

Matthews Asia Funds | Annual Report

For the period from 5 February 2010 (date of incorporation) to 31 March 2011



ASIA DIVIDEND FUND
PACIFIC TIGER FUND
CHINA FUND



Matthews Asia

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



General Information

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

The Fund has an “umbrella” structure comprising a number of separate Sub-Funds. At the date of this report, three Sub-Funds were available for investment: Asia Dividend, Pacific Tiger and China Funds. This report covers the period from 5 February 2010 to 31 March 2011. The last day on which prices were calculated was 31 March 2011.

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

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

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

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

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

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

Contents

| | |
|-----------------------------------------------------|----|
| Management and Administration | 2 |
| Investment Manager's Report | 3 |
| Report of the Réviseur d'entreprises agréé | 4 |
| Fund Manager Report and Schedule of Investments: | |
| Asia Dividend Fund | 5 |
| Pacific Tiger Fund | 8 |
| China Fund | 11 |
| Statement of Assets and Liabilities | 14 |
| Statement of Operations and Changes in Net Assets | 15 |
| Statement of Changes in Number of Shares | 16 |
| Statement of NAV per Share and Net Asset Statistics | 17 |
| Notes to Financial Statements | 18 |
| Performance and Expenses | 21 |

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

The views and opinions in this report were current as at 31 March 2011. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of a Fund's future investment intent.

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

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

Matthews Asia Funds

Management and Administration

BOARD OF DIRECTORS

Chairman

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

Directors

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

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

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

Conducting Officers

Timothy B. Parker
Richard Goddard

INVESTMENT MANAGER AND GLOBAL DISTRIBUTOR

Matthews International Capital Management, LLC
Four Embarcadero Center, Suite 550
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INVESTMENT ADVISOR

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19, rue de Bitbourg, L-1273 Luxembourg
Grand Duchy of Luxembourg

CUSTODIAN, ADMINISTRATIVE AGENT AND LISTING AGENT

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

REVISEUR D'ENTREPRISES AGREE

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

LEGAL ADVISOR

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

REGISTERED OFFICE

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



“We remain true to our philosophy of finding good companies that will grow over a sustained period of time.”

Investment Manager’s Report

For much of the year, rising inflation challenged policymakers and central bankers but the last quarter of the year certainly gave investors in Asia’s markets even more to talk about: there was political unrest in North Africa and the Middle East, the earthquake and tsunami in Japan and the subsequent nuclear disaster that roiled markets. Whilst this may appear like a litany of troubles, the actual impact of these events may likely be less severe than at first feared.

Most of the attention focused on inflation during the year centered on headline rates, rather than core rates, of inflation. People focused mainly on policy risks in terms of rising interest rates in light of higher inflation. It is important to note that food and energy prices, which rose during the year, are generally quite volatile. Also, if the prices of goods and wages rise together, this can mean that while costs for companies go up, many will also see demand for their products and services rise too. Furthermore, even if interest rates rise in such an environment, the real rate of interest that a company faces may be unchanged. For some countries, inflation may have a positive effect, and sustained higher rates of inflation may lead to lower *real* interest rates and that could spur both consumption and investment. Indeed, there are some prices that seem likely to be high and sustained—among these, wages in the region, specifically China, appear to be headed higher as a deliberate policy.

Implications Related to Japan

While big, terrifying events may have long-lasting effects on markets, their effects may not be as long-lasting and impactful as the size of the event might suggest. On the other hand, events that may slip by almost unnoticed (a new policy, a change to a tax law) in any country may actually leave very large effects. The earthquake and tsunami of the scale seen in Japan are expected to have equally large effects. However, over time they may be seen as less consequential. Undoubtedly, there are implications for the global manufacturing supply chains and potentially severe environmental impacts from the ongoing nuclear crisis. However, in the scale of Japan’s large economy, the effects are not large. The actions of the stock market, too, suggested that there is much value in Japan at current levels.

Middle East conflicts, inflation and nuclear power concerns all contributed to a rise in the prices of equities related to the fossil fuels industries. Our Funds tend to hold far less in the materials sector than their benchmarks, which tend to have large weightings in both the materials and energy sectors. Added to this was weaker performance from the health care and consumer industries and under performance of smaller-capitalisation companies. Consequently, when measured against popular regional benchmarks, the performance of our Funds struggled. These trends were the opposite of the tailwinds that had helped our performance earlier in the fiscal year and, because markets go through cycles, some reversal of fortunes was to be expected. However, we remain true to our philosophy of finding good companies that will grow over a sustained period of time and we find fewer such candidates in cyclical industries.

We thank you for your continued support, particularly during sometimes volatile climates. As always, it is a privilege to serve as your investment advisor.

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

Report of the Réviseur d'entreprises agréé To the Shareholders of Matthews Asia Funds

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

Following our appointment by the general meeting of the Shareholders dated 5 February 2010, we have audited the accompanying financial statements of Matthews Asia Funds and of each of its Sub-Funds, which comprise the Statement of Assets and Liabilities and the Schedule of Investments as at 31 March 2011, and the Statement of Operations and Changes in Net Assets for the period from 5 February 2010 (date of incorporation) to 31 March 2011, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors of the SICAV for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements and for such internal control as the Board of Directors of the SICAV determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the réviseur d'entreprises agréé's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the réviseur d'entreprises agréé considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Matthews Asia Funds and of each of its Sub-Funds as of 31 March 2011, and of the results of their operations and changes in their net assets for the period from 5 February 2010 to 31 March 2011, in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte S.A., Cabinet de révision agréé

Luxembourg, 8 June 2011

J. Yip, Réviseur d'entreprises agréé,

Partner

Société Anonyme
RCS Luxembourg B 67.895
Autorisation d'établissement: n°88607

Member of Deloitte Touche Tohmatsu



PORTFOLIO MANAGERS

Jesper O. Madsen, CFA
Lead Manager

Yu Zhang, CFA
Co-Manager

Asia Dividend Fund

Fund Manager Report

Performance figures discussed reflect that of the Institutional Accumulation Class Shares (USD).

The Asia Dividend Fund was launched on 30 April 2010. From its inception through 31 March 2011, the Asia Dividend Fund gained 9.00%, while its benchmark, the MSCI All Country Asia Pacific Index, returned 10.58%. For the quarter ended 31 March 2011, the Fund was down -0.64% while its benchmark declined -0.65%.

The most recent quarter was yet again a testament to the fact that we live in a tumultuous and “noisy” world. Over the year, we saw ongoing concerns about inflationary pressures and sovereign debt, political strife and natural disasters. Popular uprisings in North Africa and parts of the Middle East injected a new degree of uncertainty, resulting in higher oil prices. Japan was struck by a magnitude 9.0 earthquake on 11 March, followed by a devastating tsunami that left more than 27,000 people dead or missing. Immediately following the quake, Japanese equities sold off sharply as fear of a nuclear catastrophe loomed large. Smaller capitalisation Japanese companies, which account for about 10% of the Fund, were particularly hard hit by the sell-off as investors indiscriminately sought liquidity. However, as panic selling subsided, the Fund’s holdings recovered, for the most part, to pre-quake levels. We continue to monitor the outlook for dividend growth for our Japanese holdings and have not made significant changes to the portfolio’s Japan exposure following the recent events.

While Thailand continued to grapple with internal political struggles, during the year, the country became the top contributor to Fund performance. Due to the uncertain political environment, Thai companies began 2010 with some of the highest yields in Asia, trading at a discount to regional peers. By our assessment, these companies could deliver attractive rates of dividend growth on top of the already high dividend yields, making them attractive candidates from a total return perspective.

The Fund’s holdings within the financials and consumer staples sectors were the main contributors to performance. Within financials, the Fund predominantly focused on companies with real estate exposure, such as developers or real estate investment trusts (REITs), rather than banks. These real estate-related holdings generally offer higher dividend yields, exposure to hard assets and often greater transparency in terms of the underlying assets.

Some of the Fund’s main detractors to performance were apparel-related firms. Esprit Holdings Ltd. of Hong Kong and Point Inc. of Japan both posted negative returns during the year. Factors that impacted these retailers included ongoing uncertainty in the macroeconomic climate and generally sluggish retail environments. We continue to monitor the operational performance of these firms, but remain invested with them.

As investors, it is essential to acknowledge what we can and cannot control. Portfolio managers can control allocations of capital in their investment strategies. But the price that equity markets are willing to pay for assets in a fund on any given day is uncontrollable. The Matthews Asia Dividend Fund seeks to invest with companies that can deliver an attractive combination of dividend growth and yield. Of the 48 Fund holdings that have declared a dividend during the past two quarters, 35 increased their dividends, while just four cut them. This resulted in a weighted average dividend growth rate of 17% year-over-year. What is important to us, as long-term investors, is this focus on dividend growth, combined with attractive dividend yields.

We continue to stress the importance of maintaining a long-term approach to investing in a volatile world and thank you for your ongoing support.

Schedule of Investments (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2011, expressed in U.S. dollars.

COMMON EQUITIES: 98.4%

| | Shares | Value | % of Net Assets | | Shares | Value | % of Net Assets |
|-----------------------------------------------|-----------|-------------------|-----------------|--------------------------------------------|-----------|------------------|-----------------|
| CHINA/HONG KONG: 23.0% | | | | AUSTRALIA: 9.7% | | | |
| China Mobile Ltd - Spon ADR | 55,600 | 2,575,392 | 3.00 | Metcash Ltd | 714,435 | 3,075,269 | 3.58 |
| Cheung Kong Infrastructure Holdings | 510,000 | 2,407,477 | 2.80 | QBE Insurance Group Ltd | 126,000 | 2,303,886 | 2.68 |
| Esprit Holdings Ltd | 427,100 | 1,957,883 | 2.28 | Billabong International Ltd | 153,665 | 1,200,548 | 1.40 |
| Television Broadcasts Ltd | 298,000 | 1,748,300 | 2.03 | Coca-Cola Amatil Ltd | 88,754 | 1,078,198 | 1.25 |
| Shenzhou International Group Holdings Ltd | 1,481,000 | 1,746,205 | 2.03 | David Jones Ltd | 135,000 | 663,596 | 0.77 |
| China Fishery Group Ltd | 817,000 | 1,367,055 | 1.59 | Total Australia | | 8,321,497 | 9.68 |
| Link REIT | 419,000 | 1,310,669 | 1.52 | THAILAND: 8.7% | | | |
| Jiangsu Express Co Ltd - H | 1,062,000 | 1,189,992 | 1.38 | PTT Exploration & Production PCL - Foreign | 422,000 | 2,511,225 | 2.92 |
| Kingboard Laminates Holdings Ltd | 1,376,500 | 1,147,195 | 1.33 | Thai Beverage Public PCL | 7,857,000 | 1,808,070 | 2.10 |
| Sichuan Expressway Co Ltd - H | 1,716,000 | 1,113,067 | 1.30 | LPN Development PCL - Foreign | 2,025,200 | 709,892 | 0.83 |
| Cafe de Coral Holdings Ltd | 304,000 | 710,076 | 0.83 | Glow Energy PCL - Foreign | 464,500 | 644,921 | 0.75 |
| Yip's Chemical Holdings Ltd | 578,000 | 636,284 | 0.74 | Major Cineplex Group PCL - Foreign | 1,414,200 | 631,339 | 0.73 |
| Guangdong Investment Ltd | 1,236,000 | 623,775 | 0.73 | Land & Houses PCL - Foreign | 2,700,000 | 620,423 | 0.72 |
| China Communications Services - H | 936,000 | 568,736 | 0.66 | Tisco Financial Group PCL - Foreign | 400,000 | 515,659 | 0.60 |
| Mint Group Ltd | 214,000 | 358,403 | 0.42 | Total Thailand | | 7,441,529 | 8.65 |
| GZI Transport Ltd | 600,000 | 339,074 | 0.39 | SOUTH KOREA: 8.7% | | | |
| Total China/Hong Kong | | 19,799,583 | 23.03 | KT&G Corp | 36,990 | 1,930,346 | 2.25 |
| JAPAN: 21.3% | | | | SK Telecom Co Ltd | 9,728 | 1,453,682 | 1.69 |
| Itochu Corp | 256,700 | 2,702,560 | 3.13 | Woongjin Thinkbig Co Ltd | 72,880 | 1,118,944 | 1.30 |
| Orix Corp | 21,170 | 1,993,315 | 2.32 | MegaStudy Co Ltd | 7,060 | 1,089,747 | 1.27 |
| Hisamitsu Pharmaceutical Co Inc | 42,400 | 1,718,495 | 2.00 | Grand Korea Leisure Co Ltd | 62,030 | 938,094 | 1.09 |
| Point Inc | 39,190 | 1,649,432 | 1.92 | SK Telecom Co Ltd - ADR | 50,000 | 928,500 | 1.08 |
| Pigeon Corp | 51,300 | 1,614,465 | 1.88 | Total South Korea | | 7,459,313 | 8.68 |
| Lawson Inc | 29,500 | 1,429,560 | 1.66 | SINGAPORE: 6.1% | | | |
| Shinko Plantech Co Ltd | 111,400 | 1,295,715 | 1.51 | Ara Asset Management Ltd | 1,511,000 | 2,109,389 | 2.46 |
| Monex Group Inc | 5,416 | 1,271,382 | 1.48 | Super Group Ltd | 1,303,000 | 1,332,981 | 1.55 |
| EPS Co Ltd | 533 | 1,252,772 | 1.46 | CapitaRetail China Trust | 1,286,000 | 1,275,199 | 1.48 |
| Hokuto Corp | 37,600 | 851,722 | 0.99 | Parkway Life Real Estate Investment Trust | 190,000 | 257,816 | 0.30 |
| Nintendo Co Ltd | 2,800 | 761,939 | 0.89 | Ascendas India Trust - RegS | 340,000 | 257,620 | 0.30 |
| Miraca Holdings Inc | 18,000 | 692,569 | 0.80 | Total Singapore | | 5,233,005 | 6.09 |
| Ship Healthcare Holdings Inc | 53,500 | 677,172 | 0.79 | INDONESIA: 3.9% | | | |
| Hamamatsu Photonics KK | 11,000 | 438,293 | 0.51 | PT Perusahaan Gas Negara | 4,648,000 | 2,080,798 | 2.42 |
| Total Japan | | 18,349,391 | 21.34 | PT Telekomunikasi Indonesia - Spon ADR | 38,500 | 1,264,725 | 1.47 |
| TAIWAN: 11.5% | | | | Total Indonesia | | 3,345,523 | 3.89 |
| Taiwan Semiconductor Manufacturing - Spon ADR | 215,300 | 2,607,283 | 3.03 | UNITED KINGDOM: 3.2% | | | |
| Chunghwa Telecom Co Ltd - ADR | 80,560 | 2,500,582 | 2.91 | HSBC Holdings PLC - Spon ADR | 52,700 | 2,774,128 | 3.23 |
| TXC Corp | 711,000 | 1,321,463 | 1.54 | Total United Kingdom | | 2,774,128 | 3.23 |
| St Shine Optical Co Ltd | 101,000 | 1,244,430 | 1.45 | | | | |
| Taiwan Hon Chuan Enterprise Co Ltd | 491,000 | 1,233,601 | 1.43 | | | | |
| Cyberlink Corp | 175,015 | 538,004 | 0.63 | | | | |
| Johnson Health Tech Co Ltd | 262,000 | 437,000 | 0.51 | | | | |
| Taiwan Semiconductor Manufacturing Co Ltd | 9,000 | 21,630 | 0.02 | | | | |
| Total Taiwan | | 9,903,993 | 11.52 | | | | |

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

| | Shares | Value | % of Net Assets | | Shares | Value | % of Net Assets |
|--------------------------|---------|------------------|-----------------|---------------------------------|--------|-------------------|-----------------|
| PHILIPPINES: 1.6% | | | | | | | |
| Globe Telecom Inc | 68,270 | 1,404,294 | 1.63 | | | | |
| Total Philippines | | 1,404,294 | 1.63 | | | | |
| MALAYSIA: 0.7% | | | | | | | |
| Top Glove Corp BHD | 323,200 | 574,447 | 0.67 | | | | |
| Total Malaysia | | 574,447 | 0.67 | | | | |
| | | | | TOTAL COMMON EQUITIES | | 84,606,703 | |
| | | | | (Cost \$82,639,732) | | | |
| | | | | TOTAL INVESTMENTS: 98.4% | | 84,606,703 | |
| | | | | (Cost \$82,639,732) | | | |
| | | | | CASH AND OTHER ASSETS, | | | |
| | | | | LESS LIABILITIES: 1.6% | | 1,369,173 | |
| | | | | NET ASSETS: 100.0% | | 85,975,876 | |

ADR: American Depositary Receipt

BHD: Berhad

REIT: Real Estate Investment Trust

RegS: Regulation S

**PORTFOLIO MANAGERS**

Richard H. Gao
Lead Manager

Sharat Shroff, CFA
Lead Manager

Pacific Tiger Fund

Fund Manager Report

Performance figures discussed reflect that of the Institutional Accumulation Class Shares (USD).

The Pacific Tiger Fund was launched on 30 April 2010. From its inception through 31 March 2011, the Fund gained 14.40% while its benchmark, the MSCI All Country Asia ex Japan Index, returned 17.36%. For the quarter ended 31 March 2011, the Fund fell -2.14% while the benchmark rose 1.22%.

For most of the fiscal year, the portfolio's long-standing strategy of emphasising domestically oriented, secular growth investment opportunities, such as consumer-oriented businesses, benefited performance. However, by October, these consumer-oriented stocks took a backseat to some of the more cyclical segments of the equity markets. Commodity-oriented stocks in broader markets have experienced sharp price appreciation as prospects for a global recovery pushed commodity prices higher. Price volatility is one reason the portfolio avoids these sectors. In addition, the risk that government intervention may curtail returns from materials and energy stocks is a significant concern. In comparing valuations across industries, commodity-related stocks score well, but our investment approach emphasises the sustainability of a business and the generation of cash flows, which steers us away from many segments of the commodities food chain. The portfolio has, therefore, carried a relative underweight in commodities.

By contrast, consumer-oriented stocks, particularly consumer staples, have been lackluster as the market's anticipation of slowing demand, rising interest rates and potential earnings disappointment is creating headwinds for these companies. While we are aware of the cyclical pressures that stem from inflation, we continue to believe that sustained consumer demand and supply disruptions are behind the recent spike in prices, particularly food items. In selecting consumer-oriented portfolio holdings, we favor those firms that are relatively less affected by inflationary issues. For instance, business models that are starting to take hold in Asia, including casino gaming and Internet-related ventures, are of particular interest. Baidu, the dominant player in the online search industry in China, was one of the largest contributors to the Fund's performance during the year. We have no doubt that Internet usage in China is at an inflection point, and may lead to several years of rapid growth. But at the same time, we are mindful of the heightened expectations that are being reflected in some of the equity prices, and have adjusted position sizes to manage portfolio risk.

As we have discussed before, the economic drivers across Asia seem to be diverging, and if this is sustained should be viewed as a sign of maturity. For instance, the rise in China's cost of capital and its moderating economy is in sharp contrast to the prospect of a decline, and perhaps, more stable cost of capital in an economy such as Indonesia. If we are to judge by the increase in corporate loans, there is some early evidence that businesses are starting to invest again in Thailand after nearly a decade's hiatus. We maintain our view that Asia remains a region with few structural issues, unlike many other parts of the globe, and will provide good opportunities for patient, long-term investors.

Schedule of Investments (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As of 31 March 2011, expressed in U.S. dollars.

COMMON EQUITIES: 100.0%

| | Shares | Value | % of Net Assets | | Shares | Value | % of Net Assets |
|------------------------------------------------|--------|------------------|-----------------|--------------------------------------------|---------|----------------|-----------------|
| CHINA/HONG KONG: 30.9% | | | | INDIA: 15.1% | | | |
| Ping An Insurance Group Co Ltd - H | 9,500 | 96,182 | 2.42 | HDFC Bank Ltd | 1,463 | 76,976 | 1.94 |
| Hang Lung Group Ltd | 14,000 | 86,578 | 2.18 | Infosys Technologies - Spon ADR | 900 | 63,684 | 1.60 |
| Dairy Farm International Holdings Ltd | 9,000 | 74,909 | 1.89 | ITC Ltd | 14,768 | 60,317 | 1.52 |
| Ctrip.com International - ADR | 1,700 | 69,411 | 1.75 | Housing Development Finance Corp | 3,827 | 60,188 | 1.52 |
| Baidu Inc - Spon ADR | 500 | 68,190 | 1.72 | Sun Pharmaceutical Industries Ltd | 5,725 | 56,820 | 1.43 |
| Shangri-La Asia Ltd | 25,666 | 66,251 | 1.67 | Tata Power Co Ltd | 1,781 | 53,334 | 1.34 |
| Swire Pacific Ltd - A | 4,500 | 65,889 | 1.66 | Kotak Mahindra Bank Ltd | 4,781 | 49,097 | 1.24 |
| China Resources Enterprise Ltd | 16,000 | 64,918 | 1.64 | Container Corp of India Ltd | 1,470 | 39,567 | 1.00 |
| Hong Kong Exchanges and Clearing Ltd | 2,900 | 62,936 | 1.58 | Sun TV Network Ltd | 3,842 | 38,713 | 0.98 |
| China Mobile Ltd - Spon ADR | 1,300 | 60,216 | 1.52 | Dabur India Ltd | 16,715 | 36,028 | 0.91 |
| Sinopharm Group Co - H | 16,800 | 59,534 | 1.50 | Larsen & Toubro Ltd | 871 | 32,271 | 0.81 |
| Tingyi (Cayman Islands) Holding Corp | 24,000 | 58,642 | 1.48 | Titan Industries Ltd | 316 | 27,014 | 0.68 |
| Digital China Holdings Ltd | 29,000 | 54,605 | 1.38 | Infosys Technologies Ltd | 59 | 4,289 | 0.11 |
| China Vanke Co Ltd - B | 39,590 | 51,891 | 1.31 | Total India | | 598,298 | 15.08 |
| China Merchants Bank Co Ltd - H | 17,500 | 48,415 | 1.22 | TAIWAN: 9.1% | | | |
| Lenovo Group Ltd | 80,000 | 45,503 | 1.15 | Yuanta Financial Holding Co Ltd | 107,000 | 77,035 | 1.94 |
| China Resources Land Ltd | 24,000 | 44,878 | 1.13 | Synnex Technology International Corp | 32,297 | 75,423 | 1.90 |
| Hengan International Group Co Ltd | 6,000 | 44,466 | 1.12 | President Chain Store Corp | 15,000 | 66,641 | 1.68 |
| New Oriental Education & Technology - Spon ADR | 400 | 39,992 | 1.01 | Delta Electronics Inc | 13,000 | 51,556 | 1.30 |
| Tencent Holdings Ltd | 1,500 | 36,491 | 0.92 | Hon Hai Precision Industry Co Ltd | 14,240 | 49,923 | 1.26 |
| Dongfeng Motor Group Co Ltd - H | 16,000 | 27,187 | 0.68 | Taiwan Semiconductor Manufacturing Co Ltd | 17,000 | 40,857 | 1.03 |
| Total China/Hong Kong | | 1,227,084 | 30.93 | Total Taiwan | | 361,435 | 9.11 |
| SOUTH KOREA: 18.7% | | | | INDONESIA: 8.7% | | | |
| Hyundai Mobis | 412 | 123,289 | 3.11 | PT Perusahaan Gas Negara | 189,500 | 84,835 | 2.14 |
| Dongbu Insurance Co Ltd | 2,240 | 102,535 | 2.59 | PT Bank Central Asia | 98,500 | 78,561 | 1.98 |
| Samsung Electronics Co Ltd | 97 | 82,603 | 2.08 | PT Astra International | 11,500 | 75,208 | 1.89 |
| Posco | 153 | 70,606 | 1.78 | PT Telekomunikasi Indonesia - Spon ADR | 1,800 | 59,130 | 1.49 |
| Green Cross Corp | 499 | 61,787 | 1.56 | PT Indofood CBP Sukses Makmur | 79,500 | 48,403 | 1.22 |
| Yuhan Corp | 451 | 61,002 | 1.54 | Total Indonesia | | 346,137 | 8.72 |
| Cheil Worldwide Inc | 4,594 | 60,874 | 1.53 | THAILAND: 6.9% | | | |
| LS Corp | 537 | 53,975 | 1.36 | Bank of Ayudhya PCL - Foreign | 121,800 | 99,845 | 2.52 |
| Amorepacific Corp | 52 | 49,669 | 1.25 | PTT Exploration & Production PCL - Foreign | 12,700 | 75,575 | 1.90 |
| MegaStudy Co Ltd | 312 | 48,159 | 1.21 | Central Pattana PCL - Foreign | 59,600 | 56,140 | 1.41 |
| NHN Corp | 156 | 27,302 | 0.69 | Land & Houses PCL - Foreign | 185,800 | 42,694 | 1.08 |
| Total South Korea | | 741,801 | 18.70 | Total Thailand | | 274,254 | 6.91 |

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

| | Shares | Value | % of Net Assets | | Shares | Value | % of Net Assets |
|--------------------------|---------|----------------|-----------------|----------------------------------|--------|------------------|-----------------|
| MALAYSIA: 5.2% | | | | VIETNAM: 1.4% | | | |
| Genting - BHD | 26,600 | 96,981 | 2.44 | Vietnam Dairy Products JSC | 12,240 | 53,491 | 1.35 |
| Public Bank - BHD | 17,400 | 75,415 | 1.90 | Total Vietnam | | 53,491 | 1.35 |
| Top Glove Corp BHD | 19,400 | 34,481 | 0.87 | | | | |
| Total Malaysia | | 206,877 | 5.21 | TOTAL COMMON EQUITIES | | 3,966,379 | |
| SINGAPORE: 2.2% | | | | (Cost \$3,893,342) | | | |
| Keppel Land Ltd | 14,000 | 49,853 | 1.26 | TOTAL INVESTMENTS: 100.0% | | 3,966,379 | |
| Hyflux Ltd | 22,000 | 37,687 | 0.95 | (Cost \$3,893,342) | | | |
| Total Singapore | | 87,540 | 2.21 | CASH AND OTHER ASSETS, | | | |
| PHILIPPINES: 1.8% | | | | LESS LIABILITIES: 0.0% | | 927 | |
| SM Prime Holdings Inc | 268,500 | 69,462 | 1.75 | NET ASSETS: 100.0% | | 3,967,306 | |
| Total Philippines | | 69,462 | 1.75 | | | | |

ADR: American Depositary Receipt

BHD: Berhad

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



PORTFOLIO MANAGERS

Richard H. Gao
Lead Manager

Henry Zhang, CFA
Co-Manager

China Fund

Fund Manager Report

Performance figures discussed reflect that of the Institutional Accumulation Class Shares (USD).

For the one-year period ending 31 March 2011, the Matthews China Fund returned 8.55%, underperforming its benchmark, the MSCI China Index, which was up 9.58%. During the year, China attempted to maintain its economic growth amid Europe's debt crisis, uncertainties in the U.S. recovery and troubles in the Middle East. And as China's economy continued to grow rapidly, government officials were quick to take action against emerging signs of overheating.

Since November, the country has raised its interest rates four times, and fighting inflation was a top government priority as well as a primary macroeconomic issue. Various administrative measures were also adopted to curb overheating in the property sector as well as among food-related daily necessities. We have noted encouraging indications that these measures have begun taking effect, triggering market expectations that inflation may start to subside later this year.

However, in this inflationary environment, the portfolio's overweight in the consumer sectors was a drag on overall Fund performance as consumer stocks began to correct in the last quarter of the year. Consumer companies were especially sensitive to rising costs for raw materials and labour throughout the year. While we believe these cost increases will somewhat negatively impact margins and short-term earnings, the long-term secular growth trend for China's consumer industries remains intact. We believe the portfolio's consumer holdings are market leaders, and many are becoming consolidators.

Meanwhile, the last quarter of the fiscal year also saw some strong rallies in energy and commodity-related companies, which benefited from the surge in oil and commodity prices. This is an area in which the Fund has less exposure relative to the index as we tend to avoid cyclical industries in favour of companies that are more in control of driving their own growth.

The biggest contributor to Fund performance during the year was the information technology sector. Our overweight in the IT software, Internet and telecom equipment industries performed well during the quarter. Sina, one of China's most popular Internet web portals, was the top contributor to Fund performance. The firm is benefiting from an increase in the number of Chinese Internet users, which surpassed 450 million by the end of 2010. More importantly, Sina has set up and popularised a social networking and micro-blogging service called Weibo, and created a strong online community. Although Sina is a long-term holding, we trimmed the position slightly due to concerns over its valuation after a surge in the share price.

Looking forward, we are cautiously optimistic over China's economic outlook. While policy risks related to further monetary tightening still exist, we believe that inflation is being better controlled. We have been monitoring the latest developments in the property and banking sectors. After consistent government tightening measures, China's property sector seems to be healthier and property prices are increasing more slowly with lower transaction volumes across the country. On the banking side, all major banks reported solid earnings over the past year. Loan quality is not deteriorating but instead, improving slightly. Our conversations with various banks in China also show that risks related to nonperforming loans, thus far, seem to be under control.

Schedule of Investments (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2011, expressed in U.S. dollars.

COMMON EQUITIES: CHINA/HONG KONG: 100.2%

| | Shares | Value | % of Net Assets | | Shares | Value | % of Net Assets |
|-------------------------------------------------------|--------|----------------|-----------------|-----------------------------------------------------------------|--------|----------------|-----------------|
| CONSUMER DISCRETIONARY: 22.6% | | | | INFORMATION TECHNOLOGY: 15.8% | | | |
| Hotels, Restaurants & Leisure: 8.0% | | | | Internet Software & Services: 6.5% | | | |
| Sands China Ltd - RegS | 17,200 | 38,369 | 1.95 | Sina Corp | 550 | 59,466 | 3.03 |
| Ctrip.com International - ADR | 925 | 37,768 | 1.92 | Tencent Holdings Ltd | 1,500 | 36,490 | 1.86 |
| Shangri-La Asia Ltd | 12,000 | 30,975 | 1.58 | Netease.com Inc - ADR | 650 | 31,856 | 1.63 |
| Cafe de Coral Holdings Ltd | 12,000 | 28,029 | 1.43 | | | 127,812 | 6.52 |
| Home Inns & Hotels Management Inc - ADR | 600 | 22,980 | 1.17 | Computers & Peripherals: 2.7% | | | |
| | | 158,121 | 8.05 | Lenovo Group Ltd | 60,000 | 34,127 | 1.74 |
| Multiline Retail: 3.2% | | | | TPV Technology Ltd | 30,000 | 18,030 | 0.92 |
| Golden Eagle Retail Group Ltd | 18,000 | 38,785 | 1.98 | | | 52,157 | 2.66 |
| Parkson Retail Group Ltd | 17,500 | 24,047 | 1.22 | Communications Equipment: 2.3% | | | |
| | | 62,832 | 3.20 | ZTE Corp - H | 9,900 | 46,021 | 2.35 |
| Textiles, Apparel & Luxury Goods: 2.4% | | | | | | 46,021 | 2.35 |
| Ports Design Ltd | 10,500 | 24,186 | 1.23 | Software: 2.4% | | | |
| Li Ning Co Ltd | 8,000 | 13,458 | 0.69 | Kingdee International Software Group Co Ltd | 74,000 | 46,379 | 2.36 |
| Glorious Sun Enterprises Ltd | 22,000 | 8,792 | 0.45 | | | 46,379 | 2.36 |
| | | 46,436 | 2.37 | Electronic Equipment, Instruments & Components: 1.9% | | | |
| Specialty Retail: 2.3% | | | | Digital China Holdings Ltd | 20,000 | 37,658 | 1.92 |
| Belle International Holdings Ltd | 25,000 | 45,785 | 2.33 | | | 37,658 | 1.92 |
| | | 45,785 | 2.33 | Total Information Technology | | | |
| Automobiles: 2.1% | | | | | | 310,027 | 15.81 |
| Dongfeng Motor Group Co Ltd - H | 24,000 | 40,780 | 2.08 | INDUSTRIALS: 12.7% | | | |
| | | 40,780 | 2.08 | Machinery: 4.7% | | | |
| Distributors: 2.1% | | | | CSR Corp Ltd - H | 40,000 | 40,894 | 2.08 |
| Li & Fung Ltd | 8,000 | 40,966 | 2.09 | China National Materials Co Ltd - H | 33,000 | 29,669 | 1.51 |
| | | 40,966 | 2.09 | Sany Heavy Equipment International Holdings Co Ltd | 13,000 | 21,335 | 1.09 |
| Diversified Consumer Services: 1.9% | | | | | | 91,898 | 4.68 |
| New Oriental Education & Technology - Spon ADR | 375 | 37,493 | 1.91 | Transportation Infrastructure: 3.5% | | | |
| | | 37,493 | 1.91 | China Merchants Holdings International Co Ltd | 12,000 | 50,631 | 2.58 |
| Media: 0.6% | | | | GZI Transport Ltd | 32,000 | 18,084 | 0.92 |
| Television Broadcasts Ltd | 2,000 | 11,734 | 0.60 | | | 68,715 | 3.50 |
| | | 11,734 | 0.60 | Airlines: 1.6% | | | |
| Total Consumer Discretionary | | | | Air China Ltd - H | 34,000 | 31,428 | 1.60 |
| | | 444,147 | 22.63 | | | 31,428 | 1.60 |
| FINANCIALS: 18.3% | | | | Electrical Equipment: 1.4% | | | |
| Real Estate Management & Development: 6.5% | | | | China High Speed Transmission Equipment Group Co Ltd | 17,000 | 27,203 | 1.39 |
| Hang Lung Group Ltd | 6,000 | 37,105 | 1.89 | | | 27,203 | 1.39 |
| Swire Pacific Ltd - A | 2,500 | 36,605 | 1.87 | Industrial Conglomerates: 0.9% | | | |
| China Vanke Co Ltd - B | 24,000 | 31,457 | 1.60 | NWS Holdings Ltd | 11,500 | 17,585 | 0.90 |
| China Resources Land Ltd | 12,000 | 22,439 | 1.15 | | | 17,585 | 0.90 |
| | | 127,606 | 6.51 | Construction & Engineering: 0.6% | | | |
| Commercial Banks: 5.5% | | | | China Railway Construction Corp Ltd - H | 11,000 | 11,416 | 0.58 |
| BOC Hong Kong Holdings Ltd | 13,000 | 42,326 | 2.16 | | | 11,416 | 0.58 |
| China Merchants Bank Co Ltd - H | 14,455 | 39,992 | 2.04 | Total Industrials | | | |
| China Construction Bank - H | 28,340 | 26,527 | 1.35 | | | 248,245 | 12.65 |
| | | 108,845 | 5.55 | Insurance: 4.4% | | | |
| Insurance: 4.4% | | | | Ping An Insurance Group Co Ltd - H | 4,500 | 45,560 | 2.32 |
| Ping An Insurance Group Co Ltd - H | 4,500 | 45,560 | 2.32 | China Life Insurance Co Ltd - H | 8,000 | 29,996 | 1.53 |
| China Life Insurance Co Ltd - H | 8,000 | 29,996 | 1.53 | China Life Insurance Co - ADR | 200 | 11,008 | 0.56 |
| China Life Insurance Co - ADR | 200 | 11,008 | 0.56 | | | 86,564 | 4.41 |
| | | 86,564 | 4.41 | Diversified Financial Services: 1.9% | | | |
| Diversified Financial Services: 1.9% | | | | Hong Kong Exchanges and Clearing Ltd | 1,700 | 36,893 | 1.88 |
| Hong Kong Exchanges and Clearing Ltd | 1,700 | 36,893 | 1.88 | | | 36,893 | 1.88 |
| | | 36,893 | 1.88 | Total Financials | | | |
| Total Financials | | | | | | 359,908 | 18.35 |

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

| | Shares | Value | % of Net Assets | | Shares | Value | % of Net Assets |
|---------------------------------------------------------------|--------|----------------|-----------------|--------------------------------------------------------|--------|---------------|-----------------|
| CONSUMER STAPLES: 11.3% | | | | TELECOMMUNICATION SERVICES: 4.5% | | | |
| Food & Staples Retailing: 4.3% | | | | Wireless Telecommunication Services: 3.1% | | | |
| Lianhua Supermarket Holdings Corp Ltd - H | 11,000 | 43,664 | 2.23 | China Mobile Ltd | 4,500 | 41,408 | 2.11 |
| China Resources Enterprise Ltd | 10,000 | 40,573 | 2.07 | China Mobile Ltd - Spon ADR | 400 | 18,528 | 0.95 |
| | | 84,237 | 4.30 | | | 59,936 | 3.06 |
| Food Products: 3.9% | | | | Diversified Telecommunication Services: 1.4% | | | |
| Tingyi (Cayman Islands) Holding Corp | 16,000 | 39,095 | 1.99 | China Communications Services - H | 46,000 | 27,951 | 1.43 |
| China Yurun Food Group Ltd | 11,000 | 36,872 | 1.88 | | | 27,951 | 1.43 |
| | | 75,967 | 3.87 | Total Telecommunication Services | | 87,887 | 4.49 |
| Personal Products: 1.7% | | | | HEALTH CARE: 2.1% | | | |
| Hengan International Group Co Ltd | 4,500 | 33,350 | 1.70 | Health Care Providers & Services: 1.2% | | | |
| | | 33,350 | 1.70 | Sinopharm Group Co - H | 6,800 | 24,097 | 1.23 |
| Beverages: 1.4% | | | | Health Care Equipment & Supplies: 0.9% | | | |
| Tsingtao Brewery Co Ltd - H | 6,000 | 28,584 | 1.45 | Mindray Medical International Ltd - ADR | 650 | 16,601 | 0.85 |
| | | 28,584 | 1.45 | | | 16,601 | 0.85 |
| Total Consumer Staples | | 222,138 | 11.32 | Total Health Care | | 40,698 | 2.08 |
| ENERGY: 7.8% | | | | TOTAL COMMON EQUITIES | | | |
| Oil, Gas & Consumable Fuels: 6.0% | | | | 1,965,720 | | | |
| Cnooc Ltd | 22,000 | 55,350 | 2.82 | (Cost \$1,991,372) | | | |
| China Shenhua Energy Co Ltd - H | 8,500 | 39,989 | 2.04 | TOTAL INVESTMENTS: 100.2% | | | |
| China Petroleum & Chemical Corp - H | 22,000 | 22,031 | 1.13 | 1,965,720 | | | |
| | | 117,370 | 5.99 | (Cost \$1,991,372) | | | |
| Energy Equipment & Services: 1.8% | | | | CASH AND OTHER ASSETS, LESS LIABILITIES: (0.2)% | | | |
| China Oilfield Services Ltd - H | 16,000 | 36,150 | 1.84 | (4,305) | | | |
| | | 36,150 | 1.84 | NET ASSETS: 100.0% | | | |
| Total Energy | | 153,520 | 7.83 | 1,961,415 | | | |
| UTILITIES: 5.1% | | | | ADR: American Depositary Receipt | | | |
| Electric Utilities: 2.4% | | | | RegS: Regulation S | | | |
| Cheung Kong Infrastructure Holdings | 10,000 | 47,205 | 2.41 | | | | |
| | | 47,205 | 2.41 | | | | |
| Gas Utilities: 1.9% | | | | | | | |
| Hong Kong & China Gas Co Ltd | 15,400 | 36,915 | 1.88 | | | | |
| | | 36,915 | 1.88 | | | | |
| Independent Power Producers & Energy Traders: 0.8% | | | | | | | |
| China Longyuan Power Group Corp Ltd - H | 14,000 | 15,030 | 0.77 | | | | |
| | | 15,030 | 0.77 | | | | |
| Total Utilities | | 99,150 | 5.06 | | | | |

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

Statement of Assets and Liabilities

As at 31 March 2011

| | Asia Dividend Fund (USD) | Pacific Tiger Fund (USD) | China Fund (USD) | Combined (USD) |
|--------------------------------------------------|-----------------------------|-----------------------------|---------------------|-------------------|
| ASSETS | | | | |
| Investment in securities at value | 84,606,703 | 3,966,379 | 1,965,720 | 90,538,802 |
| At cost | 82,639,732 | 3,893,342 | 1,991,372 | 88,524,446 |
| Cash at bank | 711,008 | 46,079 | 1,856,143 | 2,613,230 |
| Interests and dividends receivable | 805,356 | 11,330 | 1,029 | 817,715 |
| Formation expenses (note 2I) | 32,125 | 32,125 | 30,831 | 95,081 |
| Prepaid expenses and other receivables (note 2H) | 168,335 | 55,580 | 62,157 | 286,072 |
| TOTAL ASSETS | 86,323,527 | 4,111,493 | 3,915,880 | 94,350,900 |
| LIABILITIES | | | | |
| Redemptions payable | – | – | 1,816,356 | 1,816,356 |
| Management fees (note 4) | 215,637 | 13,241 | 7,519 | 236,377 |
| Accrued expenses and other payables | 132,034 | 130,946 | 130,590 | 393,570 |
| TOTAL LIABILITIES | 347,651 | 144,187 | 1,954,465 | 2,446,303 |
| TOTAL NET ASSETS | 85,975,876 | 3,967,306 | 1,961,415 | 91,904,597 |

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

Statement of Operations and Changes in Net Assets

For the period from 5 February 2010 (date of incorporation) to 31 March 2011

| | Asia Dividend Fund (USD) | Pacific Tiger Fund (USD) | China Fund (USD) | Combined (USD) |
|--------------------------------------------------------------------|-----------------------------|-----------------------------|---------------------|-------------------|
| NET ASSETS AT THE BEGINNING OF THE PERIOD | – | – | – | – |
| INCOME | | | | |
| Dividends income, net | 1,145,483 | 36,161 | 21,047 | 1,202,691 |
| Interest income, net | 239 | – | 19 | 258 |
| TOTAL INCOME | 1,145,722 | 36,161 | 21,066 | 1,202,949 |
| EXPENSES | | | | |
| Overdraft interest on bank accounts | – | 11 | – | 11 |
| Management fee (note 4) | 459,195 | 29,656 | 19,357 | 508,208 |
| Domiciliation, Administration and Transfer agency fees | 65,401 | 59,835 | 72,015 | 197,251 |
| Professional fees | 62,123 | 43,233 | 43,471 | 148,827 |
| Printing fees | 11,505 | 5,523 | 5,844 | 22,872 |
| Custodian fee | 22,210 | 12,454 | 13,248 | 47,912 |
| Amortization of formation expenses (note 2I) | 7,223 | 7,223 | 8,516 | 22,962 |
| Taxe d'abonnement (note 7A) | 23,178 | 527 | 283 | 23,988 |
| Other fees | 34,408 | 23,396 | 22,704 | 80,508 |
| TOTAL EXPENSES | 685,243 | 181,858 | 185,438 | 1,052,539 |
| Fee waiver (note 2H) | 221,677 | 123,256 | 146,808 | 491,741 |
| NET INVESTMENT INCOME/(LOSS) | 682,156 | (22,441) | (17,564) | 642,151 |
| Net realised gain/(loss) on investments | 1,111,255 | (40,282) | 189,309 | 1,260,282 |
| Net realised gain/(loss) on forward foreign exchange contracts | 331,438 | (1,450) | (18) | 329,970 |
| Net realised gain/(loss) on foreign exchanges | (419,427) | (124) | (590) | (420,141) |
| Net realised gain/(loss) for the period | 1,023,266 | (41,856) | 188,701 | 1,170,111 |
| Net change in unrealised gain/(loss) on investments | 1,966,971 | 73,037 | (25,652) | 2,014,356 |
| Net change in unrealised gain/(loss) on foreign exchanges | 7,597 | 250 | 6 | 7,853 |
| Net change in unrealised gain/(loss) for the period | 1,974,568 | 73,287 | (25,646) | 2,022,209 |
| Increase/(decrease) in net assets as a result of operations | 3,679,990 | 8,990 | 145,491 | 3,834,471 |
| Subscriptions | 91,511,671 | 10,270,588 | 4,682,280 | 106,464,539 |
| Redemptions | (9,214,674) | (6,312,272) | (2,866,356) | (18,393,302) |
| Dividend distributions | (1,111) | – | – | (1,111) |
| NET ASSETS AT THE END OF THE PERIOD | 85,975,876 | 3,967,306 | 1,961,415 | 91,904,597 |

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

Statement of Changes in Number of Shares

For the period from 5 February 2010 (date of incorporation) to 31 March 2011

| | I Acc (USD) | I Dist (USD) | A Acc (USD) | A Dist (USD) | C Acc (USD) | I Acc (GBP) | I Dist (GBP) | A Acc (GBP) | A Dist (GBP) |
|---------------------------------------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|-----------------|
| ASIA DIVIDEND FUND | | | | | | | | | |
| Shares outstanding at the beginning of the period | – | – | – | – | – | – | – | – | – |
| Shares subscribed | 1,011,612 | 46,734 | 9,304 | 355 | 8,009,833 | 215 | 216 | 215 | 216 |
| Shares redeemed | 840,423 | – | – | – | – | – | – | – | – |
| Shares outstanding at the end of the period | 171,189 | 46,734 | 9,304 | 355 | 8,009,833 | 215 | 216 | 215 | 216 |
| PACIFIC TIGER FUND | | | | | | | | | |
| Shares outstanding at the beginning of the period | – | n.a. | – | n.a. | n.a. | – | n.a. | – | n.a. |
| Shares subscribed | 854,200 | n.a. | 68,130 | n.a. | n.a. | 215 | n.a. | 215 | n.a. |
| Shares redeemed | 531,681 | n.a. | 43,613 | n.a. | n.a. | – | n.a. | – | n.a. |
| Shares outstanding at the end of the period | 322,519 | n.a. | 24,517 | n.a. | n.a. | 215 | n.a. | 215 | n.a. |
| CHINA FUND | | | | | | | | | |
| Shares outstanding at the beginning of the period | – | n.a. | – | n.a. | n.a. | – | n.a. | – | n.a. |
| Shares subscribed | 391,499 | n.a. | 27,269 | n.a. | n.a. | 215 | n.a. | 215 | n.a. |
| Shares redeemed | 247,871 | n.a. | – | n.a. | n.a. | – | n.a. | – | n.a. |
| Shares outstanding at the end of the period | 143,628 | n.a. | 27,269 | n.a. | n.a. | 215 | n.a. | 215 | n.a. |

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

Statement of NAV per Share and Net Asset Statistics

As at 31 March 2011

| | I Acc (USD) | I Dist (USD) | A Acc (USD) | A Dist (USD) | C Acc (USD) | I Acc (GBP) | I Dist (GBP) | A Acc (GBP) | A Dist (GBP) |
|---------------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|-----------------|
| ASIA DIVIDEND FUND | | | | | | | | | |
| Net assets | 1,865,135 | 507,455 | 100,932 | 3,847 | 83,484,402 | 2,192 | 2,192 | 2,191 | 2,191 |
| Net Asset Value per Share | 10.90 | 10.86 | 10.85 | 10.82 | 10.42 | 10.18 | 10.16 | 10.17 | 10.16 |
| Shares outstanding | 171,189 | 46,734 | 9,304 | 355 | 8,009,833 | 215 | 216 | 215 | 216 |
| PACIFIC TIGER FUND | | | | | | | | | |
| Net assets | 3,690,709 | n.a. | 269,171 | n.a. | n.a. | 2,308 | n.a. | 2,307 | n.a. |
| Net Asset Value per Share | 11.44 | n.a. | 10.98 | n.a. | n.a. | 10.72 | n.a. | 10.71 | n.a. |
| Shares outstanding | 322,519 | n.a. | 24,517 | n.a. | n.a. | 215 | n.a. | 215 | n.a. |
| CHINA FUND | | | | | | | | | |
| Net assets | 1,659,160 | n.a. | 295,130 | n.a. | n.a. | 2,214 | n.a. | 2,214 | n.a. |
| Net Asset Value per Share | 11.55 | n.a. | 10.82 | n.a. | n.a. | 10.28 | n.a. | 10.28 | n.a. |
| Shares outstanding | 143,628 | n.a. | 27,269 | n.a. | n.a. | 215 | n.a. | 215 | n.a. |

INCEPTION DATES:

Asia Dividend Fund

| | |
|------------------------------------------------------|-------------------|
| I Acc (USD) | 30 April 2010 |
| A Acc (USD), A Dist (USD), I Dist (USD) | 26 August 2010 |
| C Acc (USD) | 20 September 2010 |
| I Acc (GBP), I Dist (GBP), A Acc (GBP), A Dist (GBP) | 28 February 2011 |

Pacific Tiger Fund

| | |
|--------------------------|------------------|
| I Acc (USD) | 30 April 2010 |
| A Acc (USD) | 26 August 2010 |
| I Acc (GBP), A Acc (GBP) | 28 February 2011 |

China Fund

| | |
|--------------------------|------------------|
| I Acc (USD) | 26 February 2010 |
| A Acc (USD) | 26 August 2010 |
| I Acc (GBP), A Acc (GBP) | 28 February 2011 |

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

Notes to Financial Statements *(Audited)*

As at 31 March 2011

1. GENERAL

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) PRESENTATION OF FINANCIAL STATEMENTS

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

B) COMBINED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

As at 31 March 2011

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

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

E) CONVERSION OF FOREIGN CURRENCIES

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

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

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

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

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

| MATTHEWS ASIA FUNDS | CURRENCY |
|---------------------|----------|
| Asia Dividend Fund | USD |
| Pacific Tiger Fund | USD |
| China Fund | USD |

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

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

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

F) COST OF INVESTMENTS IN SECURITIES

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

G) INCOME

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

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

H) FEE WAIVER

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

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

I) FORMATION EXPENSES

The cost of establishing the Fund amounted to 118,043 USD. The establishment costs are amortised on a straight line basis over five years from the date of which the Fund commenced business.

J) USE OF ESTIMATES

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

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

As at 31 March 2011

3. EXCHANGE RATES AS AT 31 MARCH 2011

| The exchange rates used in the financial statements as at 31 March 2011 are: | | | | | |
|------------------------------------------------------------------------------|--------|-------------------------|----------|-------------------------|-----------|
| Australian Dollar (AUD) | 0.9664 | Japanese Yen (JPY) | 82.805 | Singapore Dollar (SGD) | 1.2602 |
| Hong Kong Dollar (HKD) | 7.7821 | South Korean Won (KRW) | 1,094.05 | Thai Bhat (THB) | 30.24 |
| Indonesian Rupiah (IDR) | 8705 | Malaysian Ringgit (MYR) | 3.0265 | Taiwan New Dollar (TWD) | 29.37 |
| Indian Rupee (INR) | 44.585 | Philippine Peso (PHP) | 43.33 | Vietnamese Dong (VND) * | 21,285.47 |

* Please refer to note 2E.

4. MANAGEMENT FEES AND ADMINISTRATION FEES

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

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

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

| MATTHEWS ASIA FUNDS | |
|---------------------|-------|
| Asia Dividend Fund | 0.25% |
| Pacific Tiger Fund | 0.25% |
| China Fund | 0.25% |

5. CUSTODIAN AND CENTRAL ADMINISTRATION FEES

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

6. INDEPENDENT DIRECTOR FEE

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

7. TAXATION

A) TAXE D'ABONNEMENT

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

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

B) PROVISION FOR FOREIGN TAXES

The Sub-Funds may be subject to short-term capital gains tax in India on gains realised upon disposition of Indian securities held less than one year. The tax is computed on net realised gains; any realised losses in excess of gains may be carried forward for a period of up to eight years to offset future gains. Any net taxes payable must be remitted to the Indian government prior to repatriation of sales proceeds. The Sub-Funds that invest in Indian securities accrue a deferred tax liability for net unrealised short-term gains in excess of available carry forwards on Indian securities. This accrual may reduce a Sub-Fund's net asset value. As of 31 March 2011, there is no accrual for potential future India capital gains taxes.

Further information

STATEMENT OF CHANGES IN PORTFOLIO

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

Performance and Expenses *(Unaudited)*

As at 31 March 2011

| | Total Return ¹ | | | | | Since Inception | Inception Date | Portfolio Turnover ² | Total Expense Ratio ³ |
|------------------------------------------|---------------------------|--------------|-------------|-------------|-------------|---------------------------|----------------|---------------------------------|----------------------------------|
| | 3 months | 1 year | 3 years | 5 years | 10 years | | | | |
| ASIA DIVIDEND FUND | | | | | | | | | |
| I Acc (USD) | -0.64% | n.a. | n.a. | n.a. | n.a. | 9.00% | 30 Apr 2010 | 24.82% | 1.50% |
| I Dist (USD) | -0.51% | n.a. | n.a. | n.a. | n.a. | 8.84% | 26 Aug 2010 | 24.82% | 1.50% |
| A Acc (USD) | -0.73% | n.a. | n.a. | n.a. | n.a. | 8.83% | 26 Aug 2010 | 24.82% | 2.00% |
| A Dist (USD) | -0.74% | n.a. | n.a. | n.a. | n.a. | 8.49% | 26 Aug 2010 | 24.82% | 2.00% |
| C Acc (USD) | -0.48% | n.a. | n.a. | n.a. | n.a. | 4.20% | 20 Sept 2010 | 24.82% | 0.95% |
| I Acc (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 1.80% | 28 Feb 2011 | 24.82% | 1.50% |
| I Dist (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 1.76% | 28 Feb 2011 | 24.82% | 1.50% |
| A Acc (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 1.70% | 28 Feb 2011 | 24.82% | 2.00% |
| A Dist (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 1.73% | 28 Feb 2011 | 24.82% | 2.00% |
| MSCI AC Asia Pacific Index (USD) | -0.65% | n.a. | n.a. | n.a. | n.a. | 10.58%⁴ | | | |
| PACIFIC TIGER FUND | | | | | | | | | |
| I Acc (USD) | -2.14% | n.a. | n.a. | n.a. | n.a. | 14.40% | 30 Apr 2010 | -65.71% | 1.50% |
| A Acc (USD) | -2.23% | n.a. | n.a. | n.a. | n.a. | 14.19% | 26 Aug 2010 | -65.71% | 2.00% |
| I Acc (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 7.20% | 28 Feb 2011 | -65.71% | 1.50% |
| A Acc (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 7.10% | 28 Feb 2011 | -65.71% | 2.00% |
| MSCI AC Asia ex Japan Index (USD) | 1.22% | n.a. | n.a. | n.a. | n.a. | 17.36%⁴ | | | |
| CHINA FUND | | | | | | | | | |
| I Acc (USD) | -1.95% | 8.55% | n.a. | n.a. | n.a. | 14.13% | 26 Feb 2010 | -14.56% | 1.50% |
| A Acc (USD) | -2.08% | 8.10% | n.a. | n.a. | n.a. | 13.69% | 26 Aug 2010 | -14.56% | 2.00% |
| I Acc (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 2.80% | 28 Feb 2011 | -14.56% | 1.50% |
| A Acc (GBP) | n.a. | n.a. | n.a. | n.a. | n.a. | 2.80% | 28 Feb 2011 | -14.56% | 2.00% |
| MSCI China Index (USD) | 2.89% | 9.58% | n.a. | n.a. | n.a. | 14.15%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 include such fees as the Management and Administration fee, Domiciliation, Administration and Transfer agency fees, Professional fees, Printing fees, Custodian fee and Taxe d'abonnement.

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

Investor Disclosure

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

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

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

Index Definitions

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

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

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



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