

Matthews Asia Funds | Semi-Annual Report

30 September 2014

ASIA GROWTH AND INCOME STRATEGIES

Asia Dividend Fund
China Dividend Fund

ASIA GROWTH STRATEGIES

Pacific Tiger Fund
China Fund
India Fund
Asia Focus Fund

ASIA SMALL COMPANY STRATEGIES

Asia Small Companies Fund
China Small Companies Fund

ASIA FIXED INCOME STRATEGY

Asia Strategic Income Fund





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. As at the date of this report, nine Sub-Funds were available for investment: Asia Dividend Fund, China Dividend Fund, Pacific Tiger Fund, China Fund, India Fund, China Small Companies Fund, Asia Small Companies Fund, Asia Focus Fund and Asia Strategic Income Fund. This report covers the period from 1 April 2014 to 30 September 2014. The last day on which official prices were calculated was 30 September 2014. 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 August 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; or, following notice to Shareholders, on such other day as determined by the Fund’s Board. 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 Shareholders at the general meeting of the Fund and the Shareholders of the Sub-Fund concerned.

Annual reports and audited financial statements 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 office 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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Cover photo: Jinnamgwon Pavilion, the largest single-story pavilion in Korea

This report does not constitute or form part of any offer of shares or an invitation to apply for shares of 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 2014. 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 the 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.

Matthews Asia Funds

Management and Administration

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Investment Manager's Report

Dear Valued Investor,

This September, Matthews Asia celebrated the 20th anniversary of our first two U.S. mutual funds, the Matthews Pacific Tiger and Matthews Asian Growth and Income Funds. These funds were established as two distinct ways to access growth in Asia.

Through the Pacific Tiger Fund, this access aimed to focus on capturing high returns from long-term equity holdings in well-managed businesses, not necessarily (and not even normally) blue chip stocks. Meanwhile, our Asian Growth and Income Fund was created with more of a focus on using dividend-paying equities and convertible bonds as a way to help dampen volatility for those willing to give up some of the upside whilst maintaining a portfolio that should have defensive qualities in acute downturns and bear markets. Twenty years later, the mission of these two portfolios remains unchanged, although the stable of funds we manage has grown to provide more specific solutions to the investment needs of our clients.

The quarter ending 30 September also coincidentally marked my own 20th anniversary in Asian investing. I spent a year as a stockbroker in Hong Kong in 1994, and it's impossible for me to not look back with some embarrassment over my ideas and attitudes then. Although my ability to read Chinese allowed me to voraciously scan Hong Kong's numerous newspapers and magazines, and quickly translate the gossip and rumours from Hong Kong, I often merely added my own speculative voice to the noise. My stock picking was maybe a little better, but largely by accident. My bearish sensationalism was great for writing "SELL" recommendations. I covered perhaps 25 stocks and, unusually for a stockbroker, I probably had 24 sells and one buy (which worked well because inexperienced analysts were always given the worst stocks to cover). In truth, there was much to be bearish about – a young reform programme, a dearth of entrepreneurial expertise and, as for corporate governance, we asked "what's that?" But, in the end, caught up in the apprehensive mood that prevailed following the Tiananmen Square protests, I did not fully appreciate the changes for the better already under way.

I was reminded of my youthful inability to see the bigger picture recently when I had the privilege of hearing U.S. journalist, scholar and China linguist Sidney Rittenberg speak in an interview led by my colleague and China expert Andy Rothman. Twice sentenced to solitary confinement by Mao Zedong for a total of 16 years, Mr. Rittenberg is still able to credit Mao for what China has subsequently become – a prosperous, middle income society. He referred to Mao as "half a great hero, half a great criminal – all rolled up into one." He added, "[Mao] was a genius, whose genius got completely out of control."

The ability to see the past and anticipate the future in broad, sweeping trends, and to maintain a balanced, analytical stance despite emotional stress keeps Asia's undoubted challenges in proper perspective. I've tried, since my first, unsophisticated steps into finance, to develop that kind of perspective. The conversation between my colleague and Mr. Rittenberg has tightened my resolve to persevere.

As we head into the latter stages of 2014, some sweeping changes appear to be taking place in Asia. But where do they fit into the broad history of the region? India's elections gave a strong mandate to a reformist government. But little has been achieved yet. This is partly because so little time has elapsed, partly because state elections have muddied the political waters and partly because the inevitable bureaucratic and political backlash of entrenched elites against change is starting to become evident. And yet, there is still room for optimism, even if market prices seem to have factored in much of that.



Investment Manager's Report *(Continued)*

In South Korea, the region's other strong performer, the government continues to press for greater transparency in corporate management. Again, markets have embraced this. Nevertheless, one of Korea's largest chaebol (or conglomerate) was still able to deeply disappoint markets with the purchase of a non-core asset – prime real estate in Seoul – at a price far in excess of what others were apparently willing to pay. The cash drain on the company has put future dividend payments in jeopardy. *Plus ça change, plus c'est la même chose?*

Lest we sound too dispirited, there are plenty of good things happening outside the world of the “old guard” in Asia. When Internet giant Alibaba recently listed on the New York Stock Exchange, it became the world's largest IPO, and yet again emphasised to me the pace of change in China and Asia. The event, for all its hype and drama, is just part of the increasing importance of Chinese and Asian domestic demand as part of this growth globally, and as a source of investment opportunity. And for all the missteps we may see in governments and corporates, Asia remains the region where standards of living are growing most rapidly and where lives, lifestyles, and business opportunities are changing decisively for the better. Even as protesting Hong Kong students, pushing for democracy, are a reminder of Beijing's student protests, which ended in tragedy just over 25 years ago, I suspect the outcome will ultimately be a realisation that China now has a more enlightened political system.

We are seeing a shift to capital markets more efficiently mobilising the average citizen's savings into profitable enterprises. In turn, this makes room for the growth of a financial services industry to support middle-income savers and helps consumer spending.

In the short term, we have seen something of a re-rating in the region. Valuation discounts compared to the West have narrowed. Yet, earnings-per-share growth, backed by improving margins, seems to now be overtaking the rate seen in the world's richest economies. In light of this, investors should not get too concerned, I believe, with a rising interest rate environment. Should further gradual rises in policy rates and bond yields occur, they more likely than not may take place in an environment of rising demand – more explicitly rising nominal GDP growth and improving export markets. We believe that should mean better corporate profit growth and perhaps faster-growing dividend streams. To the extent that our strategies focus on either dividend growth or cash returns on capital, this may be a reasonable backdrop for returns. Our eyes are firmly trained on the future.

As always, it is a privilege to serve as your investment advisor.

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

The Matthews Asian Growth and Income Fund is not currently offered as a sub-fund of the Matthews Asia Funds SICAV. The Pacific Tiger Fund is a sub-fund of the Matthews Asia Funds SICAV and was launched 30 April 2010.

PORTFOLIO MANAGERS

Yu Zhang, CFA

Lead Manager

Robert Horrocks, PhD

Lead Manager

Vivek Tanneeru

Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

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 2014, the Matthews Asia Dividend Fund returned 4.45%, outperforming its benchmark, the MSCI All Country Asia Pacific Index, which returned 3.39%.

Market Environment:

Asia Pacific's market performance during the first half of our fiscal year was a study in contrasts. The first quarter saw relatively strong performance with low volatility aided by benign central bank policies globally, while the second quarter saw volatility return to the markets with a vengeance. Markets sold off sharply in September as worries began to mount over such developments as stalling growth in Europe. South and Southeast Asian markets in general performed well, with India and Thailand particularly notable, during the six months ending 30 September. Meanwhile, Australia and South Korea were the worst-performing large markets. In Japan, the consumption tax hike had an adverse impact on the economy but a weaker yen supported the stock market performance. In China, the government refrained from initiating a large-scale stimulus programme, as some market participants wanted. The period under review also saw Narendra Modi and Joko Widodo come to power in India and Indonesia, respectively both with reformist agendas, and markets received these outcomes positively.

Performance Contributors and Detractors:

Tata Motors was the biggest contributor during the half year. We initiated the position about two years ago when cyclical yield was attractive. Since then, the company has benefited from the successful rollout of new, high margin Jaguar Land Rover products. Its last set of results positively surprised on better-than-expected margins. The company's operations in India, which suffered due to a slowdown in the economy, may be poised to benefit from a potential economic rebound.

In terms of detractors, Anritsu of Japan posed one of the biggest drags to performance. A provider of measuring and testing equipment that mainly serves the telecommunication industry, the firm suffered from a slowdown in new orders from its main customers in the most recent quarter. While we recognise the cyclical nature of the IT hardware business, we continue to find Anritsu's technological strength – manifested by its solid position in high value-add, mobile R&D applications – quite appealing. With an asset-light business model and a net-cash balance sheet, we believe Anritsu should have sufficient financial strength to sustain the dividend payment during the current downturn.

Notable Portfolio Changes:

During the first half of the fiscal year, the Fund initiated positions in the traditional high dividend-yielding part of the market such as the telecommunications sector as yields began to look interesting after a few years of high valuations. The Fund also initiated several new positions in Japan and South Korea that we believe should improve shareholder returns by increasing dividend payouts. Among them is Japan's Bridgestone, the world's largest auto tire company. Bridgestone has a strong franchise in the global passenger tire market and a commanding position in the duopolistic and highly profitable specialty mining tire segment. The company's ability to sustain its profit margin in this cyclical mining tire business appears to be underestimated by the market. Despite a healthy balance sheet and strong free cash flow generation, Bridgestone's dividend payout has remained anemic. However, we



believe the company may be setting a new priority on raising its dividend payouts.

During this period, we reduced the portfolio's overall exposure to China and Hong Kong as property markets entered a cyclical downturn, and have added further pressure on an economy that is already enduring a painful, but necessary, transition. We continue to believe in the portfolio's Chinese holdings due to their attractive dividend yield and sustainable growth potential. However, we trimmed some of the most cyclical exposures to mitigate the downside risk of a potential prolonged economic slowdown in China.

We also reduced our Australia exposure. During the period under consideration, Coca-Cola Amatil announced a subdued earnings forecast on account of stiff domestic competition as well as shifting consumer preferences. A change of the company's top management added further uncertainty to its strategic direction. We exited the position despite the stock's high dividend yield, as we became unconvinced that the new management had laid out a credible plan to turn around the business and to support underlying dividends.

Outlook:

Asia investors currently face many uncertainties, including: weak external demand from the E.U., recent social unrest in Hong Kong, the latest reform setbacks in Indonesia, and the potentially negative impact on Asia's economies and markets should a U.S. rate hike cycle arrive earlier than currently expected. We believe that taking a long-term perspective can help investors weather some of these short-term market volatilities. In particular, a dividend-focused, total-return strategy aims to provide a framework that focuses on the long-term sustainability of the businesses in which we invest, and their ability to generate shareholder returns.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: 94.6%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
JAPAN: 24.4%				SINGAPORE: 6.9%			
Japan Tobacco, Inc.	917,600	29,906,127	3.9	United Overseas Bank, Ltd.	819,000	14,371,275	1.9
ITOCHU Corp.	2,302,700	28,192,226	3.7	Ascendas REIT	6,296,000	11,103,717	1.5
Suntory Beverage & Food, Ltd.	590,900	20,955,742	2.7	CapitaRetail China Trust, REIT	7,431,720	9,143,041	1.2
Hoya Corp.	602,000	20,281,064	2.7	Super Group, Ltd.	6,940,000	6,933,469	0.9
Pigeon Corp.	350,900	19,878,210	2.6	ARA Asset Management, Ltd.	4,349,710	5,972,304	0.8
Toyo Suisan Kaisha, Ltd.	381,000	12,650,356	1.7	Ascendas India Trust	7,681,000	4,664,672	0.6
ORIX Corp.	884,400	12,245,586	1.6	Total Singapore		52,188,478	6.9
NTT DoCoMo, Inc.	715,700	11,974,976	1.6	SOUTH KOREA: 6.4%			
Bridgestone Corp.	345,600	11,430,338	1.5	KT&G Corp.	230,438	20,597,981	2.7
Lawson, Inc.	118,000	8,256,298	1.1	LG Chem, Ltd., Pfd.	121,611	18,874,637	2.5
Anritsu Corp.	886,900	6,776,867	0.9	GS Retail Co., Ltd.	189,030	4,672,312	0.6
Miraca Holdings, Inc.	81,500	3,377,020	0.4	BGF retail Co., Ltd.	70,076	4,209,028	0.6
Total Japan		185,924,810	24.4	Total South Korea		48,353,958	6.4
CHINA/HONG KONG: 24.3%				INDIA: 5.9%			
Shenzhou International Group Holdings, Ltd.	5,516,000	17,785,006	2.3	Tata Motors, Ltd. - A - DVR	3,735,714	20,847,266	2.7
Minth Group, Ltd.	8,758,000	16,958,118	2.2	ITC, Ltd.	1,911,812	11,444,903	1.5
Television Broadcasts, Ltd.	2,735,500	16,323,427	2.2	Titan Co., Ltd.	1,022,181	6,743,188	0.9
Yum! Brands, Inc.	222,200	16,215,988	2.1	Bharti Infratel, Ltd.	1,280,554	6,103,546	0.8
Guangdong Investment, Ltd.	12,914,000	15,092,381	2.0	Total India		45,138,903	5.9
China Mobile, Ltd. ADR	211,600	12,608,510	1.7	TAIWAN: 5.1%			
HSBC Holdings PLC ADR	228,200	11,818,980	1.6	Chunghwa Telecom Co., Ltd. ADR	551,160	16,449,429	2.1
The Link REIT	1,891,000	10,894,554	1.4	Taiwan Semiconductor Manufacturing Co., Ltd. ADR	712,100	14,244,914	1.9
Far East Horizon, Ltd.	11,463,000	10,256,708	1.4	St. Shine Optical Co., Ltd.	388,000	8,289,549	1.0
Greatview Aseptic Packaging Co., Ltd.	15,426,000	10,128,576	1.3	Total Taiwan		38,983,892	5.1
Haitian International Holdings, Ltd.	4,341,000	9,865,965	1.3	AUSTRALIA: 4.6%			
Yuexiu Transport Infrastructure, Ltd.	15,782,000	9,691,819	1.3	Primary Health Care, Ltd.	3,509,820	13,406,495	1.8
Cafe' de Coral Holdings, Ltd.	2,526,000	8,556,501	1.1	Ansell, Ltd.	748,414	12,712,496	1.7
Springland International Holdings, Ltd.	20,402,000	7,722,270	1.0	Breville Group, Ltd.	1,418,929	8,689,147	1.1
Jiangsu Expressway Co., Ltd. H Shares	6,118,000	6,456,572	0.8	Total Australia		34,808,138	4.6
Xingda International Holdings, Ltd. H Shares	13,038,000	4,481,745	0.6	THAILAND: 4.0%			
Total China/Hong Kong		184,857,120	24.3	Thai Beverage Public Co., Ltd.	29,981,000	17,972,530	2.4
INDONESIA: 7.7%				Total Access Communications Public Co., Ltd. NVDR	3,743,100	12,119,195	1.6
PT Perusahaan Gas Negara Persero	25,952,300	12,778,446	1.7	Total Thailand		30,091,725	4.0
PT Indofood Sukses Makmur	22,130,800	12,715,638	1.7	MALAYSIA: 1.7%			
PT United Tractors	7,354,600	12,015,284	1.6	AMMB Holdings BHD	6,264,700	13,111,497	1.7
PT Telekomunikasi Indonesia Persero	35,446,800	8,479,798	1.1	Total Malaysia		13,111,497	1.7
PT Telekomunikasi Indonesia Persero ADR	162,500	7,777,333	1.0	LUXEMBOURG : 1.6%			
PT Bank Rakyat Indonesia Persero	5,880,120	5,033,443	0.6	L'Occitane International SA	5,253,000	12,037,943	1.6
Total Indonesia		58,799,942	7.7	Total Luxembourg		12,037,943	1.6

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

	Shares	Value	% of Net Assets
VIETNAM: 1.1%			
Vietnam Dairy Products JSC	1,639,994	8,113,044	1.1
Total Vietnam		8,113,044	1.1
PHILIPPINES: 1.0%			
Globe Telecom, Inc.	213,825	7,717,100	1.0
Total Philippines		7,717,100	1.0
TOTAL COMMON EQUITIES		720,126,550	
(Cost \$662,658,719)			
TOTAL INVESTMENTS:			
94.6%		720,126,550	
(Cost \$662,658,719)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 5.4%		40,971,144	
NET ASSETS: 100.0%		761,097,694	

ADR: American Depositary Receipt

BHD: Berhad

DVR: Differential Voting Rights

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

REIT: Real Estate Investment Trust

Pfd: Preferred shares

NVDR: Non-Voting Depositary Receipt

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



PORTFOLIO MANAGERS

Yu Zhang, CFA
Lead Manager

Sherwood Zhang, CFA
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

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 2014, the Matthews China Dividend Fund returned 6.25%, underperforming its benchmark, the MSCI China Index, which returned 7.31%.

Market Environment:

After investor sentiment toward China stabilised somewhat during the first quarter of the fiscal year, China's equity markets experienced a rollercoaster ride in the most recent quarter. Initially, investors were excited by the central bank's liquidity injection into China Development Bank, the largest policy bank. Some market commentators even interpreted this monetary action as a Chinese-style quantitative easing measure. However, after some weak macro-economic data was released at the beginning of September, the market again shifted its attention to China's slower growth. Political tension between China and Hong Kong brought additional concerns. Finally, when thousands of protesters blocked Hong Kong's main business district, the stock market experienced a deep sell-off during the final trading days of this fiscal reporting period.

Performance Contributors and Detractors:

During the six months ending 30 September, Greatview Aseptic Packaging, which makes sterile packaging for beverages, including milk products in China, was the top contributor to Fund performance. We believe the company is well-poised to benefit from the expansion of China's dairy industry, which has previously been constrained by low supplies of raw milk. Greatview's overseas operations had been in the red, but are likely to turn around as management becomes more familiar with operations abroad.

On the flip side, Airmate International, a small household appliance maker, was the largest detractor to Fund performance. The volatile Japanese currency negatively impacted its export business to the Japanese market. In the domestic China market, its distributors struggled with excess inventory partly caused by unusual weather earlier this year, while its profitability in its e-commerce channel was eroded by fierce competition from key competitors. We are closely monitoring the situation to evaluate any changes in management's strategy.

Notable Portfolio Changes:

During the first half of the fiscal year, we initiated a position in PetroChina, the country's largest oil and gas company. The new management of PetroChina has changed its strategic focus from scale to profitability, partly due to the shock wave of China's anti-corruption campaign. With planned capital expenditure targets aggressively cut this year, we believe the company's dividend policy will become more sustainable with stronger cash flow generated internally.

PetroChina could also benefit from better alignment between management and shareholders, due to China's state-owned enterprise (SOE) reform initiatives. For the same reason, we also bought a few select SOEs in attractive industries.

We exited Xingda International Holdings during this six-month period as we worried that the company's pricing power was not strong enough to turn a decline in its raw material (steel) price into a higher profit margin. Since Xingda also has no more additional capacity to increase production volume growth, prospects are less robust, in our view.



Outlook:

Chinese equity markets could remain volatile as top policymakers continue to carefully transition China's current, investment-led growth model into a healthier growth model, led by consumption and service industries.

The current administration's reform agenda, especially policy details (related to the financial sector and SOEs), and local government debt, warrants close monitoring as these reform initiatives are key to the success of the economic transition. Chinese equities that offer both appealing current dividend yield as well as strong dividend growth remain attractively priced for long-term investors.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 79.3%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 25.3%				FINANCIALS: 10.2%			
Hotels, Restaurants & Leisure: 9.8%				Diversified Financial Services: 3.7%			
Shanghai Jinjiang International Hotels Development Co., Ltd. B Shares	109,299	200,964	3.7	Far East Horizon, Ltd.	226,000	202,217	3.7
Yum! Brands, Inc.	2,400	175,150	3.2			202,217	3.7
Cafe' de Coral Holdings, Ltd.	46,000	155,819	2.9	Real Estate Investment Trusts: 3.2%			
		531,933	9.8	The Link REIT	30,000	172,838	3.2
Auto Components: 3.6%						172,838	3.2
MintH Group, Ltd.	100,000	193,630	3.6	Banks: 2.9%			
		193,630	3.6	HSBC Holdings PLC ADR	3,000	155,377	2.9
Textiles, Apparel & Luxury Goods: 3.4%						155,377	2.9
Shenzhou International Group Holdings, Ltd.	57,000	183,783	3.4	Capital Markets: 0.4%			
		183,783	3.4	China Everbright, Ltd.	12,000	22,515	0.4
Media: 2.9%						22,515	0.4
Television Broadcasts, Ltd.	25,800	153,955	2.9	Total Financials			
		153,955	2.9			552,947	10.2
Diversified Consumer Services: 2.8%				CONSUMER STAPLES: 6.2%			
New Oriental Education & Technology Group, Inc. ADR	6,900	154,186	2.8	Beverages: 3.5%			
		154,186	2.8	Yantai Changyu Pioneer Wine Co., Ltd. B Shares	59,549	192,562	3.5
Multiline Retail: 2.8%						192,562	3.5
Springland International Holdings, Ltd.	404,000	152,916	2.8	Food Products: 2.7%			
		152,916	2.8	Vitasoy International Holdings, Ltd.	114,000	145,237	2.7
Total Consumer Discretionary						145,237	2.7
		1,370,403	25.3	Total Consumer Staples			
INDUSTRIALS: 17.6%						337,799	6.2
Machinery: 5.3%				INFORMATION TECHNOLOGY: 3.8%			
Haitian International Holdings, Ltd.	76,000	172,728	3.2	Internet Software & Services: 2.2%			
Shanghai Mechanical and Electrical Industry Co., Ltd. B Shares	50,308	110,476	2.1	Pacific Online, Ltd.	218,000	116,850	2.2
		283,204	5.3			116,850	2.2
Road & Rail: 3.4%				Software: 1.6%			
Guangshen Railway Co., Ltd. H Shares	376,000	148,840	2.8	Shanghai Baosight Software Co., Ltd. B Shares	39,100	88,242	1.6
Guangshen Railway Co., Ltd. ADR	1,700	33,504	0.6			205,092	3.8
		182,344	3.4	Total Information Technology			
Air Freight & Logistics: 3.2%						205,092	3.8
Shenzhen Chiwan Petroleum B Shares	73,353	175,829	3.2	ENERGY: 3.8%			
		175,829	3.2	Oil, Gas & Consumable Fuels: 3.8%			
Electrical Equipment: 3.1%				PetroChina Co., Ltd. H Shares	98,000	125,591	2.3
Boer Power Holdings, Ltd.	123,000	167,654	3.1	China Shenhua Energy Co., Ltd. H Shares	28,000	78,133	1.5
		167,654	3.1			203,724	3.8
Transportation Infrastructure: 2.6%						203,724	3.8
Yuexiu Transport Infrastructure, Ltd.	194,000	119,138	2.2	Total Energy			
Jiangsu Expressway Co., Ltd. H Shares	22,000	23,217	0.4			203,724	3.8
		142,355	2.6	UTILITIES: 3.8%			
Total Industrials				Water Utilities: 3.8%			
		951,386	17.6	Guangdong Investment, Ltd.	174,000	203,351	3.8
						203,351	3.8
				Total Utilities			
						203,351	3.8

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

	Shares	Value	% of Net Assets
MATERIALS: 3.3%			
Containers & Packaging: 3.3%			
Greatview Aseptic Packaging Co., Ltd.	273,000	179,249	3.3
		<u>179,249</u>	<u>3.3</u>
Total Materials		<u>179,249</u>	<u>3.3</u>

TELECOMMUNICATION SERVICES: 2.9%

Wireless Telecommunication Services: 2.9%			
China Mobile, Ltd. ADR	2,600	154,925	2.9
		<u>154,925</u>	<u>2.9</u>
Total Telecommunication Services		<u>154,925</u>	<u>2.9</u>

HEALTH CARE: 2.4%

Pharmaceuticals: 2.4%			
Tianjin ZhongXin Pharmaceutical Group Corp., Ltd. S Shares	135,000	128,250	2.4
		<u>128,250</u>	<u>2.4</u>
Total Health Care		<u>128,250</u>	<u>2.4</u>

TOTAL COMMON EQUITIES:**CHINA/HONG KONG: 4,287,126**

(Cost \$3,922,796)

COMMON EQUITIES: TAIWAN: 15.8%**INDUSTRIALS: 5.7%**

Electrical Equipment: 2.2%			
Voltronic Power Technology Corp.	15,582	122,310	2.2
		<u>122,310</u>	<u>2.2</u>
Professional Services: 3.5%			
Sporton International, Inc.	36,658	187,427	3.5
		<u>187,427</u>	<u>3.5</u>
Total Industrials		<u>309,737</u>	<u>5.7</u>

HEALTH CARE: 4.4%

Health Care Equipment & Supplies: 4.4%			
Pacific Hospital Supply Co., Ltd.	59,000	132,812	2.4
St. Shine Optical Co., Ltd.	5,000	106,824	2.0
		<u>239,636</u>	<u>4.4</u>
Total Health Care		<u>239,636</u>	<u>4.4</u>

TELECOMMUNICATION SERVICES: 2.5%

Diversified Telecommunication Services: 2.5%			
Chunghwa Telecom Co., Ltd. ADR	4,600	137,287	2.5
		<u>137,287</u>	<u>2.5</u>
Total Telecommunication Services		<u>137,287</u>	<u>2.5</u>

COMMON EQUITIES: TAIWAN (continued)

	Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 1.9%			
Household Durables: 1.9%			
Airmate Cayman International Co., Ltd.	65,000	99,758	1.9
		<u>99,758</u>	<u>1.9</u>
Total Consumer Discretionary		<u>99,758</u>	<u>1.9</u>

INFORMATION TECHNOLOGY: 1.3%

Semiconductors & Semiconductor Equipment: 1.3%			
Taiwan Semiconductor Manufacturing Co., Ltd.	17,000	67,094	1.3
		<u>67,094</u>	<u>1.3</u>
Total Information Technology		<u>67,094</u>	<u>1.3</u>

TOTAL COMMON EQUITIES: TAIWAN**853,512**

(Cost \$884,820)

COMMON EQUITIES: SINGAPORE: 3.0%**FINANCIALS**

Real Estate Investment Trusts: 3.0%			
CapitaRetail China Trust, REIT	133,340	164,046	3.0
		<u>164,046</u>	<u>3.0</u>
Total Financials		<u>164,046</u>	<u>3.0</u>

TOTAL COMMON EQUITIES: SINGAPORE**164,046**

(Cost \$144,604)

TOTAL COMMON EQUITIES**5,304,684****TOTAL INVESTMENTS: 98.0%****5,304,684**

(Cost \$4,952,220)

CASH AND OTHER ASSETS,**LESS LIABILITIES: 2.0%****106,106****NET ASSETS: 100.0%****5,410,790**

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

Sharat Shroff, CFA
Lead Manager

Richard H. Gao
Co-Manager

In-Bok Song
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

Pacific Tiger 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 2014, the Matthews Pacific Tiger Fund returned 9.17%, outperforming its benchmark, the MSCI All Country Asia ex Japan Index, which returned 5.65%.

Market Environment:

In September, uncertainty stemming from the health of the Chinese economy and the impact of possible U.S. interest rate tightening reduced some of the gains accrued earlier in the most recent quarter. The macroeconomic picture in China remains hazy with one clear trend – slowing growth in the industrial sector. Meanwhile, the consumption side of the economy remains more resilient as evident in continually increasing demand for newer types of consumption such as health care and tourism-related services. It is notable that in spite of weak data, the Chinese government has been steadfast in its recent avoidance of large-scale stimulus programmes to boost short-term growth. We continue to believe that the investment community remains overly fixated on the pace of growth, while ignoring the long-term benefits of a more market-oriented economy.

In the aftermath of last summer's "taper tantrum," several Asian economies, such as India and Indonesia, were forced to take remedial steps: lowering wasteful energy subsidies, raising interest rates and allowing currencies to depreciate. Recovering exports and continued growth in foreign direct investments have helped foreign currency reserves recover, and that may provide some stability should there be a pickup in the withdrawal of capital. Separately, both India and Indonesia continue to benefit from new governments that have raised hopes for an upturn in investment activity.

Performance Contributors and Detractors:

While the portfolio's Indian holdings contributed significantly to both the portfolio's year-to-date and second quarter performance, it is worth noting that the list of top contributors includes companies from across the region. This attests to the importance of deciding on matters of portfolio weighting for individual stocks. Amorepacific, a South Korean luxury skincare and cosmetics maker, was the biggest driver of relative performance as investors continue to focus on the company's potential growth opportunities in China. The portfolio's holdings in health care industries also helped relative performance for the portfolio as a recovery in Indian and Indonesian equity markets contributed to the gains.

The Fund's holdings in Taiwan and the only holding in Switzerland, DKSH, were the biggest detractors of relative performance during the quarter. One of the Fund's holdings in Taiwan, Synnex, is struggling with both a cyclical slowdown in growth as well as a structural shift in the retail industry toward e-commerce. In addition, the free cash flow yields across several Taiwanese holdings have compressed over the past year, and as investors start to anticipate higher rates globally, the compressed yields are less attractive. The recent weakness in DKSH is likely an outcome of the impact of weaker currency in some of its key markets. Yet the company continues to make progress in its key initiatives, such as integrating recent acquisitions and expanding into newer geographies.

Notable Portfolio Changes:

We made no notable changes to the portfolio during the most recent quarter; however, we continue to look for opportunities in sectors like consumer discretionary and health care, particularly in China. We are also seeking to take



advantage of the recent weakness in some of the portfolio's holdings where we believe long-term fundamentals remain healthy.

Outlook:

In the past few years, Asia has faced a period of rising rates, volatility in capital flows and slowing growth. But some of these factors seem to be shifting. Barring a significant spike in oil prices, inflation is likely to have peaked across many parts of Asia, and that may provide some room for central bankers to consider loosening monetary policy, although it may not happen as quickly as market participants would like. For businesses, there has been a healthy winnowing of competition for stronger companies as weaker firms have found it difficult to survive in these circumstances. With the prospects of recovery slowly improving, these well-managed businesses are well-placed to capture increasing market share. We continue to believe that investing in quality businesses run by motivated management teams is a good way to participate in Asia's long-term growth.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: 96.6%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 27.1%				TAIWAN: 7.3%			
Ping An Insurance Group Co. of China, Ltd. H Shares	1,331,000	10,006,822	2.6	Delta Electronics, Inc.	1,355,000	8,559,889	2.3
Sinopharm Group Co., Ltd. H Shares	2,620,000	9,588,625	2.5	President Chain Store Corp.	1,182,000	8,470,642	2.2
Hengan International Group Co., Ltd.	882,000	8,676,189	2.3	Synnex Technology International Corp.	5,287,297	7,307,568	1.9
Dairy Farm International Holdings, Ltd.	863,100	8,229,416	2.2	Taiwan Semiconductor Manufacturing Co., Ltd.	840,000	3,315,228	0.9
Baidu, Inc. ADR	35,870	7,934,965	2.1	Total Taiwan		27,653,327	7.3
Hang Lung Group, Ltd.	1,519,000	7,519,328	2.0	INDONESIA: 6.8%			
China Mobile, Ltd. ADR	121,541	7,242,207	1.9	PT Astra International	9,858,200	5,705,154	1.5
Lenovo Group, Ltd.	4,252,000	6,336,106	1.7	PT Perusahaan Gas Negara Persero	10,498,200	5,169,125	1.4
China Resources Enterprise, Ltd.	2,382,000	5,636,534	1.5	PT Bank Central Asia	4,644,700	4,986,570	1.3
Tingyi (Cayman Islands) Holding Corp.	1,816,000	4,772,293	1.3	PT Telekomunikasi Indonesia Persero	20,429,300	4,887,221	1.3
Dongfeng Motor Group Co., Ltd. H Shares	2,820,000	4,638,511	1.2	PT Indofood CBP Sukses Makmur	4,500,200	4,196,229	1.1
China Resources Land, Ltd.	2,104,000	4,338,644	1.2	PT Telekomunikasi Indonesia Persero ADR	18,600	890,206	0.2
Tencent Holdings, Ltd.	284,000	4,233,667	1.1	Total Indonesia		25,834,505	6.8
Swire Pacific, Ltd. A Shares	285,000	3,671,831	1.0	THAILAND: 5.8%			
Hong Kong Exchanges and Clearing, Ltd.	163,100	3,511,068	0.9	Central Pattana Public Co., Ltd.	6,820,800	9,780,056	2.6
China Vanke Co., Ltd. H Shares	1,569,290	2,771,930	0.7	Kasikornbank Public Co., Ltd. NVDR	699,800	5,071,014	1.3
Digital China Holdings, Ltd.	2,099,000	1,878,115	0.5	The Siam Cement Public Co., Ltd.	333,000	4,620,722	1.2
Alibaba Group Holding. ADR	17,700	1,570,875	0.4	The Siam Cement Public Co., Ltd. NVDR	174,200	2,417,206	0.7
Total China/Hong Kong		102,557,126	27.1	Kasikornbank Public Co., Ltd.	8,100	58,696	0.0
INDIA: 19.8%				Total Thailand		21,947,694	5.8
Tata Power Co., Ltd.	8,161,575	10,960,847	2.9	MALAYSIA: 3.8%			
Kotak Mahindra Bank, Ltd.	574,872	9,417,898	2.5	Genting BHD	2,224,900	6,432,384	1.7
GAIL India, Ltd.	1,175,412	8,542,835	2.2	IHH Healthcare BHD	2,812,200	4,352,163	1.1
Titan Co., Ltd.	1,145,931	7,559,550	2.0	Public Bank BHD	623,650	3,590,856	0.9
Sun Pharmaceutical Industries, Ltd.	507,129	7,030,018	1.9	IHH Healthcare BHD	126,000	193,702	0.1
ITC, Ltd.	1,128,988	6,758,592	1.8	Total Malaysia		14,569,105	3.8
Housing Development Finance Corp.	355,972	6,074,377	1.6	SWITZERLAND: 2.4%			
Container Corp. of India, Ltd.	267,940	5,865,737	1.5	DKSH Holding, Ltd.	121,330	8,970,760	2.4
Dabur India, Ltd.	1,269,699	4,561,184	1.2	Total Switzerland		8,970,760	2.4
Thermax, Ltd.	306,382	4,548,415	1.2	PHILIPPINES: 2.3%			
HDFC Bank, Ltd.	164,599	2,322,725	0.6	GT Capital Holdings, Inc.	201,620	4,752,439	1.2
HDFC Bank, Ltd. ADR	29,400	1,378,822	0.4	SM Prime Holdings, Inc.	10,293,475	4,001,111	1.1
Total India		75,021,000	19.8	Total Philippines		8,753,550	2.3
SOUTH KOREA: 17.4%				VIETNAM: 1.4%			
Amorepacific Corp.	7,815	17,681,899	4.7	Vietnam Dairy Products JSC	1,104,568	5,464,294	1.4
Dongbu Insurance Co., Ltd.	179,803	10,132,064	2.7	Total Vietnam		5,464,294	1.4
Naver Corp.	11,123	8,517,231	2.2	SINGAPORE: 1.4%			
Samsung Electronics Co., Ltd.	6,866	7,710,275	2.0	Keppel Land, Ltd.	1,151,000	3,158,752	0.8
Cheil Worldwide, Inc.	278,707	5,896,167	1.6	Hyflux, Ltd.	2,582,000	2,134,570	0.6
Orion Corp.	6,735	5,577,354	1.5	Total Singapore		5,293,322	1.4
Green Cross Corp.	42,369	5,109,720	1.3				
Hyundai Mobis	11,723	2,854,196	0.8				
Yuhan Corp.	13,568	2,388,741	0.6				
MegaStudy Co., Ltd.	1,452	93,301	0.0				
Total South Korea		65,960,948	17.4				

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

	Shares	Value	% of Net Assets
UNITED STATES: 1.1%			
Cognizant Technology Solutions Corp. Class A	84,900	3,775,518	1.1
Total United States		3,775,518	1.1

TOTAL COMMON EQUITIES		365,801,149	96.6
(Cost \$331,343,634)			

WARRANT: 0.0%

MALAYSIA: 0.0%			
Genting BHD, expires 12/18/18	93,950	83,002	0.0
Total Malaysia		83,002	0.0

TOTAL WARRANT		83,002	
(Cost \$57,243)			

TOTAL INVESTMENTS: 96.6%		365,884,151	
(Cost \$331,400,877)			

CASH AND OTHER ASSETS, LESS LIABILITIES: 3.4%		12,747,625	
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NET ASSETS: 100.0%		378,631,776	
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A: A Share Class

ADR: American Depositary Receipt

BHD: Berhad

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

NVDR: Non-Voting Depositary Receipt

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



PORTFOLIO MANAGERS

Richard H. Gao
Lead Manager

Henry Zhang, CFA
Co-Manager

Winnie Chwang
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

China 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 2014, the Matthews China Fund returned 3.02%, underperforming its benchmark, the MSCI China Index, which returned 7.31%.

Market Environment:

During the six-month period, China's equity market environment turned from bullish to bearish. The strong macroeconomic indicators that were released in June proved somewhat short-lived, and statistics in July and August showed continued economic weakness. The lack of growth momentum was mainly due to ongoing sluggishness in the property markets and the slowing of the government's fixed asset investments in infrastructure. Meanwhile, the government refrained from launching large-scale stimulus programmes to spur short-term economic growth, and instead continued with its approach to help stimulate only targeted areas.

Performance Contributors and Detractors:

The financials and information technology sectors were the biggest contributors to Fund performance for the first half of the fiscal year. Among them, Hong Kong Exchanges & Clearing contributed the most. The company is the main operator of the securities and derivatives market in Hong Kong and will benefit most from China's new Hong Kong-Shanghai mutual stock trading programme. Information technology holdings also performed strongly, led by Lenovo Group, China's largest PC manufacturer, and NetEase, a major online gaming developer.

Fund performance in the consumer discretionary and consumer staples sectors continued to disappoint, and were the biggest detractors of relative performance. Among them, Sands China, a major casino operator in Macau, fell under continued selling pressure during the period as near-term revenues were negatively affected by China's anti-corruption campaign. Other consumer names like dairy producer China Mengniu Dairy and budget hotel operator Home Inns & Hotels Management were also among the big detractors. The weakness in consumer names became more prolonged than many investors had expected. We continue to hold solid names in the industry and our conviction in the long-term potential of the country's consumer sectors remains unchanged.

Notable Portfolio Changes:

During the most recent quarter, we exited China Resources Enterprise as we believed the company has been less competitive in the supermarket and hypermarket operations. We also sold sports shoe and apparel manufacturer Li Ning due to its disappointing turnaround strategy. We added e-commerce giant Alibaba to the portfolio as we believe the company will benefit most from the enormous growth opportunities in China's e-commerce space.

Outlook:

Looking forward, we expect the central government to carefully achieve a balance between non-intervention and major stimulus programmes. Given the current weak economic environment, we expect more accommodative policies to be adopted in order to prevent the economy from further slowing. The government has been making efforts to accelerate the reform process by encouraging and supporting the private sector economy, and increasing the role of market forces. Capital market reform is also high on the agenda. We believe the mutual platform for the Hong Kong and Shanghai stock exchanges is a major step forward in China's capital market reform and should create good opportunities for foreign investors to access its domestic market.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 92.8%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
INFORMATION TECHNOLOGY: 19.0%				CONSUMER DISCRETIONARY: 13.6%			
Internet Software & Services: 9.6%				Hotels, Restaurants & Leisure: 6.7%			
Tencent Holdings, Ltd.	113,000	1,684,522	3.8	Cafe' de Coral Holdings, Ltd.	304,000	1,029,761	2.3
NetEase, Inc. ADR	10,050	858,173	2.0	Home Inns & Hotels Management, Inc. ADR	31,300	913,709	2.1
Baidu, Inc. ADR	3,700	818,494	1.9	Sands China, Ltd.	155,600	812,679	1.9
Sina Corp.	11,650	490,499	1.1	Shangri-La Asia, Ltd.	110,000	163,213	0.4
Alibaba Group Holding. ADR	3,900	346,125	0.8			2,919,362	6.7
		4,197,813	9.6				
Technology Hardware, Storage & Peripherals: 2.8%				Automobiles: 1.6%			
Lenovo Group, Ltd.	814,000	1,212,980	2.8	Dongfeng Motor Group Co., Ltd. H Shares	422,000	694,132	1.6
		1,212,980	2.8			694,132	1.6
Electronic Equipment, Instruments & Components: 2.7%				Specialty Retail: 1.6%			
Digital China Holdings, Ltd.	717,000	641,548	1.5	Belle International Holdings, Ltd.	604,000	679,729	1.6
Hollysys Automation Technologies, Ltd.	24,200	550,914	1.2			679,729	1.6
		1,192,462	2.7				
Software: 2.0%				Multiline Retail: 1.4%			
Kingdee International Software Group Co., Ltd.	2,826,800	838,905	2.0	Golden Eagle Retail Group, Ltd.	529,000	615,597	1.4
		838,905	2.0			615,597	1.4
Communications Equipment: 1.9%				Diversified Consumer Services: 1.0%			
ZTE Corp. H Shares	379,880	842,961	1.9	New Oriental Education & Technology Group, Inc. ADR	19,500	435,744	1.0
		842,961	1.9			435,744	1.0
Total Information Technology		8,285,121	19.0	Media: 0.9%			
				Television Broadcasts, Ltd.	67,000	399,806	0.9
						399,806	0.9
FINANCIALS: 18.5%				Internet & Catalog Retail: 0.4%			
Real Estate Management & Development: 7.4%				Jumei International Holding, Ltd. ADR			
China Vanke Co., Ltd. H Shares	572,353	1,010,981	2.3		7,900	191,542	0.4
Hang Lung Group, Ltd.	166,000	821,730	1.9			191,542	0.4
China Resources Land, Ltd.	384,000	791,844	1.8	Total Consumer Discretionery		5,935,912	13.6
Swire Pacific, Ltd. A Shares	48,000	618,414	1.4				
		3,242,969	7.4	INDUSTRIALS: 11.2%			
Banks: 4.9%				Transportation Infrastructure: 4.1%			
BOC Hong Kong Holdings, Ltd.	235,000	748,804	1.7	Yuexiu Transport Infrastructure, Ltd.	1,576,000	967,831	2.2
China Construction Bank Corp. H Shares	1,048,340	734,872	1.7	China Merchants Holdings International Co., Ltd.	268,000	828,907	1.9
China Merchants Bank Co., Ltd. H Shares	383,110	655,793	1.5			1,796,738	4.1
		2,139,469	4.9	Machinery: 3.2%			
Insurance: 4.3%				CSR Corp., Ltd. H Shares			
Ping An Insurance Group Co. of China, Ltd. H Shares	121,000	909,711	2.1	Airtac International Group	53,000	427,903	1.0
China Life Insurance Co., Ltd. H Shares	224,000	622,329	1.4			1,403,291	3.2
China Life Insurance Co., Ltd. ADR	8,700	364,850	0.8	Industrial Conglomerates: 1.5%			
		1,896,890	4.3	NWS Holdings, Ltd.	361,500	643,572	1.5
Diversified Financial Services: 1.9%							
Hong Kong Exchanges and Clearing, Ltd.	37,600	809,418	1.9	Construction & Engineering: 1.2%			
		809,418	1.9	China State Construction International Holdings, Ltd.	350,000	520,652	1.2
Total Financials		8,088,746	18.5			520,652	1.2
				Airlines: 1.2%			
				Air China, Ltd. H Shares	810,000	512,371	1.2
						512,371	1.2
				Total Industrials		4,876,624	11.2

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

	Shares	Value	% of Net Assets
CONSUMER STAPLES: 8.4%			
Food Products: 4.2%			
China Mengniu Dairy Co., Ltd.	232,000	956,443	2.2
Tingyi (Cayman Islands) Holding Corp.	330,000	867,212	2.0
		1,823,655	4.2
Personal Products: 1.7%			
Hengan International Group Co., Ltd.	75,500	742,690	1.7
		742,690	1.7
Beverages: 1.4%			
Tsingtao Brewery Co., Ltd. H Shares	88,000	627,112	1.4
		627,112	1.4
Food & Staples Retailing: 1.1%			
Sun Art Retail Group, Ltd.	416,000	470,598	1.1
		470,598	1.1
Total Consumer Staples		3,664,055	8.4
HEALTH CARE: 7.2%			
Health Care Equipment & Supplies: 2.2%			
Mindray Medical International, Ltd. ADR	31,350	944,228	2.2
		944,228	2.2
Health Care Providers & Services: 3.3%			
Sinopharm Group Co., Ltd. H Shares	390,800	1,430,242	3.3
		1,430,242	3.3
Pharmaceuticals: 1.7%			
Sino Biopharmaceutical, Ltd.	792,000	789,164	1.7
		789,164	1.7
Total Health Care		3,163,634	7.2
UTILITIES: 5.5%			
Independent Power & Renewable Electricity Producers: 2.0%			
China Longyuan Power Group Corp. H Shares	898,000	878,706	2.0
		878,706	2.0
Electric Utilities: 2.0%			
Cheung Kong Infrastructure Holdings, Ltd.	123,000	863,192	2.0
		863,192	2.0
Gas Utilities: 1.5%			
Hong Kong & China Gas Co., Ltd.	296,885	643,747	1.5
		643,747	1.5
Total Utilities		2,385,645	5.5

COMMON EQUITIES: CHINA/HONG KONG (continued)

	Shares	Value	% of Net Assets
ENERGY: 5.0%			
Oil, Gas & Consumable Fuels: 3.1%			
Kunlun Energy Co., Ltd.	472,000	681,305	1.6
CNOOC, Ltd.	395,000	677,370	1.5
		1,358,675	3.1
Energy Equipment & Services: 1.9%			
China Oilfield Services, Ltd. H Shares	318,000	840,470	1.9
		840,470	1.9
Total Energy		2,199,145	5.0
TELECOMMUNICATION SERVICES: 4.4%			
Wireless Telecommunication Services: 2.9%			
China Mobile, Ltd.	62,500	722,871	1.6
China Mobile, Ltd. ADR	9,900	589,907	1.3
		1,312,778	2.9
Diversified Telecommunication Services: 1.5%			
China Communications Services Corp., Ltd. H Shares	1,390,000	646,550	1.5
		646,550	1.5
Total Telecommunication Services		1,959,328	4.4
TOTAL COMMON EQUITIES: CHINA/HONG KONG		40,558,210	
(Cost \$39,418,587)			
COMMON EQUITIES: TAIWAN: 0.8%			
HEALTH CARE: 0.8%			
Health Care Equipment & Supplies: 0.8%			
Ginko International Co., Ltd.	28,000	377,036	0.8
		377,036	0.8
Total Health Care		377,036	0.8
TOTAL COMMON EQUITIES: TAIWAN		377,036	
(Cost \$448,528)			
TOTAL INVESTMENTS: 93.6%		40,935,246	
(Cost \$39,867,115)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 6.4%		2,782,181	
NET ASSETS: 100.0%		43,717,427	

A: A Share Class

ADR: American Depositary Receipt 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

Sunil Asnani
Lead Manager

Sharat Shroff, CFA
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

India 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 2014, the Matthews India Fund rose 30.17%, outperforming its benchmark, the S&P Bombay Stock Exchange 100 Index, which returned 16.87%.

Market Environment:

During this period, sectors such as consumer discretionary, pharmaceuticals and technology services have done better than cyclical and reform-dependent sectors, such as industrials, financials and metals. One possible reason could be the market's impatience with the federal government's inability to quickly implement "big bang" reforms over land, labour, agriculture and taxation. Meanwhile, macroeconomic fundamentals such as inflation and industrial growth appear to have improved on the margin, partly because of the increased executive efficiency of the new government. No wonder Standard & Poor's recently upgraded its outlook on India's creditworthiness from "negative" to "stable."

Performance Contributors and Detractors:

The portfolio's outperformance could be attributed to a mix of allocation and stock-specific factors. Small- and mid-capitalisation firms constitute a majority of the portfolio. During the first six months of the fiscal year, the portfolio's small- to mid-cap holdings did better than large-caps. Small- and mid-cap stocks underperformed large-caps in the previous calendar year, even though their differential in fundamental performance with large-caps had been narrowing. This rally is possibly a correction of this anomaly.

Another factor that helped performance was the limited exposure to reform-dependent stocks, including public sector banks, infrastructure companies and metals industries. The market's disappointment over the pace of reforms has impacted returns in these sectors.

Notable Portfolio Changes:

We added a few stocks to the portfolio across the capitalisation spectrum, and across sectors such as industrials, technology, health care and consumers. Some of these companies are well run but a bit out of favour due to some short-term stock-specific factors, which we believe should correct over time. One such company, Cognizant Technology Solutions, a leading business and technology services firm, saw its stock price correct when it lowered its growth guidance for the full year. The company has historically grown faster than the industry, has built domain expertise in certain key industry verticals and has been able to strike a good balance between growth and profitability.

Outlook:

Valuations have become a bit richer in the last six months, and on the margin, smaller company outperformance is beginning to wane. The media appears to be overly fixated on quick headline reforms by the current government but is discounting the small steps made relating to bureaucratic accountability and governance. Among many bright spots, Prime Minister Narendra Modi's ability to obtain funding commitments from many foreign partners, such as Japan and China, to build fixed assets in India, has been a standout. Another has been the progress made by the central government in approving a number of previously stalled projects worth over US\$100 billion. All told, we continue to have realistic expectations about the size and the extent of reforms the current government can achieve, given that their majority exists only in the national parliament – and not necessarily in the various state legislatures. In addition, there are various factors that are out of the central government's control. This point was illustrated recently when



the Supreme Court of India decided to cancel hundreds of coal mining licenses, awarded in the last two decades, which might further decelerate the country's pace of infrastructure buildup. Amid such uncertainty, we continue to position the portfolio in stocks that have greater control over their own destiny. We choose companies due to superior management and inherently better business models, which are able to benefit from resilient underlying growth.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: INDIA: 99.1%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets		
FINANCIALS: 26.3%				INDUSTRIALS: 15.3%					
Commercial Banks: 10.1%				Machinery: 7.9%					
Kotak Mahindra Bank, Ltd.	14,860	243,445	4.0	AIA Engineering, Ltd.	16,042	243,925	4.0		
HDFC Bank, Ltd.	13,402	189,121	3.1	Thermax, Ltd.	12,996	192,933	3.1		
IndusInd Bank, Ltd.	18,280	183,731	3.0	Ashok Leyland, Ltd.	76,586	50,962	0.8		
		616,297	10.1			487,820	7.9		
Consumer Finance: 6.8%				Road & Rail: 3.1%					
Shriram City Union Finance, Ltd.	10,829	286,695	4.7	Container Corp. of India, Ltd.	8,563	187,461	3.1		
Sundaram Finance, Ltd.	6,112	128,961	2.1			187,461	3.1		
		415,656	6.8	Transportation Infrastructure: 2.3%					
Diversified Financial Services: 5.3%				Gujarat Pipavav Port, Ltd.					
IDFC, Ltd.	71,017	157,618	2.6	51,646	141,601	2.3			
CRISIL, Ltd.	4,758	155,077	2.5		141,601	2.3			
Multi Commodity Exchange of India, Ltd.	850	10,990	0.2	Air Freight & Logistics: 2.0%					
		323,685	5.3	Blue Dart Express, Ltd.					
				1,402	119,873	2.0			
Thrifts & Mortgage Finance: 4.1%				Total Industrials					
Housing Development Finance Corp.	14,661	250,178	4.1			936,755	15.3		
		250,178	4.1	INFORMATION TECHNOLOGY: 11.1%					
Total Financials		1,605,816	26.3	IT Services: 7.6%					
CONSUMER STAPLES: 17.6%				Mindtree, Ltd.					
Personal Products: 9.1%				eClerx Services, Ltd.					
Emami, Ltd.	22,076	248,890	4.1	2,521	90,628	1.5			
Dabur India, Ltd.	42,518	152,739	2.5		465,647	7.6			
Bajaj Corp., Ltd.	36,527	152,393	2.5	Internet Software & Services: 3.5%					
		554,022	9.1	Info Edge India, Ltd.					
Tobacco: 6.5%				15,286				210,331	3.5
ITC, Ltd.	35,832	214,505	3.5		210,331	3.5			
VST Industries, Ltd.	6,964	183,362	3.0	Total Information Technology					
		397,867	6.5			675,978	11.1		
Food Products: 2.0%				HEALTH CARE: 10.3%					
Zydus Wellness, Ltd.	12,026	124,684	2.0	Pharmaceuticals: 7.2%					
		124,684	2.0	Ajanta Pharma, Ltd.					
Total Consumer Staples		1,076,573	17.6	8,788	246,047	4.0			
				Sun Pharmaceutical Industries, Ltd.					
				14,153	196,194	3.2			
					442,241	7.2			
				Health Care Equipment & Supplies: 3.1%					
				Poly Medicare Ltd.					
				14,101	188,143	3.1			
					188,143	3.1			
				Total Health Care					
						630,384	10.3		

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

	Shares	Value	% of Net Assets
CONSUMER DISCRETIONARY: 10.0%			
Textiles, Apparel & Luxury Goods: 5.7%			
Titan Co., Ltd.	29,332	193,499	3.2
Kewal Kiran Clothing, Ltd.	2,906	86,616	1.4
Vaibhav Global, Ltd.	4,731	66,038	1.1
		346,153	5.7
Household Durables: 3.1%			
Symphony, Ltd.	8,564	190,883	3.1
		190,883	3.1
Auto Components: 0.7%			
Exide Industries, Ltd.	16,379	44,920	0.7
		44,920	0.7
Media: 0.5%			
Jagran Prakashan, Ltd.	14,320	28,876	0.5
		28,876	0.5
Total Consumer Discretionary		610,832	10.0
MATERIALS: 8.5%			
Chemicals: 4.9%			
Supreme Industries, Ltd.	14,907	157,350	2.5
Asian Paints, Ltd.	10,614	108,054	1.8
Castrol India, Ltd.	5,378	37,335	0.6
		302,739	4.9
Metals & Mining: 3.0%			
NMDC, Ltd.	68,503	183,221	3.0
		183,221	3.0
Construction Materials: 0.6%			
Grasim Industries, Ltd.	600	34,428	0.6
		34,428	0.6
Total Materials		520,388	8.5

TOTAL COMMON EQUITIES: INDIA

6,056,726

(Cost \$5,648,123)

COMMON EQUITIES: UNITED STATES: 3.1%

INFORMATION TECHNOLOGY: 3.1%			
IT Services: 3.1%			
Cognizant Technology Solutions Corp. Class A	4,200	186,775	3.1
		186,775	3.1
Total Information Technology		186,775	3.1

TOTAL COMMON EQUITIES: UNITED STATES

186,775

(Cost \$191,037)

COMMON EQUITIES: SINGAPORE: 1.0%

	Shares	Value	% of Net Assets
FINANCIALS: 1.0%			
Real Estate Management & Development: 1.0%			
Ascendas India Trust	103,000	62,553	1.0
		62,553	1.0
Total Financials		62,553	1.0

TOTAL COMMON EQUITIES: SINGAPORE

62,553

(Cost \$63,667)

TOTAL COMMON EQUITIES

6,306,054

TOTAL INVESTMENTS: 103.2%

6,306,054

(Cost \$5,902,827)

LIABILITIES IN EXCESS OF CASH AND OTHER ASSETS: (3.2%)

(194,644)

NET ASSETS: 100.0%

6,111,410

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



PORTFOLIO MANAGERS

Kenneth Lowe, CFA
Lead Manager

J. Michael Oh, CFA
Co-Manager

Sharat Shroff, CFA
Co-Manager

Asia Focus Fund

Fund Manager Report

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

The Matthews Asia Focus Fund was launched on 30 May 2014. From its inception through 30 September 2014, the Fund returned -1.10% while its benchmark, the MSCI All Country Asia ex Japan Index, returned 0.80%.

Market Environment:

Governments across the globe were once more at the forefront of headlines, continuing to be the primary drivers of aggregate stock market returns. In the early months of the first half of the fiscal year, we witnessed substantial political change in Asia as pro-business Narendra Modi was elected as India's new prime minister and reformist Joko Widodo became Indonesia's new president. May also saw another coup in Thailand as the military junta dissolved Parliament and suspended the constitution. Beyond this, monetary policy changes and stimulus measures gathered ever greater momentum. For the U.S., reasonable, if unspectacular, economic data accentuated the belief that the U.S. Federal Reserve may undergo monetary tightening by the end of 2015. This was in stark contrast to Europe, where European Central Bank President Mario Draghi proclaimed that he would take steps to stop the drop in inflation expectations and try to avoid an outright deflationary growth scare. In Asia, additional easing took place in China through liquidity injections into the financial system and a reduction in home purchase restrictions criteria in order to help an ailing property market.

With this backdrop, volatility has been the order of the day. Hope of Prime Minister Modi's ability to reform India's economic fortunes and a belief that the end of the political impasse in Thailand will help economic growth, led these two markets to be the best-performing in Asia. The markets of South Korea, Malaysia and Australia notably lagged.

Performance Contributors and Detractors:

The largest contributors to Fund performance came from our holdings in Thailand, as both the macroeconomic and political backdrop in the country appear to have stabilised somewhat under military rule. Financial services company, Kasikornbank was the strongest of these as it appears to have mitigated domestic weakness better than peers through its superior deposit franchise, underwriting ability and customer focus to drive fee income.

Additionally, our holding in Thai Union Frozen Products was strong as the frozen fish producer's earnings continue to turn around after some disease issues within the shrimp population. The company has also been on the acquisition hunt once again, purchasing French salmon company MerAlliance and Norwegian sardine producer King Oscar.

Chinese Internet search engine Baidu also performed strongly during the most recent quarter with yet further evidence of its successful migration to mobile search and additional services becoming visible. The company continues to invest in areas such as "big data" and location-based services to enhance monetisation.

More negatively, Samsung Electronics and Cie Financiere Richemont were the Fund's largest detractors to performance over the quarter. The South Korean industrial conglomerate struggled due to weaker earnings delivery as it faces declining margins in its smartphone business due to more aggressive pricing competition, particularly from Chinese manufacturers. For Richemont, the company reported sales growth that, although positive, disappointed investors. The major markets of Hong Kong and China were weak as the Chinese government continues its anti-corruption measures.

**Notable Portfolio Changes:**

Since the launch of the Fund, we have added one new position to the portfolio, VTech Holdings. The Hong Kong-based technology company operates across electronic learning products and toys, electronic manufacturing services and telephone manufacturing. The Fund's ethos is to look for quality companies that trade at a valuation we deem to be cheaper than its intrinsic value, and VTech exemplifies this. The stock is trading at a 7% dividend yield, despite an excellent track record, a strong management team, good corporate governance standards, a strong net cash position and a return on capital of over 70%. Further, we believe that the company still has long-term sustainable growth opportunities within its toy and manufacturing businesses.

This new position was funded through the sale of Indonesian health care and consumer company Kalbe Farma. Although the company still has plentiful growth opportunities, given the build out of social infrastructure in Indonesia and an incredibly entrepreneurial management team, the valuations of the stock have become detached from the fundamentals of the business.

Outlook:

Looking forward, it is pleasing to witness that many countries in Asia, including the major economies of China, India, Japan, South Korea and Indonesia, are all undergoing structural reforms to some degree. These moves should help to create further productivity gains across much of Asia, a move that is required to sustain real economic growth and provide an environment for minority shareholders to benefit. This will, however, doubtless come with some volatility, particularly in China as the government weighs these measures against maintaining GDP growth targets and full employment. With this backdrop, the Fund will maintain its focus on quality companies that can survive and thrive throughout economic cycles, with the aim of finding these at valuations cheaper than the company's intrinsic value.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: 95.8%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG: 34.4%				UNITED STATES: 3.9%			
AIA Group, Ltd.	12,800	66,224	6.7	Mead Johnson Nutrition Co.	400	38,855	3.9
Jardine Matheson Holdings, Ltd.	800	47,706	4.8	Total United States		38,855	3.9
Baidu, Inc. ADR	200	44,243	4.5	INDIA: 3.5%			
Samsonite International SA	13,500	43,451	4.4	Tata Motors, Ltd. ADR	800	34,994	3.5
Yum! Brands, Inc.	540	39,409	4.0	Total India		34,994	3.5
HSBC Holdings PLC	2,800	28,708	2.9	SWITZERLAND: 3.3%			
VTech Holdings, Ltd.	2,200	27,134	2.8	Cie Financiere Richemont SA	405	33,093	3.3
Hang Lung Group, Ltd.	5,000	24,751	2.5	Total Switzerland		33,093	3.3
Jardine Matheson Holdings, Ltd. ADR	300	17,894	1.8	UNITED KINGDOM: 2.2%			
Total China/Hong Kong		339,520	34.4	BHP Billiton PLC	755	20,901	2.2
MALAYSIA: 11.1%				Total United Kingdom		20,901	2.2
Genting Malaysia BHD	25,300	32,226	3.2	TOTAL COMMON EQUITIES			
Axiata Group BHD	12,900	27,510	2.8			946,545	
AMMB Holdings BHD	13,100	27,417	2.8	(Cost \$963,237)			
Guinness Anchor BHD	5,800	22,652	2.3	TOTAL INVESTMENTS: 95.8%			
Total Malaysia		109,805	11.1			946,545	
SINGAPORE: 9.7%				(Cost \$963,237)			
Singapore Telecommunications, Ltd.	14,000	41,721	4.2	CASH AND OTHER ASSETS, LESS LIABILITIES: 4.2%			
SIA Engineering Co., Ltd.	7,000	25,287	2.6			41,556	
United Overseas Bank, Ltd.	1,000	17,547	1.8	NET ASSETS: 100.0%			
United Overseas Bank, Ltd. ADR	300	10,656	1.1			988,101	
Total Singapore		95,211	9.7	ADR: American Depositary Receipt			
AUSTRALIA: 7.7%				BHD: Berhad			
Ansell, Ltd.	1,773	30,116	3.0				
Insurance Australia Group, Ltd.	4,963	26,506	2.7				
Orica, Ltd.	1,206	19,932	2.0				
Total Australia		76,554	7.7				
THAILAND: 6.5%							
Thai Union Frozen Products Public Co., Ltd.	13,100	29,892	3.0				
Kasikornbank Public Co., Ltd.	4,800	34,783	3.5				
Total Thailand		64,675	6.5				
INDONESIA: 5.3%							
PT Indofood Sukses Makmur	41,200	23,672	2.4				
PT Bank Rakyat Indonesia Persero	33,000	28,248	2.9				
Total Indonesia		51,920	5.3				
SOUTH KOREA: 4.2%							
Samsung Electronics Co., Ltd.	37	41,550	4.2				
Total South Korea		41,550	4.2				
TAIWAN: 4.0%							
Taiwan Semiconductor Manufacturing Co., Ltd.	10,000	39,467	4.0				
Total Taiwan		39,467	4.0				

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



PORTFOLIO MANAGERS

Lydia So, CFA
Lead Manager

Kenichi Amaki
Co-Manager

Beini Zhou, CFA
Co-Manager

Note: Managers shown reflect changes effective April 30, 2014.

Asia 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 2014, the Matthews Asia Small Companies Fund returned 8.47%, outperforming its benchmark, the MSCI All Country Asia ex Japan Small Cap Index, which returned 4.70%.

Market Environment:

In India during the period, federal elections and strong performance among Indian markets garnered much of the headlines. Following the victory of its Prime Minister Narendra Modi's government in May, the country was upgraded to a "stable" credit outlook by rating agency Standard & Poor's. Indonesia's presidential election saw reformist candidate Joko Widodo clinching a win. Meanwhile in China, ongoing reforms, which have included anti-corruption campaigns and a slowdown of growth in fixed assets investments, continued to weigh on investor sentiment over Chinese equities.

Performance Contributors and Detractors:

During the six-month period, Fund performance was helped by our holdings in India and Thailand. Indian holdings performed strongly and Gujarat Pipavav Port was a major performance contributor. We remain optimistic about the company's strategic location and the ongoing rise in container volume traffic in their operations. We continue to hold the company although we have trimmed our position, on the margin, due to valuation considerations. Other company-specific factors also helped performance. For example, Sunny Optical, an optical-related product manufacturer based in China was another major contributor to performance. The company performed well due to its success in gaining new smartphone customers in China and continuing to make inroads in the fast-growing automotive camera market.

Unfortunately, not all our holdings performed up to our expectations. In terms of detractors, ASR Logistics Holdings, a Hong Kong-based wholesale air freight solutions provider, disappointed because of a drop in profits that resulted from substantial cost inflation on staffing and office rents associated with its corporate expansion. As of the end of the most recent quarter, we continued to hold a relatively small position in this company, and will monitor its growth prospects and profitability.

Notable Portfolio Changes:

We initiated several new positions in companies that we believe are positioned to capture Asia's domestic demand. We initiated a new position in Goldpac Group, a Chinese manufacturer of financial cards and various smart cards. Goldpac's growth prospects are appealing as we believe the company will be a major beneficiary of rising credit card adoption; the consumer financial services sector is seeing ongoing long-term development. We also added to several of our existing positions in holdings across various countries where we found valuations, relative to their growth prospects, attractive. For example, we added to our long-term Indonesian holdings such as AKR Corporindo, a chemical distributor logistics conglomerate. We believe that the company's long-term competitive advantage remains solid despite the ongoing market noise surrounding the country's political landscape after the recent presidential election.

Outlook:

As national elections in India and Indonesia have largely been concluded, the market may be sensitive to the changes and challenges of public policies to be implemented, and hence may become more volatile. Uncertainties over the economic recovery of developed countries and over some monetary



policy modifications may cause some anxiety among global financial market participants. However, we remain comfortable with the portfolio's bias toward tapping growth opportunities from Asia's domestic demand, rather than from export-driven demand. We will continue to look for companies with businesses that are well-positioned to take advantage of Asia's structural growth trends, such as improving lifestyles and the development of services sectors.

Investing in small- and mid-size companies is more risky 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 an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: 96.1%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets
CHINA/HONG KONG : 22.0%				INDONESIA: 9.2%			
Towngas China Co., Ltd.	174,000	186,457	2.2	PT AKR Corporindo	256,300	114,672	1.4
Lee's Pharmaceutical Holdings, Ltd.	135,000	176,584	2.1	PT Bank Tabungan Pensiunan Nasional	276,000	104,169	1.2
Sunny Optical Technology Group Co., Ltd.	114,000	169,266	2.0	PT Astra Otoparts	256,200	90,389	1.1
Minth Group, Ltd.	68,000	131,668	1.6	PT Selamat Sempurna	223,600	83,199	1.0
Vitasoy International Holdings, Ltd.	102,000	129,949	1.6	PT Arwana Citramulia	952,800	77,784	0.9
Airtac International Group	14,210	114,726	1.4	PT Modern Internasional	1,251,400	72,386	0.9
Fairwood Holdings, Ltd.	52,000	113,850	1.4	PT Sarana Menara Nusantara	171,100	58,961	0.7
Pacific Online, Ltd.	205,000	109,882	1.3	PT Wismilak Inti Makmur	1,287,500	58,105	0.7
Kerry Logistics Network, Ltd.	67,000	104,519	1.2	PT Sumber Alfaria Trijaya	1,330,900	55,145	0.7
Convenience Retail Asia, Ltd.	142,000	97,225	1.2	PT Ultrajaya Milk Industry & Trading Co.	172,000	54,897	0.6
YGM Trading, Ltd.	42,000	93,545	1.1	Total Indonesia		769,707	9.2
Stelux Holdings International, Ltd.	361,000	92,488	1.1	SOUTH KOREA: 8.0%			
Haitian International Holdings, Ltd.	40,000	90,910	1.1	i-SENS, Inc.	2,620	141,418	1.7
51job, Inc. ADR	2,800	85,970	1.0	Binggrae Co., Ltd.	1,459	121,306	1.5
Goldpac Group, Ltd.	78,000	69,366	0.8	Pyeong Hwa Automotive Co., Ltd.	6,020	119,929	1.4
ASR Logistics Holdings, Ltd.	470,000	44,172	0.5	Hy-Lok Corp.	3,593	115,681	1.4
Lifetech Scientific Corp.	20,000	31,928	0.4	SaraminHR Co., Ltd.	9,290	92,010	1.1
Total China/Hong Kong		1,842,505	22.0	Hanssem Co., Ltd.	699	75,704	0.9
INDIA: 16.7%				Total South Korea		666,048	8.0
Emami, Ltd.	13,630	153,668	1.9	THAILAND: 7.9%			
AIA Engineering, Ltd.	10,103	153,620	1.8	Bangkok Chain Hospital Public Co., Ltd.	470,700	148,046	1.8
Supreme Industries, Ltd.	13,620	143,765	1.7	Supalai Public Co., Ltd.	168,500	135,091	1.6
Gujarat Pipavav Port, Ltd.	51,407	140,945	1.7	PTG Energy Public Co., Ltd.	663,600	107,428	1.3
Berger Paints India, Ltd.	22,151	135,757	1.6	Aeon Thana Sinsap Thailand Public Co., Ltd. NVDR	24,600	84,958	1.0
Mindtree, Ltd.	7,087	135,042	1.6	Tisco Financial Group Public Co., Ltd.	56,800	79,692	0.9
Ipca Laboratories, Ltd.	9,074	116,206	1.4	Siam Global House Public Co., Ltd.	181,716	78,447	0.9
Bajaj Corp., Ltd.	27,073	112,950	1.4	Aeon Thana Sinsap Thailand Public Co., Ltd.	6,300	21,758	0.3
GRUH Finance, Ltd.	36,050	111,578	1.3	Oishi Group Public Co., Ltd.	3,500	9,686	0.1
Page Industries, Ltd.	809	104,012	1.2	Total Thailand		665,106	7.9
CRISIL, Ltd.	2,844	92,694	1.1	SINGAPORE: 7.3%			
Total India		1,400,237	16.7	Petra Foods, Ltd.	45,000	142,461	1.7
TAIWAN: 12.7%				ARA Asset Management, Ltd.	92,000	126,319	1.5
PChome Online, Inc.	21,000	204,545	2.4	Raffles Medical Group, Ltd.	38,000	114,750	1.4
St. Shine Optical Co., Ltd.	7,000	149,554	1.8	OSIM International, Ltd.	55,000	113,350	1.4
Sinmag Equipment Corp.	24,532	143,622	1.7	Super Group, Ltd.	113,000	112,894	1.3
Yungtay Engineering Co., Ltd.	61,000	140,776	1.7	Total Singapore		609,774	7.3
Sporton International, Inc.	25,380	129,764	1.6	MALAYSIA: 5.6%			
Voltronic Power Technology Corp.	15,700	123,236	1.5	Alliance Financial Group BHD	80,500	122,367	1.4
TSC Auto ID Technology Co., Ltd.	13,000	104,758	1.2	7-Eleven Malaysia Holdings BHD	195,400	106,650	1.3
Addcn Technology Co., Ltd.	6,000	63,255	0.8	Dialog Group BHD	188,222	98,627	1.2
Total Taiwan		1,059,510	12.7	KPJ Healthcare BHD	71,160	84,139	1.0
				Oldtown BHD	111,500	60,463	0.7
				Total Malaysia		472,246	5.6

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

	Shares	Value	% of Net Assets
PHILIPPINES: 4.9%			
Security Bank Corp.	46,186	150,769	1.8
Vista Land & Lifescapes, Inc.	878,000	120,464	1.4
RFM Corp.	887,000	104,576	1.3
Philippine Seven Corp.	17,190	34,744	0.4
Total Philippines		410,553	4.9
VIETNAM: 1.1%			
Kinh Do Corp.	33,264	93,180	1.1
Total Vietnam		93,180	1.1
JAPAN: 0.7%			
econtext Asia, Ltd.	167,000	56,857	0.7
Total Japan		56,857	0.7
TOTAL COMMON EQUITIES		8,045,723	
(Cost \$7,497,808)			
WARRANT: 0.0%			
MALAYSIA : 0.0%			
KPJ Healthcare BHD, expires 01/23/19	1,120	213	0.0
Total Malaysia		213	0.0
TOTAL WARRANT		213	
(Cost \$54)			
TOTAL INVESTMENTS: 96.1%		8,045,936	
(Cost \$7,497,862)			
CASH AND OTHER ASSETS, LESS LIABILITIES: 3.9%		325,246	
NET ASSETS: 100.0%		8,371,182	

ADR: American Depositary Receipt

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 Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).

For the six months ending 30 September 2014, the Matthews China Small Companies Fund declined -0.55%, underperforming its benchmark, the MSCI China Small Cap Index, which returned 4.34%.

Market Environment:

Following a modest rebound during the first three months of the fiscal year, China's economy showed relatively slow growth momentum in the recent quarter. However, both the domestic China A-share market and Hong Kong market finished higher for the six-month period. Investors have eagerly awaited the upcoming Shanghai–Hong Kong Connect programme, a new platform to allow mutual trading activity between the two stock exchanges.

Performance Contributors and Detractors:

During the six-month period, our holdings in the information technology, consumer discretionary and materials sectors benefited portfolio performance most. Electronic payment solution provider PAX Global Technology was the top contributor to performance. PAX has continued to deliver strong growth through its innovative products and solutions. It maintains a leading position in China and has also gained a strong foothold in large developing markets.

Conversely, many of our holdings in U.S.- and Taiwan-listed securities performed poorly during the quarter, despite business fundamentals that remained largely unchanged. Given the Fund's significant exposure to those securities, performance was adversely impacted. For example, 51job Inc., a leading human resource services provider in China, suffered from a heavy sell-off in the most recent three months, even as the company continues to gain new customers at a rapid rate. We remain focused on our fundamental, bottom-up research process and took the opportunity to increase our weighting in select positions at more reasonable valuation levels.

Notable Portfolio Changes:

Between July and the end of September, we exited China Overseas Grand Oceans following disappointing results over several reporting periods. Due to the significant volatility in the market, we initiated a few new positions in the consumer discretionary and health care sectors, and trimmed some Internet holdings where we believed valuations have run ahead of their fundamentals.

Outlook:

China's current administration so far seems to have more tolerance for slower and more sustainable growth. In the meantime, the upcoming Shanghai–Hong Kong Connect programme can be an important step in opening China's capital account and in helping the country's efforts toward currency liberalisation. We believe services-related businesses, such as health care, education and e-commerce, will continue to be the fastest-growing areas of the Chinese economy despite the slowdown in overall Chinese GDP. These are areas of the economy in which smaller companies, run by China's increasing number of entrepreneurs, have the opportunity to thrive. We remain focused on finding small companies with sustainable growth and quality management teams.

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

China Small Companies Fund

30 September 2014

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 79.1%

	Shares	Value	% of Net Assets		Shares	Value	% of Net Assets	
CONSUMER DISCRETIONARY: 22.4%				INDUSTRIALS: 15.2%				
Diversified Consumer Services: 8.8%				Machinery: 5.2%				
TAL Education Group ADR	3,700	129,768	4.0	Airtac International Group	14,210	114,726	3.5	
China Distance Education Holdings, Ltd. ADR	6,200	87,227	2.6	Haitian International Holdings, Ltd.	21,000	47,728	1.5	
New Oriental Education & Technology Group, Inc. ADR	3,200	71,507	2.2	CIMC Enric Holdings, Ltd.	8,000	7,992	0.2	
		288,502	8.8			170,446	5.2	
Hotels, Restaurants & Leisure: 5.2%				Transportation Infrastructure: 2.6%				
China Lodging Group, Ltd. ADS	4,300	111,079	3.4	Yuexiu Transport Infrastructure, Ltd.	138,000	84,747	2.6	
Tao Heung Holdings, Ltd.	73,000	40,601	1.3			84,747	2.6	
Home Inns & Hotels Management, Inc. ADR	600	17,515	0.5	Professional Services: 2.1%				
		169,195	5.2	51job, Inc. ADR	2,200	67,548	2.1	
Auto Components: 4.4%				Air Freight & Logistics: 2.1%				
Minth Group, Ltd.	64,000	123,923	3.8	Shenzhen Chiwan Petroleum B Shares	28,100	67,356	2.1	
Xingda International Holdings, Ltd. H Shares	52,000	17,875	0.6			67,356	2.1	
		141,798	4.4	Electrical Equipment: 1.9%				
Multiline Retail: 2.2%				Boer Power Holdings, Ltd.				
Springland International Holdings, Ltd.	191,000	72,295	2.2	Zhuzhou CSR Times Electric Co., Ltd. H Shares	6,000	23,199	0.7	
		72,295	2.2			62,727	1.9	
Textiles, Apparel & Luxury Goods: 1.3%				Marine: 1.0%				
ANTA Sports Products, Ltd.	17,000	34,624	1.0	SITC International Holdings Co., Ltd.	64,000	31,242	1.0	
China Dongxiang Group Co., Ltd.	49,000	9,218	0.3			31,242	1.0	
		43,842	1.3	Construction & Engineering: 0.3%				
Leisure Products: 0.5%				Louis XIII Holdings, Ltd.				
Goodbaby International Holdings, Ltd.	37,000	15,972	0.5			23,000	11,578	0.3
		15,972	0.5			11,578	0.3	
Total Consumer Discretionary		731,604	22.4	Total Industrials		495,644	15.2	
HEALTH CARE: 15.7%				INFORMATION TECHNOLOGY: 11.1%				
Pharmaceuticals: 13.1%				Electronic Equipment, Instruments & Components: 8.5%				
Sino Biopharmaceutical, Ltd.	160,000	159,427	4.9	PAX Global Technology, Ltd.	152,000	134,161	4.1	
Lee's Pharmaceutical Holdings, Ltd.	95,000	124,263	3.8	Sunny Optical Technology Group Co., Ltd.	85,000	126,207	3.9	
CSPC Pharmaceutical Group, Ltd.	82,000	67,881	2.1	Digital China Holdings, Ltd.	11,000	9,842	0.3	
Lijun International Pharmaceutical Holding Co., Ltd.	112,000	53,928	1.6	Truly International Holdings, Ltd.	12,000	6,898	0.2	
Luye Pharma Group, Ltd.	9,000	11,529	0.4			277,108	8.5	
Tianjin ZhongXin Pharmaceutical Group Corp., Ltd. S Shares	10,000	9,500	0.3	Software: 1.4%				
		426,528	13.1	Kingsoft Corp., Ltd.	20,000	47,618	1.4	
Life Sciences Tools & Services: 2.6%				Internet Software & Services: 1.2%				
WuXi PharmaTech Cayman, Inc. ADR	2,500	86,025	2.6	HC International, Inc.	12,000	21,520	0.7	
		86,025	2.6	Sina Corp.	400	16,841	0.5	
Total Health Care		512,553	15.7			38,361	1.2	
				Total Information Technology		363,087	11.1	

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

	Shares	Value	% of Net Assets
FINANCIALS: 6.5%			
Real Estate Management & Development: 6.5%			
Franshion Properties China, Ltd.	390,000	94,897	2.9
KWG Property Holding, Ltd.	96,000	67,419	2.1
K Wah International Holdings, Ltd.	89,000	49,788	1.5
		<u>212,104</u>	<u>6.5</u>
Total Financials		<u>212,104</u>	<u>6.5</u>

UTILITIES: 6.3%

Gas Utilities: 6.3%			
Towngas China Co., Ltd.	192,000	205,746	6.3
		<u>205,746</u>	<u>6.3</u>
Total Utilities		<u>205,746</u>	<u>6.3</u>

MATERIALS: 0.7%

Containers & Packaging: 0.7%			
Greatview Aseptic Packaging Co., Ltd.	36,000	23,637	0.7
		<u>23,637</u>	<u>0.7</u>
Total Materials		<u>23,637</u>	<u>0.7</u>

ENERGY: 0.7%

Energy Equipment & Services: 0.7%			
Hilong Holding, Ltd.	53,000	22,544	0.7
		<u>22,544</u>	<u>0.7</u>
Total Energy		<u>22,544</u>	<u>0.7</u>

CONSUMER STAPLES: 0.5%

Food Products: 0.5%			
China Modern Dairy Holdings, Ltd.	36,000	16,709	0.5
		<u>16,709</u>	<u>0.5</u>
Total Consumer Staples		<u>16,709</u>	<u>0.5</u>

TOTAL COMMON EQUITIES:**CHINA/HONG KONG:** 2,583,628

(Cost: \$2,219,030)

COMMON EQUITIES: TAIWAN: 16.2%**INDUSTRIALS: 6.7%**

Machinery: 3.2%			
Yungtay Engineering Co., Ltd.	45,000	103,851	3.2
		<u>103,851</u>	<u>3.2</u>
Professional Services: 2.2%			
Sporton International, Inc.	14,280	73,012	2.2
		<u>73,012</u>	<u>2.2</u>
Electrical Equipment: 1.3%			
Voltronic Power Technology Corp.	5,250	41,210	1.3
		<u>41,210</u>	<u>1.3</u>
Total Industrials		<u>218,073</u>	<u>6.7</u>

COMMON EQUITIES: TAIWAN (continued)

	Shares	Value	% of Net Assets
HEALTH CARE: 5.7%			
Health Care Equipment & Supplies: 5.7%			
Ginko International Co., Ltd.	8,000	107,725	3.3
St. Shine Optical Co., Ltd.	3,000	64,094	1.9
Pacific Hospital Supply Co., Ltd.	7,000	15,757	0.5
		<u>187,576</u>	<u>5.7</u>
Total Health Care		<u>187,576</u>	<u>5.7</u>

CONSUMER DISCRETIONARY: 2.9%

Specialty Retail: 2.9%			
Formosa Optical Technology Co., Ltd.	31,000	93,261	2.9
		<u>93,261</u>	<u>2.9</u>
Total Consumer Discretionary		<u>93,261</u>	<u>2.9</u>

FINANCIALS: 0.9%

Diversified Financial Services: 0.9%			
Chailease Holding Co., Ltd.	12,320	29,963	0.9
		<u>29,963</u>	<u>0.9</u>
Total Financials		<u>29,963</u>	<u>0.9</u>

TOTAL COMMON EQUITIES:**TAIWAN** 528,873

(Cost: \$544,946)

TOTAL COMMON EQUITIES 3,112,501**TOTAL INVESTMENTS: 95.3%** 3,112,501

(Cost: \$2,763,976)

CASH AND OTHER ASSETS,**LESS LIABILITIES: 4.7%** 153,041**NET ASSETS: 100.0%** 3,265,542

ADR: American Depositary Receipt

ADS: American Depositary Share

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

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

S Shares: Mainland Chinese 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

Teresa Kong, CFA
Lead Manager

Gerald M. Hwang, CFA
Co-Manager

Satya Patel
Co-Manager

Asia Strategic Income Fund

Fund Manager Report

The Asia Strategic Income Fund was first offered on 29 August 2014. Commentary for the Fund will be published after a full quarter of performance.

Schedule of Investments (Unaudited)

Transferable securities and money market instruments admitted to an official exchange listing or dealt in on another regulated market. As at 30 September 2014, expressed in U.S. dollars.

BONDS: 89.7%

	Shares	Value	% of Net Assets
CHINA/HONG KONG: 26.0%			
Sina Corp., Cnv., 1.000%, 12/1/2018	500,000	461,641	4.7
FPT Finance, Ltd., 6.375%, 9/28/2020	400,000	436,869	4.5
Wynn Macau, Ltd. 5.25% 10/15/2021	400,000	383,000	3.9
Value Success International, Ltd., 4.75% 11/4/2018	2,000,000	331,454	3.4
Longfor Properties Co. Ltd., 6.750% 28/05/2018	2,000,000	328,990	3.4
Shimao Property Holdings, Ltd., 6.625%, 1/14/2020	300,000	299,643	3.1
MCE Finance, Ltd., 5.000%, 2/15/2021	300,000	289,500	3.0
Total China/Hong Kong		2,531,097	26.0

INDONESIA: 19.6%

Indonesia Treasury Bond, 9.000%, 3/15/2029	7,000,000,000	581,999	6.0
PT Bank Rakyat Indonesia Persero, 2.950%, 3/28/2018	300,000	293,895	3.0
PT Astra Sedaya Finance, 8.60% 2/21/2017	3,500,000,000	277,239	2.9
Theta Capital Pte, Ltd. 7.000% 16/05/2019	250,000	264,465	2.7
TBG Global Pte, Ltd., 4.625%, 4/3/2018	250,000	246,390	2.5
Alam Synergy Pte, Ltd., 6.950%, 3/27/2020	250,000	245,312	2.5
Total Indonesia		1,909,300	19.6

SRI LANKA: 12.1%

Sri Lanka Government Bonds, 10.600% 15/09/2019	70,000,000	617,571	6.3
National Savings Bank, 8.875%, 9/18/2018	500,000	563,132	5.8
Total Sri Lanka		1,180,703	12.1

SINGAPORE: 7.4%

Olam International, Ltd., 6.000%, 10/25/2022	500,000	401,203	4.1
Global Logistic Properties, Ltd., 3.375% 11/05/2016	2,000,000	323,220	3.3
Total Singapore		724,423	7.4

INDIA: 7.2%

Axis Bank, Ltd./Singapore 7.125%, 6/28/2022	500,000	510,034	5.2
TML Holdings Pte, Ltd., 4.250%, 5/16/2018	250,000	195,294	2.0
Total India		705,328	7.2

SOUTH KOREA: 6.1%

Korea Treasury Bond, 3.500%, 3/10/2024	600,000,000	601,247	6.1
Total South Korea		601,247	6.1

BONDS (continued)

	Shares	Value	% of Net Assets
MALAYSIA: 6.1%			
Malaysia Investment Issue, 3.716%, 3/23/2021	2,000,000	599,688	6.1
Total Malaysia		599,688	6.1
AUSTRALIA: 5.2%			
Lend Lease Finance, Ltd., 6.00%, 5/13/2020	300,000	273,920	2.8
Ausnet Services Holdings, 5.75% 6/28/2022	250,000	228,893	2.4
Total Australia		502,813	5.2
TOTAL BONDS		8,754,599	
(Cost \$8,962,276)			

COMMON EQUITIES: 5.8%

SINGAPORE: 1.1%			
StarHub, Ltd.	20,000	64,570	0.6
Ascendas REIT	27,000	47,618	0.5
Total Singapore		112,188	1.1

CHINA/HONG KONG: 1.0%

Prosperity Real Estate Investment Trust	150,000	46,551	0.5
China Mobile, Ltd.	4,000	46,264	0.5
Total China/Hong Kong		92,815	1.0

THAILAND: 0.9%

Advanced Info Service Public Co., Ltd.	12,000	83,256	0.9
Total Thailand		83,256	0.9

SOUTH KOREA: 0.8%

Hyundai Motor Co., Ltd., Pfd.	700	78,130	0.8
Total South Korea		78,130	0.8

PHILIPPINES: 0.7%

Alliance Global Group, Inc.	120,000	69,421	0.7
Total Philippines		69,421	0.7

MALAYSIA: 0.7%

Axiata Group BHD	30,000	63,976	0.7
Total Malaysia		63,976	0.7

NEW ZEALAND: 0.6%

SKY Network Television, Ltd.	13,000	63,598	0.6
Total New Zealand		63,598	0.6

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

TOTAL COMMON EQUITIES	563,384
(Cost \$597,478)	

TOTAL INVESTMENTS: 95.5%	9,317,983
(Cost: \$9,559,754)	

CASH AND OTHER ASSETS, LESS LIABILITIES: 4.5%	443,289
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NET ASSETS: 100.0%	9,761,272
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ADR: American Depositary Receipt

BHD: Berhad

Pfd: Preferred Shares

REIT: Real Estate Investment Trust

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

Statement of Assets and Liabilities

As at 30 September 2014

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)	Asia Small Companies Fund (USD)
ASSETS					
Investment in securities at value (note 2C)	720,126,550	365,884,151	40,935,246	6,306,054	8,045,936
At cost	662,658,719	331,400,877	39,867,115	5,902,827	7,497,862
Cash and cash equivalent at bank	40,014,174	14,536,591	2,787,252	90,140	277,027
Amount receivable on sales of investments	1,847	11,250	–	1,353,812	22,293
Interests and dividends receivable	2,489,298	470,405	66,703	2,080	16,733
Subscriptions receivable	504,026	3,541,190	–	144,557	17,791
Formation expenses (note 2I)	4,550	4,550	3,256	13,735	–
Prepaid expenses and other receivables	439,420	184,017	53,308	90,596	68,662
TOTAL ASSETS	763,579,865	384,632,154	43,845,765	8,000,974	8,448,442
LIABILITIES					
Amounts payable on purchases of investments	417	3,666,585	–	520	–
Redemptions payable	113,944	38,928	–	1,704,235	–
Management fees and administration fees (note 4)	613,964	260,995	29,305	4,819	8,024
Unrealised gain/(loss) on foreign exchanges	–	–	–	–	–
Unrealised gain/(loss) on futures	–	–	–	–	–
Payable for foreign taxes (note 7B)	1,048,513	1,846,820	–	110,124	43,693
Accrued expenses and other payables	705,333	187,050	99,033	69,866	25,543
TOTAL LIABILITIES	2,482,171	6,000,378	128,338	1,889,564	77,260
TOTAL NET ASSETS	761,097,694	378,631,776	43,717,427	6,111,410	8,371,182

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

Statement of Assets and Liabilities *(Continued)*

As at 30 September 2014

	China Small Companies Fund (USD)	China Dividend Fund (USD)	Asia Focus Fund* (USD)	Asia Strategic Income Fund** (USD)	Combined (USD)
ASSETS					
Investment in securities at value (note 2C)	3,112,501	5,304,684	946,545	9,317,983	1,159,979,650
At cost	2,763,976	4,952,220	963,237	9,559,754	1,065,566,587
Cash and cash equivalent at bank	119,616	42,634	47,053	379,352	58,293,839
Amount receivable on sales of investments	3	–	–	–	1,389,205
Interests and dividends receivable	5,324	18,436	2,150	89,188	3,160,317
Subscriptions receivable	837	–	–	–	4,208,401
Formation expenses (note 2I)	–	–	–	–	26,091
Prepaid expenses and other receivables	57,591	71,973	7,483	3,256	976,306
TOTAL ASSETS	3,295,872	5,437,727	1,003,231	9,789,779	1,228,033,809
LIABILITIES					
Amounts payable on purchases of investments	–	–	–	–	3,667,522
Redemptions payable	–	–	–	–	1,857,107
Management fees and administration fees (note 4)	3,990	4,074	895	8,027	934,093
Unrealised gain/(loss) on foreign exchanges	–	–	–	8,718	8,718
Unrealised gain/(loss) on futures	–	–	–	3,516	3,516
Payable for foreign taxes (note 7B)	–	–	3,033	1,052	3,053,235
Accrued expenses and other payables	26,340	22,863	11,202	7,194	1,154,424
TOTAL LIABILITIES	30,330	26,937	15,130	28,507	10,678,615
TOTAL NET ASSETS	3,265,542	5,410,790	988,101	9,761,272	1,217,355,194

* For the period from 30 May 2014 (date of launch) to 30 September 2014.

** For the period from 29 August 2014 (date of launch) to 30 September 2014.

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

Statement of Operations and Changes in Net Assets

For the period ended 30 September 2014

	Asia Dividend Fund (USD)	Pacific Tiger Fund (USD)	China Fund (USD)	India Fund (USD)	Asia Small Companies Fund (USD)
NET ASSETS AT THE BEGINNING OF THE PERIOD	723,647,179	217,961,214	33,436,412	15,343,578	1,901,422
INCOME					
Dividends income, net (foreign tax withholding)	13,706,512	3,640,312	635,258	24,476	90,041
Interest income, net	5	2	41	285	9
Other income	–	–	–	1,079	–
TOTAL INCOME	13,706,517	3,640,314	635,299	25,840	90,050
EXPENSES					
Overdraft interest on bank accounts	250	34	–	6	–
Management fees and administration fees (note 4)	4,387,093	1,580,108	180,661	18,970	41,213
Domiciliation, Administration and Transfer agency fees	177,949	79,255	37,365	34,337	33,286
Professional fees	169,009	35,211	27,402	14,628	27,261
Printing fees	57,365	12,078	4,698	1,856	449
Custodian fees	107,939	12,790	10,579	11,498	12,874
Amortization of formation expenses (note 2I)	3,945	3,945	3,945	3,945	–
Taxe d'abonnement (note 7A)	83,227	18,517	1,937	273	571
Transaction costs (note 8)	487,184	328,138	35,733	60,244	18,575
Other fees	168,572	31,678	25,119	–	17,256
TOTAL EXPENSES	5,642,533	2,101,754	327,439	145,757	151,485
Fee waiver (note 2H)	134,212	(414,527)	27,121	61,450	78,946
NET INVESTMENT INCOME/(LOSS)	8,198,196	1,124,033	334,981	(58,467)	17,511
Net realised gain/(loss) on investments	(2,921,717)	372,623	(89,992)	1,463,276	63,430
Net realised gain/(loss) on forward foreign exchange contracts	(14,723)	(16,677)	399	(8,314)	607
Net realised gain/(loss) on foreign exchanges	(119,046)	(250,396)	(1,314)	(32,601)	(4,514)
Net realised gain/(loss) on futures	–	–	–	–	–
Net realised gain/(loss) for the period	(3,055,486)	105,550	(90,907)	1,422,361	59,523
Net change in unrealised gain/(loss) on investments	32,372,410	25,250,989	(62,677)	(705,993)	463,721
Net change in unrealised gain/(loss) on foreign tax provision (note 7B)	(1,089,128)	(1,346,369)	–	(159,898)	–
Net change in unrealised gain/(loss) on forward foreign exchange contracts	–	–	–	–	–
Net change in unrealised gain/(loss) on foreign exchanges	(31,369)	8,436	(130)	(4,330)	(35,970)
Net change in unrealised gain/(loss) on futures	–	–	–	–	–
Net change in unrealised gain/(loss) for the period	31,251,913	23,913,056	(62,807)	(870,221)	427,751
Increase/(decrease) in net assets as a result of operations	36,394,623	25,142,639	181,267	493,673	504,785
Subscriptions	96,834,813	158,528,231	11,797,288	6,785,560	6,045,246
Redemptions	(93,579,001)	(23,000,308)	(1,697,540)	(16,511,401)	(80,271)
Dividend distributions (note 10)	(2,199,920)	–	–	–	–
NET ASSETS AT THE END OF THE PERIOD	761,097,694	378,631,776	43,717,427	6,111,410	8,371,182

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

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

For the period ended 30 September 2014

	China Small Companies Fund (USD)	China Dividend Fund (USD)	Asia Focus Fund* (USD)	Asia Strategic Income Fund** (USD)	Combined (USD)
NET ASSETS AT THE BEGINNING OF THE PERIOD	2,289,386	15,306,334	–	–	1,009,885,525
INCOME					
Dividends income, net (foreign tax withholding)	37,822	131,715	10,345	795	18,277,276
Interest income, net	–	–	2	29,035	29,379
Other income	–	–	–	–	1,079
TOTAL INCOME	37,822	131,715	10,347	29,830	18,307,734
EXPENSES					
Overdraft interest on bank accounts	–	110	–	–	400
Management fees and administration fees (note 4)	15,947	29,952	4,281	10,197	6,268,422
Domiciliation, Administration and Transfer agency fees	32,699	31,770	6,624	1,653	434,938
Professional fees	15,284	17,713	3,440	1,035	310,983
Printing fees	456	2,854	9	23	79,788
Custodian fees	10,579	10,579	1,887	438	179,163
Amortization of formation expenses (note 2I)	–	–	–	–	15,780
Taxe d'abonnement (note 7A)	471	470	103	260	105,829
Transaction costs (note 8)	8,939	30,597	3,319	1,645	974,374
Other fees	10,333	10,319	4,582	2,667	270,526
TOTAL EXPENSES	94,708	134,364	24,245	17,918	8,640,203
Fee waiver (note 2H)	69,377	61,517	16,954	3,256	38,306
NET INVESTMENT INCOME/(LOSS)	12,491	58,868	3,056	15,168	9,705,837
Net realised gain/(loss) on investments	71,934	423,934	2,021	(2,506)	(616,997)
Net realised gain/(loss) on forward foreign exchange contracts	(39)	(562)	–	(7,382)	(46,691)
Net realised gain/(loss) on foreign exchanges	91	275	(194)	10,882	(396,817)
Net realised gain/(loss) on futures	–	–	–	(28)	(28)
Net realised gain/(loss) for the period	71,986	423,647	1,827	966	(1,060,533)
Net change in unrealised gain/(loss) on investments	(95,643)	(78,669)	(16,692)	(241,771)	56,885,675
Net change in unrealised gain/(loss) on foreign tax provision (note 7B)	–	–	–	–	(2,595,395)
Net change in unrealised gain/(loss) on forward foreign exchange contracts	–	–	–	(8,718)	(8,718)
Net change in unrealised gain/(loss) on foreign exchanges	(41)	(112)	(90)	(857)	(64,463)
Net change in unrealised gain/(loss) on futures	–	–	–	(3,516)	(3,516)
Net change in unrealised gain/(loss) for the period	(95,684)	(78,781)	(16,782)	(254,862)	54,213,583
Increase/(decrease) in net assets as a result of operations	(11,207)	403,734	(11,899)	(238,728)	62,858,887
Subscriptions	1,647,231	205,125	1,000,000	10,000,000	292,843,494
Redemptions	(659,868)	(10,474,073)	–	–	(146,002,462)
Dividend distributions (note 10)	–	(30,330)	–	–	(2,230,250)
NET ASSETS AT THE END OF THE PERIOD	3,265,542	5,410,790	988,101	9,761,272	1,217,355,194

* For the period from 30 May 2014 (date of launch) to 30 September 2014.

** For the period from 29 August 2014 (date of launch) to 30 September 2014.

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

Statement of Changes in Number of Shares

For the period ended 30 September 2014

	I Acc (USD)	I Dist (USD)	A Acc (USD)	A Dist (USD)	C Acc (USD)	I Acc (GBP)	I Dist (GBP)	A Acc (GBP)	A Dist (GBP)
ASIA DIVIDEND FUND									
Shares outstanding at the beginning of the period	22,151,242	5,791,360	15,739,257	1,633,760	8,004,916	165,589	1,186,286	91,220	262,802
Shares subscribed	3,814,043	924,340	1,596,140	87,348	–	33,367	253,066	125,577	5,544
Shares redeemed	2,487,293	640,737	2,981,387	419,597	–	84,573	114,381	7,220	28,378
Shares outstanding at the end of the period	23,477,992	6,074,963	14,354,010	1,301,511	8,004,916	114,383	1,324,971	209,577	239,968
PACIFIC TIGER FUND									
Shares outstanding at the beginning of the period	14,555,549	n.a.	435,745	n.a.	n.a.	1,247,234	n.a.	6,821	n.a.
Shares subscribed	8,220,727	n.a.	2,434,448	n.a.	n.a.	603,126	n.a.	3,743	n.a.
Shares redeemed	688,356	n.a.	210,966	n.a.	n.a.	504,633	n.a.	3,116	n.a.
Shares outstanding at the end of the period	22,087,920	n.a.	2,659,227	n.a.	n.a.	1,345,727	n.a.	7,448	n.a.
CHINA FUND									
Shares outstanding at the beginning of the period	3,095,344	n.a.	57,176	n.a.	n.a.	703	n.a.	1,645	n.a.
Shares subscribed	950,341	n.a.	39,945	n.a.	n.a.	10,919	n.a.	1,416	n.a.
Shares redeemed	138,367	n.a.	4,885	n.a.	n.a.	8,889	n.a.	267	n.a.
Shares outstanding at the end of the period	3,907,318	n.a.	92,236	n.a.	n.a.	2,733	n.a.	2,794	n.a.
INDIA FUND									
Shares outstanding at the beginning of the period	1,597,210	n.a.	9,137	n.a.	n.a.	849	n.a.	32,654	n.a.
Shares subscribed	47,411	n.a.	15,100	n.a.	n.a.	268,822	n.a.	59,242	n.a.
Shares redeemed	1,500,210	n.a.	6,836	n.a.	n.a.	115,041	n.a.	31,644	n.a.
Shares outstanding at the end of the period	144,411	n.a.	17,401	n.a.	n.a.	154,630	n.a.	60,252	n.a.
ASIA SMALL COMPANIES FUND									
Shares outstanding at the beginning of the period	93,769	n.a.	85,683	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	431,556	n.a.	75,642	n.a.	n.a.	28,605	n.a.	n.a.	n.a.
Shares redeemed	4,382	n.a.	2,628	n.a.	n.a.	–	n.a.	n.a.	n.a.
Shares outstanding at the end of the period	520,943	n.a.	158,697	n.a.	n.a.	28,605	n.a.	n.a.	n.a.
CHINA SMALL COMPANIES FUND									
Shares outstanding at the beginning of the period	77,171	n.a.	104,603	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	28,840	n.a.	101,989	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	16,062	n.a.	36,048	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the period	89,949	n.a.	170,544	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
CHINA DIVIDEND FUND									
Shares outstanding at the beginning of the period	1,129,534	244,024	61,452	40,714	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	4,800	10,703	3,229	322	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	958,023	30,119	12,607	–	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the period	176,311	224,608	52,074	41,036	n.a.	n.a.	n.a.	n.a.	n.a.
ASIA FOCUS FUND*									
Shares outstanding at the beginning of the period	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	50,000	n.a.	50,000	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 period	50,000	n.a.	50,000	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ASIA STRATEGIC INCOME FUND**									
Shares outstanding at the beginning of the period	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shares subscribed	250,000	250,000	250,000	250,000	n.a.	n.a.	n.a.	n.a.	n.a.
Shares redeemed	–	–	–	–	n.a.	n.a.	n.a.	n.a.	n.a.
Shares outstanding at the end of the period	250,000	250,000	250,000	250,000	n.a.	n.a.	n.a.	n.a.	n.a.

* For the period from 30 May 2014 (date of launch) to 30 September 2014.

** For the period from 29 August 2014 (date of launch) to 30 September 2014.

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 2014			As at 31 March 2014		
		Net Assets	NAV per Share	Shares Outstanding	Net Assets	NAV per Share	Shares Outstanding
ASIA DIVIDEND FUND							
I Acc (USD)	30 April 2010	USD 326,135,122	USD 13.89	23,477,992	USD 292,541,034	USD 13.21	22,151,242
I Dist (USD)	26 August 2010	USD 78,256,468	USD 12.88	6,074,963	USD 72,133,495	USD 12.46	5,791,360
A Acc (USD)	26 August 2010	USD 195,135,755	USD 13.59	14,354,010	USD 203,976,154	USD 12.96	15,739,257
A Dist (USD)	26 August 2010	USD 16,686,469	USD 12.82	1,301,511	USD 20,329,738	USD 12.44	1,633,760
C Acc (USD)	20 September 2010	USD 107,975,358	USD 13.49	8,004,916	USD 102,528,181	USD 12.81	8,004,916
I Acc (GBP)	28 February 2011	GBP 1,476,884	GBP 12.91	114,383	GBP 1,976,015	GBP 11.93	165,589
I Dist (GBP)	28 February 2011	GBP 15,815,146	GBP 11.94	1,324,971	GBP 13,305,599	GBP 11.22	1,186,286
A Acc (GBP)	28 February 2011	GBP 2,654,898	GBP 12.67	209,577	GBP 1,070,956	GBP 11.74	91,220
A Dist (GBP)	28 February 2011	GBP 2,857,930	GBP 11.91	239,968	GBP 2,952,198	GBP 11.23	262,802
PACIFIC TIGER FUND							
I Acc (USD)	30 April 2010	USD 314,018,871	USD 14.22	22,087,920	USD 188,211,877	USD 12.93	14,555,549
A Acc (USD)	26 August 2010	USD 35,622,069	USD 13.40	2,659,227	USD 5,324,752	USD 12.22	435,745
I Acc (GBP)	28 February 2011	GBP 17,815,886	GBP 13.24	1,345,727	GBP 14,592,549	GBP 11.70	1,247,234
A Acc (GBP)	28 February 2011	GBP 96,830	GBP 13.00	7,448	GBP 78,634	GBP 11.53	6,821
CHINA FUND							
I Acc (USD)	26 February 2010	USD 42,703,111	USD 10.93	3,907,318	USD 32,841,016	USD 10.61	3,095,344
A Acc (USD)	26 August 2010	USD 928,504	USD 10.07	92,236	USD 560,082	USD 9.80	57,176
I Acc (GBP)	28 February 2011	GBP 26,465	GBP 9.68	2,733	GBP 6,421	GBP 9.13	703
A Acc (GBP)	28 February 2011	GBP 26,556	GBP 9.50	2,794	GBP 14,791	GBP 8.99	1,645
INDIA FUND							
I Acc (USD)	30 June 2011	USD 1,750,530	USD 12.12	144,411	USD 14,770,705	USD 9.25	1,597,210
A Acc (USD)	30 June 2011	USD 207,477	USD 11.92	17,401	USD 83,336	USD 9.12	9,137
I Acc (GBP)	30 June 2011	GBP 1,855,206	GBP 12.00	154,630	GBP 7,551	GBP 8.90	849
A Acc (GBP)	30 June 2011	GBP 711,078	GBP 11.80	60,252	GBP 286,500	GBP 8.77	32,654
ASIA SMALL COMPANIES FUND							
I Acc (USD)	30 April 2013	USD 6,024,560	USD 11.56	520,943	USD 995,763	USD 10.62	93,769
A Acc (USD)	30 April 2013	USD 1,822,706	USD 11.49	158,697	USD 905,659	USD 10.57	85,683
I Acc (GBP)	30 April 2014 *	GBP 323,715	GBP 11.32	28,605	n.a	n.a	n.a
CHINA SMALL COMPANIES FUND							
I Acc (USD)	29 February 2012	USD 1,137,009	USD 12.64	89,949	USD 977,747	USD 12.67	77,171
A Acc (USD)	29 February 2012	USD 2,128,532	USD 12.48	170,544	USD 1,311,639	USD 12.54	104,603
CHINA DIVIDEND FUND							
I Acc (USD)	31 January 2013	USD 1,954,344	USD 11.08	176,311	USD 11,741,762	USD 10.40	1,129,534
I Dist (USD)	31 January 2013	USD 2,442,849	USD 10.88	224,608	USD 2,514,536	USD 10.30	244,024
A Acc (USD)	31 January 2013	USD 572,798	USD 11.00	52,074	USD 635,031	USD 10.33	61,452
A Dist (USD)	31 January 2013	USD 440,799	USD 10.74	41,036	USD 415,005	USD 10.19	40,714
ASIA FOCUS FUND**							
I Acc (USD)	30 May 2014	USD 494,466	USD 9.89	50,000	n.a	n.a	n.a
A Acc (USD)	30 May 2014	USD 493,634	USD 9.87	50,000	n.a	n.a	n.a
ASIA STRATEGIC INCOME FUND***							
I Acc (USD)	29 August 2014	USD 2,440,854	USD 9.76	250,000	n.a	n.a	n.a
I Dist (USD)	29 August 2014	USD 2,440,854	USD 9.76	250,000	n.a	n.a	n.a
A Acc (USD)	29 August 2014	USD 2,439,783	USD 9.76	250,000	n.a	n.a	n.a
A Dist (USD)	29 August 2014	USD 2,439,783	USD 9.76	250,000	n.a	n.a	n.a

* For the period from 30 April 2014 (date of launch) to 30 September 2014.

** For the period from 30 May 2014 (date of launch) to 30 September 2014.

*** For the period from 29 August 2014 (date of launch) to 30 September 2014.

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

Notes to Financial Statements

As at 30 September 2014

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 amended Luxembourg Law of 17 December 2010 relating to collective investment undertakings, as amended. 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 and the last update was published on 12 May 2014.

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

The objective of the Fund is to provide investors with access to the markets of the Asia Pacific region, through diversification of investments. Each Sub-Fund will have a specific investment objective.

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

The Fund offers the following Classes of Shares:

SHARE CLASS	Asia Dividend Fund	Pacific Tiger Fund	China Fund	India Fund	Asia Small Companies Fund	China Small Companies Fund	China Dividend Fund	Asia Focus Fund	Asia Strategic Income Fund
I Acc (USD)	x	x	x	x	x	x	x	x	x
I Dist (USD)	x						x		x
A Acc (USD)	x	x	x	x	x	x	x	x	x
C Acc (USD)	x								
A Dist (USD)	x						x		x
I Acc (GBP)	x	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 income earned on investments. 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 and generally accepted accounting principles.

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 *(Continued)*

As at 30 September 2014

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 used, 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 and realised gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current year.

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
Asia Focus Fund	USD
Asia Strategic Income 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 Statement of Assets and Liabilities. 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.

Notes to Financial Statements *(Continued)*

As at 30 September 2014

H) FEE WAIVER

The Advisor 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 Share Class. The Advisor 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 2014 are:

Australian Dollar (AUD)	1.1477	Indian Rupee (INR)	61.84	Philippine Peso (PHP)	44.97
Swiss Franc (CHF)	0.9583	Japanese Yen (JPY)	109.8	Singapore Dollar (SGD)	1.276
Chinese Yuan (CNY)	6.1396	South Korean Won (KRW)	1,057.21	Thai Bhat (THB)	32.43
Pound Sterling (GBP)	0.6179	Sri Lankan Rupee (LKR)	130.428	Taiwan New Dollar (TWD)	30.448
Hong Kong Dollar (HKD)	7.7674	Malaysian Ringgit (MYR)	3.2825	Vietnamese Dong (VND)	21,225
Indonesian Rupiah (IDR)	12,188	New Zealand Dollar (NZD)	1.2885		

4. MANAGEMENT FEES AND ADMINISTRATION FEES

The Investment Advisor receives an amount corresponding to the Management Fee, which may be up to 1.50% 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.

	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%	—	—	1.00%	—	—	—
China Small Companies Fund	1.00%	—	1.50%	—	—	—	—	—	—
China Dividend Fund	0.75%	0.75%	1.25%	1.25%	—	—	—	—	—
Asia Focus Fund	0.75%	—	1.25%	—	—	—	—	—	—
Asia Strategic Income Fund	0.65%	0.65%	1.20%	1.20%	—	—	—	—	—

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. The Management and Administration fees in the table represent the effective fees paid to the Advisor, which are then paid out 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%
Asia Focus Fund	0.25%
Asia Strategic Income Fund	0.25%

Notes to Financial Statements *(Continued)*

As at 30 September 2014

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 annual report of the Fund. The Custodian and Administration Agent fees are payable monthly in arrears.

6. DIRECTOR FEE

The three Directors who are employees of Matthews International Capital Management, LLC do not receive additional compensation in respect of their roles as Directors of the Fund.

The Director who is independent of Matthews International Capital Management, LLC is remunerated as a Conducting Officer, and not separately as a Director of the Fund. His remuneration as Conducting Officer totals EUR 47,000 on an annual basis.

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 amended law of 17 December 2010 relating to undertakings of collective investment.

B) PROVISION FOR FOREIGN TAXES

The Sub-Funds may be subject to short-term capital gains tax in India on gains realised upon disposal 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 2014, the Matthews Asia Funds Pacific Tiger Fund has recorded a payable of USD 1,859,807, the Matthews Asia Funds India Fund a payable of USD 104,435, the Matthews Asia Funds Asia Small Companies Fund a payable of USD 43,049 and the Matthews Asia Dividend Fund has recorded a payable of USD 1,089,128 as an estimate for potential future India capital gains taxes.

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

8. TRANSACTION COSTS

For the period ended 30 September 2014, 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	487,184	29,745	457,439
Pacific Tiger Fund	328,138	30,632	297,506
China Fund	35,733	5,475	30,258
India Fund	60,244	4,880	55,364
Asia Small Companies Fund	18,575	2,394	16,181
China Small Companies Fund	8,939	6,493	2,446
China Dividend Fund	30,597	1,568	29,029
Asia Focus Fund	3,319	2,022	1,297
Asia Strategic Income Fund	1,645	–	1,645

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 Fund. The total monetary value of these arrangements for the period ended 30 September 2014 are USD 59,151.13.

Notes to Financial Statements *(Continued)*

As at 30 September 2014

10. DIVIDENDS

The Fund intends to declare and distribute dividends representing substantially all of the 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 investment income and realised capital gains with a frequency and at such intervals as the Board of Directors may decide.

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.

The following dividend payments were made during the twelve months ended 30 September 2014:

Asia Dividend Fund	Currency	Ex-Date	Date of dividend payment	Dividend per Share	Dividend paid out of distributable income for the period (%)	Dividend effectively paid out of capital (%)
I Dist	USD	12/11/13	12/18/13	0.005968	100%	0%
I Dist	USD	3/19/14	3/26/14	0.034220	100%	0%
I Dist	USD	6/18/14	6/26/14	0.110410	46.55%	53.45%
I Dist	USD	9/17/14	9/24/14	0.111616	66.69%	33.31%
A Dist	USD	3/19/14	3/26/14	0.016929	100%	0%
A Dist	USD	6/18/14	6/26/14	0.119569	31.82%	68.18%
A Dist	USD	9/17/14	9/24/14	0.116008	50.50%	49.50%
I Dist	GBP	12/11/13	12/18/13	0.005383	100%	0%
I Dist	GBP	3/19/14	3/26/14	0.028321	100%	0%
I Dist	GBP	6/18/14	6/26/14	0.091297	44.61%	55.39%
I Dist	GBP	9/17/14	9/24/14	0.105492	66.78%	33.22%
A Dist	GBP	3/19/14	3/26/14	0.015627	100%	0%
A Dist	GBP	6/18/14	6/26/14	0.098597	31.26%	68.74%
A Dist	GBP	9/17/14	9/24/14	0.110697	50.47%	49.53%
China Dividend Fund						
I Dist	USD	12/11/13	12/18/13	0.043196	100%	0%
I Dist	USD	6/18/14	6/26/14	0.116327	65.68%	34.32%
A Dist	USD	12/11/13	12/18/13	0.032209	100%	0%
A Dist	USD	6/18/14	6/26/14	0.105375	51.61%	48.39%

11. SWING PRICING

The Board of Directors of the Fund 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.

As at 30 September 2014, swing pricing was applied on the NAV per share of the following Sub-Funds: Pacific Tiger Fund, Asia Dividend Fund, India Fund, China Small Companies Fund, China Dividend Fund and Asia Small Companies Fund.

Notes to Financial Statements *(Continued)*

As at 30 September 2014

12. FORWARD FOREIGN EXCHANGE CONTRACT

The unrealised gain or loss attributed to these transactions is included in the caption “Unrealised gain/(loss) on forward foreign exchange contracts” in the Statement of Net Assets.

As at 30 September 2014, the Asia Strategic Income Fund held the following open forward foreign exchange contracts:

Sale	Purchase	Maturity	Unrealised in USD
INR 46,522,500	USD 750,000	12.19.14	(8,718)

13. FUTURE CONTRACT

The unrealised gain or loss attributed to these transactions is included in the caption “Unrealised gain/(loss) on future contracts” in the Statement of Net Assets.

As at 30 September 2014, the Asia Strategic Income Fund held the following open future contract:

Sale/ Purchase	Description	Size	Price	Market value	Unrealised result USD	Commitment USD
Purchase	US 10 Year Note Future (CBT)	100,000	124.61	USD -623,047	-3,516	-619,531

Further Information

STATEMENT OF CHANGES IN PORTFOLIO

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

Performance and Expenses *(Unaudited)*

As at 30 September 2014

	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)	-2.60%	2.37%	12.04%	n.a.	7.63%	30 Apr 2010	-17.58%	1.20%
I Dist (USD)	-2.57%	2.35%	12.08%	n.a.	8.24%	26 Aug 2010	-17.58%	1.20%
A Acc (USD)	-2.73%	1.80%	11.52%	n.a.	7.70%	26 Aug 2010	-17.58%	1.74%
A Dist (USD)	-2.70%	1.87%	11.50%	n.a.	7.70%	26 Aug 2010	-17.58%	1.74%
C Acc (USD)	-2.54%	2.60%	12.50%	n.a.	7.62%	20 Sept 2010	-17.58%	0.95%
I Acc (GBP)	2.63%	2.14%	10.69%	n.a.	7.29%	28 Feb 2011	-17.58%	1.20%
I Dist (GBP)	2.51%	2.06%	10.65%	n.a.	7.25%	28 Feb 2011	-17.58%	1.20%
A Acc (GBP)	2.44%	1.53%	10.04%	n.a.	6.70%	28 Feb 2011	-17.58%	1.75%
A Dist (GBP)	2.47%	1.57%	10.12%	n.a.	6.73%	28 Feb 2011	-17.58%	1.74%
MSCI AC Asia Pacific Index (USD)	-2.78%	4.03%	10.48%	n.a.	5.45% ⁴			
PACIFIC TIGER FUND								
I Acc (USD)	1.58%	14.27%	12.70%	n.a.	8.21%	30 Apr 2010	-27.80%	1.44%
A Acc (USD)	1.44%	13.62%	12.13%	n.a.	7.31%	26 Aug 2010	-27.80%	2.00%
I Acc (GBP)	6.97%	14.00%	11.29%	n.a.	8.03%	28 Feb 2011	-27.80%	1.39%
A Acc (GBP)	6.84%	13.39%	10.75%	n.a.	7.50%	28 Feb 2011	-27.80%	2.00%
MSCI AC Asia ex Japan Index (USD)	-1.54%	8.52%	11.18%	n.a.	5.73% ⁴			
CHINA FUND								
I Acc (USD)	-0.18%	-0.82%	6.18%	n.a.	1.96%	26 Feb 2010	8.59%	1.50%
A Acc (USD)	-0.30%	-1.27%	5.69%	n.a.	0.17%	26 Aug 2010	8.59%	2.00%
I Acc (GBP)	5.10%	-1.12%	4.88%	n.a.	-0.90%	28 Feb 2011	8.59%	1.50%
A Acc (GBP)	4.97%	-1.55%	4.35%	n.a.	-1.39%	28 Feb 2011	8.59%	2.00%
MSCI China Index (USD)	1.53%	4.87%	11.80%	n.a.	3.80% ⁴			
INDIA FUND								
I Acc (USD)	10.32%	62.58%	13.97%	n.a.	5.98%	30 June 2011	-22.51%	1.50%
A Acc (USD)	10.20%	61.85%	13.38%	n.a.	5.44%	30 June 2011	-22.51%	2.00%
I Acc (GBP)	16.23%	62.28%	12.54%	n.a.	5.66%	30 June 2011	-22.51%	1.50%
A Acc (GBP)	15.98%	61.32%	11.96%	n.a.	5.11%	30 June 2011	-22.51%	2.00%
S&P BSE 100 Index (USD)	1.00%	43.97%	10.01%	n.a.	2.09% ⁴			
ASIA SMALL COMPANIES FUND								
I Acc (USD)	1.59%	21.52%	n.a.	n.a.	10.48%	30 Apr 2013	11.55%	1.75%
A Acc (USD)	1.51%	21.04%	n.a.	n.a.	10.01%	30 Apr 2013	11.55%	2.25%
I Acc (GBP) ⁵	7.02%	n.a.	n.a.	n.a.	12.80%	30 Apr 2014	11.55%	1.75%
MSCI AC Asia ex Japan Small Cap Index (USD)	-0.47%	10.13%	n.a.	n.a.	4.51% ⁴			
CHINA SMALL COMPANIES FUND								
I Acc (USD)	-0.08%	10.62%	n.a.	n.a.	9.35%	29 Feb 2012	-38.14%	1.75%
A Acc (USD)	-0.16%	10.09%	n.a.	n.a.	8.81%	29 Feb 2012	-38.14%	2.25%
MSCI China Small Cap Index (USD)	4.25%	12.33%	n.a.	n.a.	9.39% ⁴			
CHINA DIVIDEND FUND								
I Acc (USD)	2.70%	7.07%	n.a.	n.a.	6.19%	31 Jan 2013	7.61%	1.50%
I Dist (USD)	2.65%	7.15%	n.a.	n.a.	6.20%	31 Jan 2013	7.61%	1.50%
A Acc (USD)	2.53%	6.61%	n.a.	n.a.	5.67%	31 Jan 2013	7.61%	2.00%
A Dist (USD)	2.49%	6.60%	n.a.	n.a.	5.67%	31 Jan 2013	7.61%	2.00%
MSCI China Index (USD)	1.53%	4.87%	n.a.	n.a.	0.52% ⁴			

Performance and Expenses *(Unaudited) (Continued)*

As at 30 September 2014

	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 FOCUS FUND⁶								
I Acc (USD)	-1.59%	n.a.	n.a.	n.a.	-1.10%	30 May 2014	2.65%	1.50%
A Acc (USD)	-1.69%	n.a.	n.a.	n.a.	-1.30%	30 May 2014	2.65%	2.00%
MSCI AC Asia ex Japan Index (USD)	-1.54%	n.a.	n.a.	n.a.	0.80% ⁴			
ASIA STRATEGIC INCOME FUND⁷								
I Acc (USD)	n.a.	n.a.	n.a.	n.a.	-2.40%	29 Aug 2014	14.00%	1.25%
I Dist (USD)	n.a.	n.a.	n.a.	n.a.	-2.40%	29 Aug 2014	14.00%	1.25%
A Acc (USD)	n.a.	n.a.	n.a.	n.a.	-2.40%	29 Aug 2014	14.00%	1.75%
A Dist (USD)	n.a.	n.a.	n.a.	n.a.	-2.40%	29 Aug 2014	14.00%	1.75%
HSBC Asian Local Bond Index (USD)	n.a.	n.a.	n.a.	n.a.	-2.02% ⁴			

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

2 The Portfolio Turnover is calculated in accordance with the CSSF Circular 03/122 i.e. the aggregated sales and purchases less aggregated subscriptions and redemptions, divided by average net assets. The portfolio turnover ratio may be negative as a result of shareholder transactions exceeding the investment transactions for the accounting period.

3 The Total Expense Ratio includes 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 reported is for the 12 month period ended 30 September 2014 and is annualised for periods of less than 12 months.

4 Based on the Inception Date of the I Acc (USD) Share Class.

5 Asia Small Companies Fund, I Acc (GBP) launched 30 April 2014.

6 Asia Focus Fund and its 2 Share Classes launched on 30 May 2014.

7 Asia Strategic Income Fund and its 4 Share Classes launched on 29 Aug 2014.

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 the commissions and costs incurred on the issue and redemption of shares. 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, assuming 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.

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 **S&P Bombay Stock Exchange 100 (S&P BSE 100) 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).

The **HSBC Asian Local Bond Index (ALBI)** tracks the total return performance of a bond portfolio consisting of local-currency denominated, high quality and liquid bonds in Asia ex-Japan. The ALBI includes bonds from the following countries: Korea, Hong Kong, India, Singapore, Taiwan, Malaysia, Thailand, Philippines, Indonesia and China.



Matthews Asia

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