		1,617,186	1.99
Total Japan		17,805,717	21.94	MALAYSIA: 0.7%			
TAIWAN 8.6%				Top Glove Corp BHD	323,200	537,088	0.66
Taiwan Semiconductor Manufacturing - Spon ADR	280,300	2,878,148	3.55	Total Malaysia		537,088	0.66
Chunghwa Telecom Ltd - ADR	90,800	2,031,323	2.50	TOTAL COMMON EQUITIES			
Cyberlink Corp	252,015	1,051,025	1.29			74,771,054	
St Shine Optical Co Ltd	101,000	1,049,592	1.29	(Cost \$74,198,059)			
Taiwan Semiconductor Manufacturing	9,000	17,902	0.02				
Total Taiwan		7,027,990	8.65				
AUSTRALIA: 7.7%							
Metcash Ltd	554,435	2,348,114	2.89				
QBE Insurance Group Ltd	126,000	2,109,079	2.60				
Coca-Cola Amatil Ltd	110,754	1,286,503	1.58				
Billabong International Ltd	62,665	484,892	0.60				
Total Australia		6,228,588	7.67				

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

	Shares	Value	% of Net Assets
TOTAL INVESTMENTS: 92.1%		74,771,054	
(Cost \$74,198,059)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 7.9%		6,399,581	
NET ASSETS: 100.0%		81,170,635	

ADR: American Depositary Receipt

BHD: Berhad

NVDR: Non Voting Depositary Receipt

REIT: Real Estate Investment Trust

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

The Pacific Tiger Fund was launched on 30 April 2010. From its inception through 30 September 2010, the Fund gained 15.00% while its benchmark, the MSCI All Country Asia ex Japan Index, returned 8.66%.

Since the Fund's inception, concerns over a "hard landing" for China began to fade, and the rest of the Asia ex-Japan region also seemed to hold up better than many Western nations. In addition, widespread anticipation of possible quantitative easing by the U.S. Federal Reserve and other central banks prompted a surge in equity inflows, most notably to capital markets in India and Indonesia. As if on cue, the correlation across a wide variety of stocks in different countries and industries were bolstered, particularly in September, in what seems an unsustainable development.

The Fund's strategy is to deliver long-term capital appreciation by investing in the right combination of businesses and management teams that will deliver sustainable earnings growth accompanied with appropriate generation of cash flow. As a result, the portfolio tends to favor domestically oriented businesses. We look at valuations as a sanity check with a view toward not overpaying—whether it is for earnings or productive capacity. Valuation levels are never meant to override our conviction surrounding the quality of a company's business or the strength of its management. In comparing valuations across industries, commodity-related stocks score well, but our investment approach emphasises the sustainability of a business and the generation of cash flows, which steers us away from many segments of the commodities food chain. The portfolio has therefore carried a relative underweight in commodities, and that is unlikely to change soon.

Conversely, consumer and health care sector stocks across Asia ex-Japan are perhaps closer to the higher end of their relative historic ranges, reflecting growing investor interest in Asia's domestic demand. Those expectations have largely been exceeded with retail sales across the region recovering sharply, and the pace of growth is now at multi-year highs in many regional economies. Rising income levels, particularly in countries like China, means that certain business models, like those of convenience stores, are starting to hit an inflection point. We believe the portfolio is well-positioned to benefit from this trend.

It is also worth highlighting that investment spending is equally important in countries like India and Indonesia. The pickup in foreign direct investment in these countries can be helpful in accelerating the build out of infrastructure. However, the ability of Asia's economies to digest the surge in flows, particularly through the equity markets, will no doubt be tested. Along with the response to inflationary pressures, the reaction of authorities to currency appreciation and any potential policy missteps present the biggest near-term risks.

With valuations starting to inch above long-term averages, we continue to favour quality and sustainability in the sorts of companies that we seek. However, it continues to be our goal to stay fully invested at all times.

Schedule of Investments (unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in other regulated market. As of 30 September 2010, expressed in U.S. dollars.

COMMON EQUITIES: 95.9%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 32.7%				SOUTH KOREA: 15.4%			
Hang Lung Group Ltd	20,000	130,371	2.59	Hyundai Mobis	549	124,213	2.47
Ping An Insurance Group Co - H	11,500	117,133	2.33	LS Corp	925	95,283	1.90
China Mobile Ltd-Spon ADR	2,200	112,646	2.24	Dongbu Insurance Co Ltd	2,820	87,530	1.74
Ctrip.com International - ADR	2,300	110,116	2.19	Samsung Electronics Co Ltd	116	79,359	1.58
Swire Pacific Ltd - A	7,500	103,199	2.05	Cheil Worldwide Inc	6,304	75,186	1.50
Baidu Inc-Spon ADR	900	93,164	1.85	Yuhan Corporation	447	72,967	1.45
Tingyi (Cayman Islands) Holding Co	32,000	88,179	1.75	Megastudy Co Ltd	478	70,923	1.41
Hengan International Group Co Ltd	8,500	84,646	1.68	Amorepacific Corp	48	48,395	0.96
Hong Kong Exchanges and Clearing	4,100	80,623	1.61	NHN Corp	276	47,609	0.95
Dairy Farm International Holdings Ltd	9,900	75,240	1.50	Posco	102	46,341	0.92
Shangri-La Asia Ltd	32,000	72,727	1.45	Green Cross Corp	189	25,784	0.51
China Resources Enterprise	16,000	72,357	1.44	Total South Korea		773,590	15.39
Lenovo Group Ltd	100,000	61,608	1.23	INDONESIA: 7.8%			
New Oriental Education & Technology-Spon ADR	600	58,262	1.16	PT Bank Central Asia	160,500	120,555	2.40
China Vanke Co Ltd - B	38,900	49,172	0.98	PT Astra International	14,000	88,991	1.77
Dongfeng Motor Group Co Ltd - H	24,000	49,004	0.97	PT Telekomunikasi Indonesia-Spon ADR	2,000	83,306	1.66
China Resources Land Ltd	24,000	48,730	0.97	PT Perusahaan Gas Negara	157,000	67,763	1.35
Mindray Medical International Ltd - ADR	1,600	46,761	0.93	PT Indofood CBP Sukses Makmur	33,500	20,262	0.40
China Merchants Bank - H	18,000	46,294	0.92	PT Telekomunikasi Indonesia	10,000	10,314	0.20
Tencent Holdings Ltd	1,800	39,276	0.78	Total Indonesia		391,191	7.78
Sinopharm Group Co - H	9,200	37,924	0.76	TAIWAN : 7.0%			
Digital China Holdings Ltd	15,000	26,100	0.52	Yuanta Financial Holding Co	135,000	82,299	1.64
Netease.com Inc - ADR	600	23,783	0.47	President Chain Store Corp	18,000	77,653	1.54
Shenzhen Chiwan Wharf Holdings - B	9,000	15,019	0.30	Synnex Technology International Cop.	32,297	75,017	1.49
Total China/Hong Kong		1,642,334	32.67	Hon Hai Precision Industry	18,240	68,779	1.37
INDIA: 18.8%				Taiwan Semiconductor Manufacturing	24,000	47,739	0.95
Housing Development Finance	5,857	96,351	1.92	Total Taiwan		351,487	6.99
HDFC Bank Ltd - ADR	500	91,210	1.82	THAILAND: 5.8%			
ITC Ltd	20,470	81,889	1.63	Bank of Ayudhya PCL - Foreign	136,700	113,627	2.26
Infosys Technologies-Spon ADR	1,200	80,447	1.60	Land & Houses Pub Co - Foreign	437,300	109,412	2.18
Unitech Ltd	39,348	77,955	1.55	Central Pattana Pub Co - Foreign	67,800	67,479	1.34
Tata Power Co Ltd	2,206	67,076	1.33	Total Thailand		290,518	5.78
Kotak Mahindra Bank Ltd	6,122	65,423	1.30	MALAYSIA: 4.6%			
Dabur India Ltd	25,717	62,316	1.24	Genting BHD	35,800	115,041	2.29
Sun Pharmaceutical Industries	1,296	58,752	1.17	Public Bank BHD	20,700	84,220	1.68
Sun TV Network Ltd	4,442	51,725	1.03	Top Glove Corp BHD	19,200	31,906	0.63
Bharti Airtel Ltd	6,260	51,448	1.02	Total Malaysia		231,167	4.60
Container Corp of India Ltd	1,713	49,960	0.99				
Larsen & Toubro Ltd	1,002	46,158	0.92				
Titan Industries Ltd	511	37,536	0.75				
HDFC Bank Ltd	488	27,256	0.54				
Total India		945,502	18.81				

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

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
SINGAPORE: 1.9%							
Keppel Land Ltd	16,000	49,342	0.98				
Hyflux Ltd	20,000	47,341	0.94				
Total Singapore		96,683	1.92				
PHILIPPINES: 1.9%							
SM Prime Holdings Inc	333,700	95,961	1.91				
Total Philippines		95,961	1.91				
				TOTAL COMMON EQUITIES		4,818,433	
				(Cost \$4,487,347)			
				TOTAL INVESTMENTS: 95.9%		4,818,433	
				(Cost \$4,487,347)			
				CASH AND OTHER ASSETS, LESS LIABILITIES: 4.1%		207,694	
				NET ASSETS: 100.0%		5,026,127	

ADR: American Depositary Receipt

BHD: Berhad

**PORTFOLIO MANAGERS**

Richard H. Gao
Lead Manager

Henry Zhang, CFA
Co-Manager

China Fund

Fund Manager Report

The China Fund was launched on 26 February 2010. For the six-month period ending 30 September 2010, the Fund gained 10.53% while its benchmark, the MSCI China Index, returned 5.77%. Since inception, the Fund returned 17.60% while the benchmark returned 11.50%.

The Fund invests mainly in companies that generate the majority of their current or expected earnings from China. As China's living standards continue to improve and income levels rise, we believe that the country's growth will increasingly be generated through areas of domestic consumption. Retail sales, for example, have been growing at an average of 18% over the past few years. This was true even during the global economic recession of 2009. This consumption boom has benefited a range of industries including retail, travel, health care, insurance, telecommunications and information technology services—all focus areas of the Fund. As these areas rise, we also see more opportunities in a shift toward service-oriented businesses.

The Fund adopts a bottom-up investment approach to identifying companies in early growth stages with attractive valuations. We look for companies with solid management teams, strong business models and healthy balance sheets. We also spend a significant amount of time on the ground, meeting with companies in China, talking not only to senior management, but also to mid-level managers, factory workers, suppliers and competitors to gain a comprehensive understanding of companies. As long-term investors we also try to maintain low portfolio turnover.

China's GDP growth reached its peak level of 11.7% early in the year as a result of government stimulus that began in late 2008. China has since rolled out tightening measures that appeared to cool the economy. After months of decline, manufacturing activity expanded in both August and September, according to the Purchasing Managers' Index (PMI). The release of this PMI data triggered a strong rally in China's stock markets, starting in September. However, risks remain and we are especially cautious on the near-term outlook in the property and banking sectors.

In recent months, the rising cost of labour has become a concern for many of China's labour-intensive manufacturing firms. Exporters, especially original equipment manufacturers, are facing the dual pressures of rising labour costs as well as currency appreciation. While minimum wage increases in a number of Chinese provinces cut into margins for manufacturers, they also raise income levels for Chinese workers and, ultimately, should benefit the consumer sector.

The Fund's overweight in the consumer discretionary and consumer staples sectors helped it outperform its benchmark. Travel and retail-related holdings were among the biggest contributors to the Fund during the period. Meanwhile, the financials sector, which includes banks and real estate companies, continued to come under pressure. Housing prices in China's coastal cities remain high and any further measures to control the market could place mounting pressures on property-related companies.

Looking forward, China's economy will not likely be able to maintain its recent growth rates of approximately 10%. In seeking sustainable growth in companies, we follow the evolution of Chinese consumer patterns and look for industries that stand to benefit from this ongoing evolution.

Schedule of Investments (unaudited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in other regulated market. As at 30 September 2010, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 98.3%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 23.5%				CONSUMER STAPLES: 13.5%			
Hotels, Restaurants & Leisure: 6.2%				Food Products: 4.9%			
Ctrip.com International ADR	1,525	73,012	2.21	Tingyi (Cayman Islands) Holding Co	30,000	82,668	2.50
Cafe de Coral Holdings Ltd	22,000	62,507	1.89	China Yurun Food Group Ltd	21,000	77,837	2.35
Shangri-La Asia Ltd	18,000	40,909	1.23			160,505	4.85
Sands China Ltd -RegS	15,600	28,117	0.85				
		204,545	6.18	Food & Staples Retailing: 4.2%			
Multiline Retail: 4.1%				Lianhua Supermarket Holdings - H			
Golden Eagle Retail Group	30,000	84,942	2.57	China Resources Enterprise	14,000	63,312	1.91
Parkson Retail Group Ltd	30,000	52,120	1.57			139,996	4.23
		137,062	4.14	Personal Products: 2.3%			
Textiles, Apparel & Luxury Goods: 3.2%				Hengan International Group Co Ltd			
Ports Design Ltd	18,000	49,684	1.50		7,500	74,688	2.26
Li Ning Co Ltd	14,000	42,428	1.28			74,688	2.26
Glorious Sun Enterprises Ltd	38,000	15,024	0.46	Beverages: 2.1%			
		107,136	3.24	Tsingtao Brewery Co Ltd - H			
Specialty Retail: 2.6%					12,000	69,026	2.09
Belle International Holdings	43,000	86,223	2.61			69,026	2.09
		86,223	2.61	Total Consumer Staples			
Automobiles: 2.6%						444,215	13.43
Dongfeng Motor Group Co Ltd - H	42,000	85,758	2.59	INFORMATION TECHNOLOGY: 12.2%			
		85,758	2.59	Internet Software & Services: 4.4%			
Distributors: 2.4%				Tencent Holdings Ltd			
Li & Fung Ltd	14,000	78,686	2.38		2,800	61,095	1.84
		78,686	2.38	Sina Corp	850	43,922	1.33
Diversified Consumer Services: 1.7%				Netease.com Inc - ADR			
New Oriental Education & Technology - Spon ADR	575	55,834	1.69		1,050	41,620	1.26
		55,834	1.69			146,637	4.43
Media: 0.7%				Computers & Peripherals: 2.8%			
Television Broadcasts Ltd	4,000	22,795	0.69	Lenovo Group Ltd			
		22,795	0.69	TPV Technology Ltd			
Total Consumer Discretionary					94,000	57,911	1.75
		778,039	23.52		54,000	35,454	1.07
						93,365	2.82
FINANCIALS: 19.0%				Communications Equipment: 2.1%			
Real Estate Management & Development: 6.9%				ZTE Corp - H			
Hang Lung Group Ltd	11,000	71,704	2.17		17,500	69,562	2.10
Swire Pacific Ltd - A	4,500	61,920	1.87			69,562	2.10
China Vanke Co Ltd - B	40,300	50,942	1.54	Software: 1.8%			
China Resources Land Ltd	22,000	44,669	1.35	Kingdee International Software			
		229,235	6.93		124,000	57,900	1.75
Commercial Banks: 6.3%						57,900	1.75
BOC Hong Kong Holdings Ltd	25,500	80,748	2.44	Electronic Equipment, Instruments & Comp: 1.1%			
China Merchants Bank - H	23,455	60,324	1.82	Digital China Holdings Ltd			
China Construction Bank - H	47,000	41,117	1.24		21,000	36,540	1.11
Bank of Communications Co - H	25,600	27,637	0.84			36,540	1.11
		209,826	6.34	Total Information Technology			
Insurance: 4.0%						404,004	12.21
Ping An Insurance Group - H	7,500	76,391	2.31				
China Life Insurance Co - H	11,000	43,376	1.31				
China Life Insurance Co - ADR	200	12,020	0.37				
		131,787	3.99				
Diversified Financial Services: 1.8%							
Hong Kong Exchanges and Clearing	3,000	58,992	1.78				
		58,992	1.78				
Total Financials							
		629,840	19.04				

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

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
INDUSTRIALS: 11.6%				TELECOMMUNICATION SERVICES: 4.3%			
Machinery: 3.3%				Wireless Telecommunication Services: 3.0%			
CSR Corp Ltd - H	75,000	70,858	2.14	China Mobile Ltd	6,500	66,464	2.01
China National Materials - H	46,000	38,254	1.16	China Mobile Ltd - Spon ADR	600	30,722	0.93
		109,112	3.30			97,186	2.94
Transportation Infrastructure: 2.7%				Diversified Telecommunication Services: 1.3%			
China Merchants Holdings International	18,000	65,328	1.98	China Communications Service - H	74,000	43,821	1.32
GZI Transport Ltd	42,000	22,496	0.68			43,821	1.32
		87,824	2.66	Total Wireless Telecommunication Services		141,007	4.26
Airlines: 2.3%				HEALTH CARE: 2.5%			
Air China Ltd - H	56,000	77,189	2.33	Health Care Providers & Services: 1.4%			
		77,189	2.33	Sinopharm Group Co - H	11,200	46,168	1.40
Electrical Equipment: 1.5%						46,168	1.40
China High Speed Transmission	24,000	52,014	1.57	Health Care Equipment & Supplies: 1.1%			
		52,014	1.57	Mindray Medical International Ltd - ADR	1,250	36,532	1.10
Construction & Engineering: 1.0%						36,532	1.10
China Railway Construction - H	24,500	32,913	1.00	Total Health Care		82,700	2.50
		32,913	1.00				
Industrial Conglomerates: 0.8%				TOTAL COMMON EQUITIES			
NWS Holdings Ltd	13,000	25,478	0.77			3,250,604	
		25,478	0.77	(Cost \$3,002,513)			
Total Industrials		384,530	11.63	TOTAL INVESTMENTS: 98.3%			
						3,250,604	
ENERGY: 6.2%				(Cost \$3,002,513)			
Oil, Gas & Consumable Fuels: 4.8%				CASH AND OTHER ASSETS, LESS LIABILITIES: 1.7%			
Cnooc Ltd	37,000	71,534	2.16			57,042	
China Shenhua Energy Co - H	13,000	53,666	1.62	NET ASSETS: 100.0%			
China Petroleum & Chemical - H	38,000	33,629	1.02			3,307,646	
		158,829	4.80				
Energy Equipment & Services: 1.4%							
China Oilfield Services - H	30,000	46,822	1.42				
		46,822	1.42				
Total Energy		205,651	6.22				
UTILITIES: 5.5%							
Electric Utilities: 2.3%							
Cheung Kong Infrastructure	19,000	75,362	2.28				
		75,362	2.28				
Gas Utilities: 2.1%							
Hong Kong & China Gas	27,400	69,284	2.09				
		69,284	2.09				
Independent Power Producers & Energy Traders: 1.1%							
China Longyuan Power Group - H	22,000	21,797	0.66				
Datang International Power Generation Co - H	34,000	14,175	0.43				
		35,972	1.09				
Total Utilities		180,618	5.46				

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

ADR: American Depositary Receipt

Statements of Assets and Liabilities

As at 30 September 2010

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	Combined (USD)
ASSETS				
Investment in securities at market value	74,771,054	4,818,433	3,250,604	82,840,091
At cost	74,198,059	4,487,347	3,002,513	81,687,919
Cash at bank	7,709,661	257,924	94,941	8,062,526
Interests and dividends receivable	68,758	3,339	4,894	76,991
Formation expenses (note 2I)	19,090	19,090	20,228	58,408
Prepaid expenses (note 2H)	11,833	13,203	13,405	38,441
Other receivable	4,479	–	–	4,479
TOTAL ASSETS	82,584,875	5,111,989	3,384,072	91,080,936
LIABILITIES				
Amounts payable on purchases of investments	1,340,163	20,464	–	1,360,627
Management fees (note 4A)	17,152	2,418	1,961	21,531
Payable for foreign taxes (note 6B)	–	6,816	–	6,816
Accrued expenses and other payables	56,925	56,164	74,465	187,554
TOTAL LIABILITIES	1,414,240	85,862	76,426	1,576,528
TOTAL NET ASSETS	81,170,635	5,026,127	3,307,646	89,504,408
Number of Shares outstanding — Class I Acc	59,843	436,630	281,050	
Net Asset Value per Share — Class I Acc	10.56	11.50	11.76	
Number of Shares outstanding — Class A Acc	354	353	352	
Net Asset Value per Share — Class A Acc	10.53	11.06	11.05	
Number of Shares outstanding — Class I Dist	354	–	–	
Net Asset Value per Share — Class I Dist	10.54	–	–	
Number of Shares outstanding — Class A Dist	354	–	–	
Net Asset Value per Share — Class A Dist	10.53	–	–	
Number of Shares outstanding — Class C Acc	8,000,000	–	–	
Net Asset Value per Share — Class C Acc	10.07	–	–	

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

Statements of Operations and Changes in Net Assets

For the period from 5 February 2010 (date of incorporation) to 30 September 2010

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	Combined (USD)
NET ASSETS AT THE BEGINNING OF THE PERIOD	–	–	–	–
INCOME				
Dividend income, net	76,487	8,441	15,051	99,979
TOTAL INCOME	76,487	8,441	15,051	99,979
EXPENSES				
Overdraft interest on bank accounts	–	16	–	16
Management fee (note 4)	18,049	3,325	3,588	24,962
Domiciliation, administration and transfer agency fees	4,301	4,078	5,330	13,709
Professional fees	10,573	10,572	15,647	36,792
Printing fees	2,096	2,096	2,959	7,151
Custodian fee	17,059	16,720	23,579	57,358
Amortization of formation expenses (note 2I)	1,819	1,819	4,261	7,899
Taxe d'abonnement (note 6A)	242	45	48	335
Other fees	2,098	2,100	2,962	7,160
TOTAL EXPENSES	56,237	40,771	58,374	155,382
Fee waiver (note 2H)	32,739	33,926	51,122	117,787
NET INVESTMENT INCOME/(LOSS)	52,989	(5,220)	7,799	62,384
Net realised gain/(loss) on investments	–	965	(1,435)	(470)
Net realised gain/(loss) on foreign exchanges	(64,001)	(4,211)	(414)	(68,626)
Net realised gain/(loss) for the period	(64,001)	(3,246)	(1,849)	(69,096)
Net change in unrealised gain/(loss) on investments	572,995	331,086	248,091	1,152,172
Net change in unrealised on foreign tax provision (note 6B)	–	(6,816)	–	(6,816)
Net change in unrealised gain/(loss) on foreign exchanges	(2,148)	(93)	5	(2,236)
Net change in unrealised gain/(loss) for the period	570,847	337,809	248,096	1,143,120
Increase/(decrease) in net assets as a result of operations	559,835	322,527	254,046	1,136,408
Subscriptions	80,610,800	4,703,600	3,053,600	88,368,000
NET ASSETS AT THE END OF THE PERIOD	81,170,635	5,026,127	3,307,646	89,504,408

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

Statements of Changes in Number of Shares

30 September 2010

For the period from 5 February 2010 (date of incorporation) to 30 September 2010

	Asia Dividend Fund	Pacific Tiger Fund	China Fund
Number of Shares in issue at the beginning of the period — Class I Acc	–	–	–
Number of Shares subscribed	59,843	436,630	281,050
Number of Shares redeemed	–	–	–
Number of Shares in issue at the end of the period — Class I Acc	59,843	436,630	281,050
Number of Shares in issue at the beginning of the period — Class A Acc	–	–	–
Number of Shares subscribed	354	353	352
Number of Shares redeemed	–	–	–
Number of Shares in issue at the end of the period — Class A Acc	354	353	352
Number of Shares in issue at the beginning of the period — Class I Dist	–	–	–
Number of Shares subscribed	354	–	–
Number of Shares redeemed	–	–	–
Number of Shares in issue at the end of the period — Class I Dist	354	–	–
Number of Shares in issue at the beginning of the period — Class A Dist	–	–	–
Number of Shares subscribed	354	–	–
Number of Shares redeemed	–	–	–
Number of Shares in issue at the end of the period — Class A Dist	354	–	–
Number of Shares in issue at the beginning of the period — Class C Acc	–	–	–
Number of Shares subscribed	8,000,000	–	–
Number of Shares redeemed	–	–	–
Number of Shares in issue at the end of the period — Class C Acc	–	–	–

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

Statements of NAV per Share and Net Asset Statistics

As at 30 September 2010

	Asia Dividend Fund ¹ (USD)	Pacific Tiger Fund ¹ (USD)	China Fund ² (USD)
Class I Accumulation			
NET ASSETS			
As at 30 September 2010	632,209 **	5,022,219 **	3,303,759 *
NET ASSET VALUE PER SHARE			
As at 30 September 2010	10.56	11.50	11.76
NUMBER OF SHARES OUTSTANDING			
As at 30 September 2010	59,843	436,630	281,050
Class A Accumulation			
NET ASSETS			
As at 30 September 2010	3,734 ***	3,909 ***	3,887 ***
NET ASSET VALUE PER SHARE			
As at 30 September 2010	10.53	11.06	11.05
NUMBER OF SHARES OUTSTANDING			
As at 30 September 2010	354	353	352
Class I Distribution			
NET ASSETS			
As at 30 September 2010	3,735 ***	–	–
NET ASSET VALUE PER SHARE			
As at 30 September 2010	10.54	–	–
NUMBER OF SHARES OUTSTANDING			
As at 30 September 2010	354	–	–
Class A Distribution			
NET ASSETS			
As at 30 September 2010	3,734 ***	–	–
NET ASSET VALUE PER SHARE			
As at 30 September 2010	10.53	–	–
NUMBER OF SHARES OUTSTANDING			
As at 30 September 2010	354	–	–
Class C Accumulation			
NET ASSETS			
As at 30 September 2010	80,527,223 ****	–	–
NET ASSET VALUE PER SHARE			
As at 30 September 2010	10.07	–	–
NUMBER OF SHARES OUTSTANDING			
As at 30 September 2010	8,000,000	–	–

¹ Funds were launched on 30 April 2010.

² Fund was launched on 26 February 2010.

* Classes were launched on 26 February 2010.

** Classes were launched on 30 April 2010.

*** Classes were launched on 26 August 2010.

**** Class was launched on 20 September 2010.

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

Notes to Financial Statements *(Unaudited)*

As at 30 September 2010

1. GENERAL

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

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

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

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

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

Matthews Asia Funds—Asia Dividend Fund	Class A (Acc) Class I (Acc) Class A (Dist) Class I (Dist) Class C (Acc)
Matthews Asia Funds—Pacific Tiger Fund	Class A (Acc) Class I (Acc)
Matthews Asia Funds—China Fund	Class A (Acc) Class I (Acc)

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 Statements 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 Trustees (the “Board”) when no market quotations are available or when market quotations have become unreliable.

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

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

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

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.

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

As at 30 September 2010

E) CONVERSION OF FOREIGN CURRENCIES

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

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

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

The Fund does not isolate that portion of gains and losses on investments in equity securities that are due to changes in the foreign exchange rate from those that are due to changes in market prices of equity securities. International dollar bonds are issued offshore, pay interest and principal in USD, and are denominated in USD.

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

Sub-Funds	Currency
Matthews Asia Funds—Asia Dividend Fund	USD
Matthews Asia Funds—Pacific Tiger Fund	USD
Matthews Asia Funds—China 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.

F) COST OF INVESTMENTS IN SECURITIES

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

G) INCOME

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

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

H) FEE WAIVER

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

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

I) FORMATION EXPENSES

The cost of establishing the Fund amounted 66,308 USD. The establishment costs may, at the discretion of the Board of Directors, be 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 AS AT 30 SEPTEMBER 2010

1USD=	7.7607	HKD	1USD=	1.3149	SGD
1USD=	8920	IDR	1USD=	30.36	THB
1USD=	44.57	INR	1USD=	31.185	TWD
1USD=	1136.65	KRW	1USD=	1.03257	AUD
1USD=	3.087	MYR	1USD=	83.38	JPY
1USD=	43.866	PHP			

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

As at 30 September 2010

4. MANAGEMENT FEES AND ADMINISTRATION FEES

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

Sub-Funds

Matthews Asia Funds—Asia Dividend Fund	Class A (Acc)	1.25%
Matthews Asia Funds—Asia Dividend Fund	Class I (Acc)	0.75%
Matthews Asia Funds—Asia Dividend Fund	Class A (Dist)	1.25%
Matthews Asia Funds—Asia Dividend Fund	Class I (Dist)	0.75%
Matthews Asia Funds—Asia Dividend Fund	Class C (Acc)	0.75%

Matthews Asia Funds—Pacific Tiger Fund	Class A (acc)	1.25%
Matthews Asia Funds—Pacific Tiger Fund	Class I (Acc)	0.75%

Matthews Asia Funds—China Fund	Class A (acc)	1.25%
Matthews Asia Funds—China Fund	Class I (Acc)	0.75%

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

Sub-Funds

Matthews Asia Funds—Asia Dividend Fund	0.25%
Matthews Asia Funds—Pacific Tiger Fund	0.25%
Matthews Asia Funds—China Fund	0.25%

5. CUSTODIAN AND CENTRAL ADMINISTRATION FEES

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

6. TAXATION

A) TAXE D'ABONNEMENT

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

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

B) PROVISION FOR FOREIGN TAXES

The Sub-Funds may be subject to short-term capital gains tax in India on gains realised upon disposition of Indian securities held less than one year. The tax is computed on net realised gains; any realised losses in excess of gains may be carried forward for a period of up to eight years to offset future gains. Any net taxes payable must be remitted to the Indian government prior to repatriation of sales proceeds. The Sub-Funds that invest in Indian securities accrue a deferred tax liability for net unrealised short-term gains in excess of available carry forwards on Indian securities. This accrual may reduce a Sub-Fund's net asset value. As of 30 September 2010, the Matthews Pacific Tiger Fund has recorded a payable of 6,816.11 USD, as an estimate for potential future India capital gains taxes.

Further information

STATEMENT OF CHANGES IN PORTFOLIO

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

Performance

As at 30 September 2010 (USD)

	Inception Date	Actual Return, Not Annualised				
		1 year	3 years	5 years	10 years	Since Inception
ASIA DIVIDEND FUND AND SHARE CLASS						
A Accumulation	26 Aug 2010	n.a.	n.a.	n.a.	n.a.	5.30%
I Accumulation	30 Apr 2010	n.a.	n.a.	n.a.	n.a.	5.60%
A Distribution	26 Aug 2010	n.a.	n.a.	n.a.	n.a.	5.30%
I Distribution	26 Aug 2010	n.a.	n.a.	n.a.	n.a.	5.40%
C Accumulation	20 Sept 2010	n.a.	n.a.	n.a.	n.a.	0.70%
MSCI All Country Asia Pacific Index		n.a.	n.a.	n.a.	n.a.	1.82%
PACIFIC TIGER FUND AND SHARE CLASS						
A Accumulation	26 Aug 2010	n.a.	n.a.	n.a.	n.a.	10.60%
I Accumulation	30 Apr 2010	n.a.	n.a.	n.a.	n.a.	15.00%
MSCI All Country Asia ex Japan Index		n.a.	n.a.	n.a.	n.a.	8.66%
CHINA FUND AND SHARE CLASS						
A Accumulation	26 Aug 2010	n.a.	n.a.	n.a.	n.a.	10.50%
I Accumulation	26 Feb 2010	n.a.	n.a.	n.a.	n.a.	17.60%
MSCI China Index		n.a.	n.a.	n.a.	n.a.	11.50%

Investor Disclosure:

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

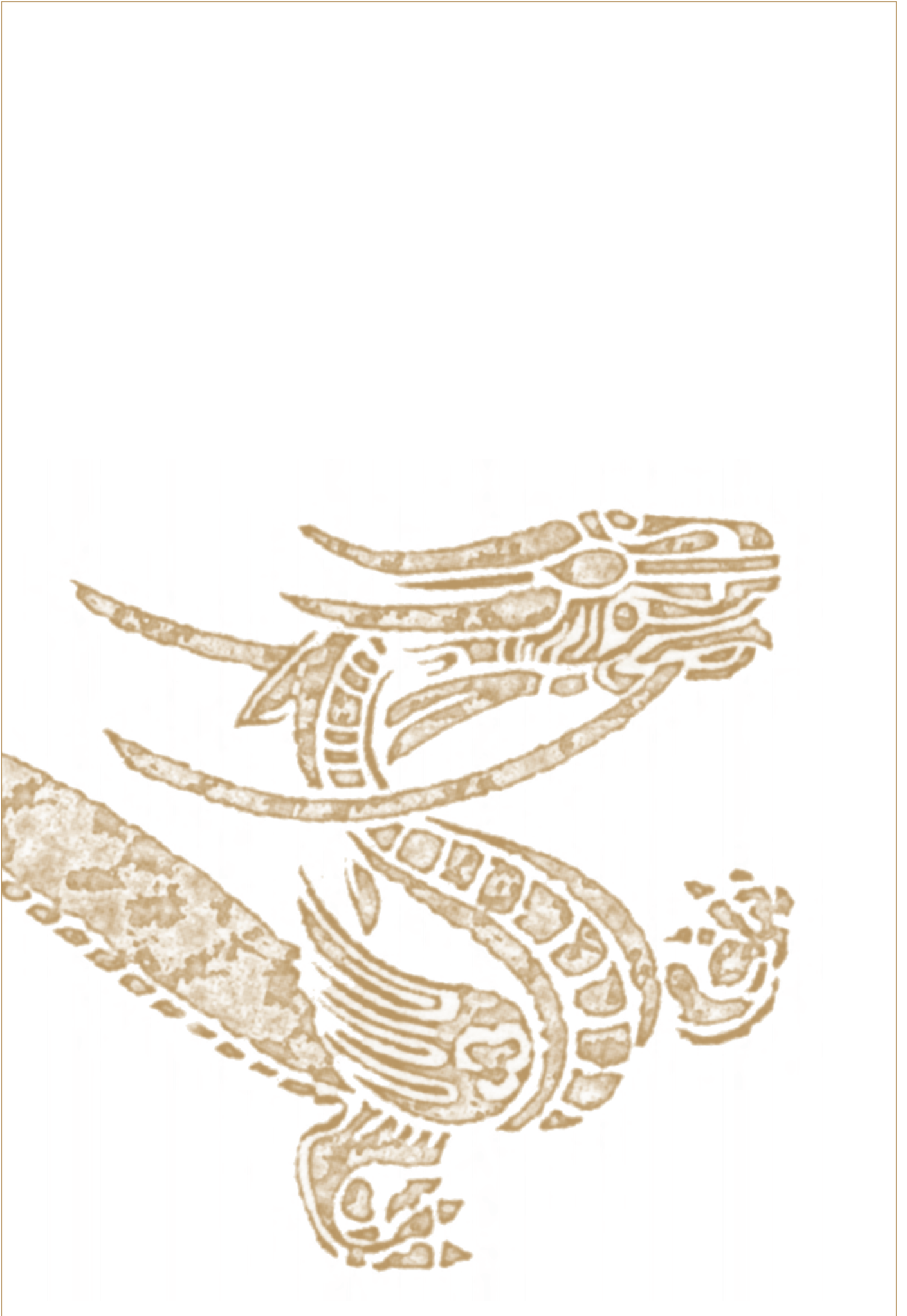
Performance details provided for the Sub-Funds are in USD, based on a NAV to NAV basis, assume reinvestment of dividends and capital gains, and are net of management fees and other expenses.

Index Definitions

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

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

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





Matthews Asia

global.matthewsasiasia.com

©2010 Matthews Asia Funds (SICAV)

G-SAR001-0910