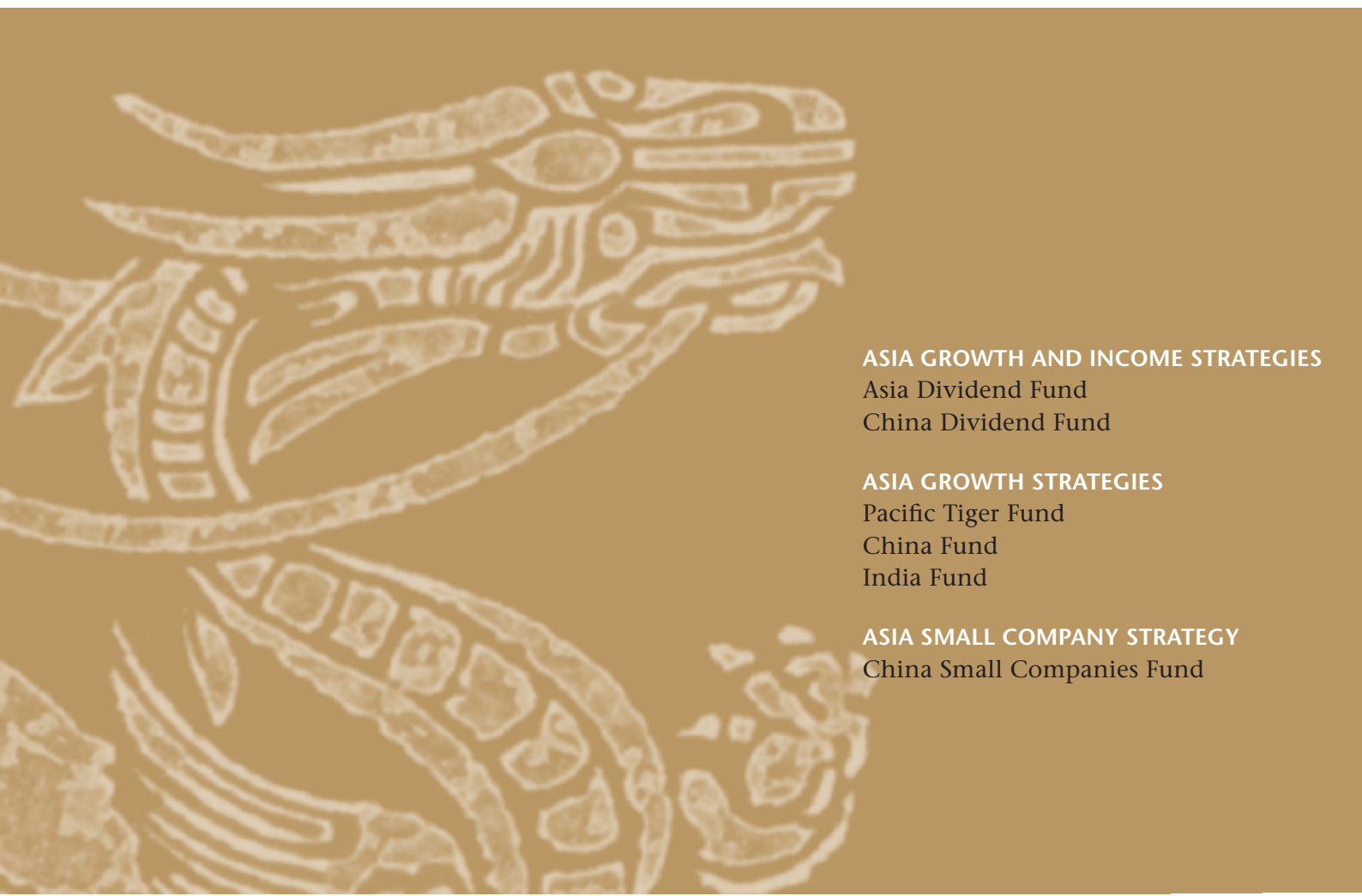


# Matthews Asia Funds | Annual Report

31 March 2013



## ASIA GROWTH AND INCOME STRATEGIES

Asia Dividend Fund  
China Dividend Fund

## ASIA GROWTH STRATEGIES

Pacific Tiger Fund  
China Fund  
India Fund

## ASIA SMALL COMPANY STRATEGY

China Small Companies Fund



Matthews Asia

Société d'investissement à Capital Variable  
Luxembourg

RCS Luxembourg B 151 275



## General Information

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

The Fund has an “umbrella” structure comprising a number of separate Sub-Funds. At the date of this report, six Sub-Funds were available for investment: Asia Dividend, China Dividend, Pacific Tiger, China, India and China Small Companies Funds. This report covers the period from 1 April 2012 to 31 March 2013. The last day on which official prices were calculated was 28 March 2013. The valuation point for the year presented in the Annual Report was at 31 March 2013. The figures presented in the financial statements are as at that date.

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

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

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

The Fund’s accounting year ends on 31 March in each year.

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

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

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

## Report of the Custodian to the Shareholders

We have enquired into the conduct of Matthews Asia Funds SICAV ('the Company') for the year ended March 31<sup>st</sup> 2013 in our capacity as Custodian to the Company.

This report including the opinion has been prepared for and solely for the shareholders in the Company as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown.

### Responsibilities of the Custodian

Luxembourg SICAV's that distribute into Hong Kong, such as the Company, are required by the Hong Kong regulator to enquire into the conduct of the Company in each annual accounting period and report thereon to shareholders.

Our report shall state whether, in our opinion the Company has been managed in that period, in all material respects in accordance with the provisions of the Company's constitutive documents. It is the overall responsibility of the Company to comply with these provisions. If the Company has not complied we, as Custodian must state why this is the case and outline the steps which we have taken to rectify the situation.

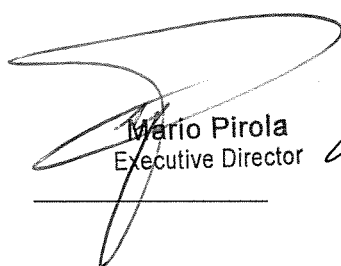
### Basis of Custodian Opinion

The Custodian conducts such reviews as it, in its reasonable opinion, considers necessary in order to ensure that, in all material respects, the Company has been managed in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutive documents.

### Opinion

In our opinion, the Company has been managed during the year, in all material respects in accordance with the limitations imposed on its investment and borrowing powers by the provisions of its constitutive documents.

Yours faithfully,



Mario Pirola  
Executive Director



C.N. EDGE

J.P. Morgan Bank Luxembourg

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

*The views and opinions in this report were current as at 31 March 2013. They are not guarantees of performance or investment results and should not be taken as investment advice. Investment decisions reflect a variety of factors, and the managers reserve the right to change their views about individual stocks, sectors and the markets at any time. As a result, the views expressed should not be relied upon as a forecast of a Fund's future investment intent.*

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

*The most current Key Investor Information Documents, full prospectus, and most recent Semi-Annual Report and Annual Report for each Sub-Fund, can be found at [hk.matthewsasiasia.com](http://hk.matthewsasiasia.com). Please read the Key Investor Information Documents and current full 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**

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

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

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

#### **Conducting Officers**

Richard Goddard  
Timothy B. Parker

### **INVESTMENT MANAGER AND GLOBAL DISTRIBUTOR**

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

### **INVESTMENT ADVISOR**

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

### **CUSTODIAN, ADMINISTRATIVE AGENT AND LISTING AGENT**

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

### **REVISEUR D'ENTREPRISES AGREE**

Deloitte Audit  
*Société à responsabilité limitée*  
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



*“The greatest reforms in Asia over the past two decades have taken place outside of Japan, in China and India and Southeast Asia.”*

## Investment Manager’s Report

Dear Valued Investors,

When we look at investments in Asia, we try to look beyond the near term, which currently indicates that Asian economies seem to be on the upswing of a credit cycle. But how can growth be sustained without causing inflation? Japan poses a different question: how much of its recent rally is real and how much just driven by money flows? Let us frame this in the light of the late Prime Minister Margaret Thatcher’s legacy.

Personally, I have long admired her for her outspoken defense of free markets and political style. What lessons from Thatcher’s legacy can the world draw upon today? There is evidence that “Thatcherite” policies came in two forms: first, short-term policy in the style of noted economist Milton Friedman to use money supply to control inflation; second, long-term supply-side reforms to increase productive capacity. For the U.S. and Europe, where demand remains depressed, supply-side reforms offer less of a way out. They lack demand, not supply. However, in much of Asia where demand is strong, supply-side reforms appear to offer greater scope for sustainable growth.

The actual implementation of reform in Asia is patchy. China, spurred by a reformist leadership, is working to improve supply in its capital markets. These reforms may be accelerated by the desire to liberalise trading in the renminbi. In India, supply-side reforms are most needed in the government ownership of assets and in the system of price controls over various commodities. However, progress has been slow. Southeast Asia is building up its manufacturing base and the economies in this region still need to raise the productivity of workers and their spending power. At the same time, relatively young populations in these countries should start to mature over the next few decades, improving their skills and knowledge and acting as a further boost to labour supply.

Japan is somewhat different. Corporate reforms undertaken there, primarily with regard to raised dividend payouts, still have not addressed some of the core concerns about bloated labour costs and inefficient use of capital. As it is, Japan seems to be embarking on more of a “Friedmanite” revolution than a “Thatcherite” one. Symbolically, perhaps, Japan’s reform means that the Bank of Japan is printing money to buy real estate investment trusts; in the U.K., Thatcher liberalised home ownership. In other words, Japan is pursuing a pure monetary solution without any microeconomic reform.

Many countries in Asia are pursuing what could be called “Thatcherite” reforms. The greatest reforms in Asia over the past two decades have taken place outside of Japan, in China and India and Southeast Asia. Going forward, that seems likely to continue to be the case. Whether monetary stimulus in Japan is enough to kick-start a new vibrant economy and revitalise Japan’s stock market, or whether it will require further reforms in the spirit of Thatcher, remains an unanswered question. Our main role, as investors, is not to try to time the monetary waves, rather to try to assess what will persist and what will remain, after the waves have dissipated.

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

Deloitte Audit  
Société à responsabilité limitée  
560, rue de Neudorf  
L-2220 Luxembourg  
B.P. 1173  
L-1011 Luxembourg  
Tel: +352 451 451  
Fax: +352 451 452 992  
www.deloitte.lu

Following our appointment by the general meeting of the Shareholders dated 17 July 2012, we have audited the accompanying financial statements of Matthews Asia Funds (the "SICAV") and of each of its Sub-Funds, which comprise the Statement of Assets and Liabilities and the Schedule of Investments as at 31 March 2013 and the Statement of Operations and Changes in Net Assets for the year then ended, 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 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 2013, and of the results of their operations and changes in their net assets for the year then ended 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 Audit, *Cabinet de révision agréé*

Luxembourg, 21 June 2013

Johnny Yip, *Réviseur d'entreprises agréé*

Partner

Société à responsabilité limitée  
RCS Luxembourg B 67 895  
Autorisation d'établissement n° 89997  
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 in any of the Fund Manager Commentaries reflect that of the Institutional Accumulation Class Shares (USD).*

For the one-year period ending 31 March 2013, the Matthews Asia Dividend Fund returned 17.15%\* while its benchmark, the MSCI All Country Asia Pacific Index, returned 10.19%. For the quarter ending 31 March 2013, the Fund rose 8.12% while the benchmark returned 5.51%.

During the second half of the fiscal year, Japan's equity market showed strong performance on the back of decisive moves by Prime Minister Shinzo Abe and the Bank of Japan's (BOJ) new governor to combat the country's persistent deflation. Strong stock selection in Japan and Singapore added significantly to the Fund's performance during the year.

Thai Beverage Public, a leading beer and spirits company in Thailand and a top contributor to performance, continued to benefit from its part in a take-over of a Singaporean conglomerate, a deal that was well-received by the market. The Fund's Japanese holdings performed well overall, with Pigeon, a manufacturer of baby care products, as the top Japanese contributor for the year. Pigeon, a long-term holding of the Fund, continued to show strong sales growth in China, which now accounts for about 20% of revenues and an even more significant share of its operating income. Dividends per share rose 30% year-on-year due to the solid rise in earnings. Pigeon exemplifies the ways in which many companies, even while incorporated in Japan, are increasingly deriving their growth from China and the rest of Asia.

During the year, the Fund's holdings in Korea were the main detractors to performance. In particular, the Fund's holdings within the Korean education sector performed poorly due to a less supportive regulatory framework as well as company-specific weakness at Woongjin Thinkbig, and we exited the holding as a result. Hong Kong-listed consumer discretionary companies Li Ning and Esprit were also exited after they slashed dividends as a recovery in their business fundamentals failed to materialise.

By sector, financials and consumer staples were the main contributors to performance, while the energy and materials sectors detracted. Over the year, we added to the portfolio businesses with greater exposure to the economic cycle. While these companies hold strong competitive positions within their respective industries they tend to trade at compelling valuations due to the muted economic outlook globally. We have also been selectively adding health care and consumer discretionary businesses with strong franchises to the Fund.

Looking ahead, Europe's debt issues continue to linger and worries over an economic slowdown in China still prevail. While the U.S. economy has improved somewhat, it remains dependent on central bank policies. Uncertainty brings with it opportunity, especially for those with a contrarian view and a long-term investment approach. The Fund continues to be predominantly positioned with companies that we believe will be stable dividend-payers, such as consumer staples firms, while at the same time taking advantage of attractively priced cyclical businesses. As we enter the new fiscal year, we feel fortunate to be dividend-focused investors in Asian equities. Long-term growth prospects remain solid, while yields on offer continue to look attractive.

\* Performance is based on swung net asset value per Share, see note 11.



*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 2013, expressed in U.S. dollars.

**COMMON EQUITIES: 95.4%**

|                                            | Shares     | Value              | % of Net Assets |                                                 | Shares     | Value             | % of Net Assets |
|--------------------------------------------|------------|--------------------|-----------------|-------------------------------------------------|------------|-------------------|-----------------|
| <b>CHINA/HONG KONG: 31.8%</b>              |            |                    |                 | <b>AUSTRALIA: 9.1%</b>                          |            |                   |                 |
| China Mobile Ltd - ADR                     | 285,600    | 15,163,561         | 3.5             | QBE Insurance Group Ltd                         | 679,636    | 9,567,145         | 2.2             |
| HSBC Holdings PLC - ADR                    | 287,000    | 15,177,495         | 3.5             | Metcash Ltd                                     | 1,826,235  | 7,877,105         | 1.8             |
| China Shenhua Energy Co Ltd                |            |                    |                 | Coca-Cola Amatil Ltd                            | 482,260    | 7,324,932         | 1.7             |
| - H Shares                                 | 2,930,000  | 10,661,529         | 2.4             | Primary Health Care Ltd                         | 1,228,396  | 6,339,299         | 1.5             |
| Television Broadcasts Ltd                  | 1,394,100  | 10,567,486         | 2.4             | Ansell Ltd                                      | 257,031    | 4,305,802         | 1.0             |
| Shenzhou International Group Holdings Ltd  | 3,376,000  | 9,500,404          | 2.2             | David Jones Ltd                                 | 1,307,108  | 4,076,656         | 0.9             |
| Yum! Brands Inc                            | 128,600    | 9,176,573          | 2.1             | <b>Total Australia</b>                          |            | <b>39,490,939</b> | <b>9.1</b>      |
| Cheung Kong Holdings Ltd                   | 600,000    | 8,860,408          | 2.0             | <b>TAIWAN: 6.8%</b>                             |            |                   |                 |
| Mintz Group Ltd                            | 5,470,000  | 8,068,477          | 1.9             | Chunghwa Telecom Co Ltd - ADR                   | 328,660    | 10,168,694        | 2.3             |
| Dongfeng Motor Group Co Ltd                |            |                    |                 | Taiwan Semiconductor Manufacturing Co Ltd - ADR | 421,500    | 7,234,049         | 1.7             |
| - H Shares                                 | 5,678,000  | 7,983,586          | 1.8             | Johnson Health Tech Co Ltd                      | 1,541,392  | 4,272,002         | 1.0             |
| Cheung Kong Infrastructure Holdings Ltd    | 1,147,000  | 7,870,610          | 1.8             | St Shine Optical Co Ltd                         | 174,000    | 3,400,950         | 0.8             |
| Jiangsu Express Co Ltd - H Shares          | 6,684,000  | 6,688,760          | 1.5             | TXC Corp                                        | 1,887,219  | 2,850,183         | 0.6             |
| Guangdong Investment Ltd                   | 6,210,000  | 5,462,023          | 1.3             | Taiwan Hon Chuan Enterprise Co Ltd              | 723,754    | 1,871,697         | 0.4             |
| Haitian International Holdings Ltd         | 3,405,000  | 5,297,515          | 1.2             | <b>Total Taiwan</b>                             |            | <b>29,797,575</b> | <b>6.8</b>      |
| Link REIT                                  | 920,500    | 5,014,785          | 1.2             | <b>INDONESIA: 6.4%</b>                          |            |                   |                 |
| Yuexiu Transport Infrastructure Ltd        | 9,022,000  | 4,720,073          | 1.1             | Indofood Sukses Makmur Tbk PT                   | 11,616,500 | 8,916,128         | 2.0             |
| Cafe de Coral Holdings Ltd                 | 1,524,000  | 4,639,524          | 1.1             | PT Perusahaan Gas Negara                        | 12,934,500 | 7,927,742         | 1.8             |
| Xingda International Holdings Ltd          | 10,577,000 | 3,492,531          | 0.8             | United Tractors Tbk PT                          | 3,851,500  | 7,238,580         | 1.7             |
| Sichuan Expressway Co Ltd                  |            |                    |                 | PT Telekomunikasi Indonesia - ADR               | 58,500     | 2,622,736         | 0.6             |
| - H Shares                                 | 244,000    | 78,930             | 0.0             | PT Telekomunikasi Indonesia                     | 1,140,500  | 1,293,279         | 0.3             |
| <b>Total China/Hong Kong</b>               |            | <b>138,424,270</b> | <b>31.8</b>     | <b>Total Indonesia</b>                          |            | <b>27,998,465</b> | <b>6.4</b>      |
| <b>JAPAN: 18.9%</b>                        |            |                    |                 | <b>THAILAND: 4.1%</b>                           |            |                   |                 |
| ORIX Corp                                  | 1,464,000  | 18,618,598         | 4.3             | Thai Beverage Public PCL                        | 16,742,000 | 8,224,708         | 1.9             |
| ITOCHU Corp                                | 1,423,300  | 17,395,644         | 4.0             | PTT Exploration & Production PCL - Foreign      | 1,032,949  | 5,243,032         | 1.2             |
| Japan Tobacco Inc                          | 493,200    | 15,759,247         | 3.6             | Tisco Financial Group PCL - Foreign             | 2,378,000  | 4,491,459         | 1.0             |
| Pigeon Corp                                | 132,700    | 9,277,444          | 2.1             | <b>Total Thailand</b>                           |            | <b>17,959,199</b> | <b>4.1</b>      |
| NTT DoCoMo Inc                             | 4,012      | 5,952,354          | 1.4             | <b>SOUTH KOREA: 3.4%</b>                        |            |                   |                 |
| Lawson Inc                                 | 75,100     | 5,753,979          | 1.3             | KT&G Corp                                       | 111,332    | 7,547,221         | 1.7             |
| Miraca Holdings Inc                        | 100,500    | 4,816,073          | 1.1             | LG Chem Ltd                                     | 79,489     | 6,392,708         | 1.5             |
| EPS Co Ltd                                 | 2,510      | 3,725,951          | 0.9             | MegaStudy Co Ltd                                | 13,360     | 856,205           | 0.2             |
| Shinko Plantech Co Ltd                     | 126,400    | 1,018,208          | 0.2             | <b>Total South Korea</b>                        |            | <b>14,796,134</b> | <b>3.4</b>      |
| <b>Total Japan</b>                         |            | <b>82,317,498</b>  | <b>18.9</b>     | <b>MALAYSIA: 2.2%</b>                           |            |                   |                 |
| <b>SINGAPORE: 10.5%</b>                    |            |                    |                 | AMMB Holdings BHD                               | 4,191,300  | 8,852,285         | 2.0             |
| Ascendas Real Estate Investment Trust REIT | 4,728,000  | 9,910,104          | 2.3             | Pavilion - REIT                                 | 1,542,000  | 797,467           | 0.2             |
| Singapore Technologies Engineering Ltd     | 2,837,500  | 9,859,390          | 2.2             | <b>Total Malaysia</b>                           |            | <b>9,649,752</b>  | <b>2.2</b>      |
| United Overseas Bank Ltd                   | 482,000    | 7,924,910          | 1.8             |                                                 |            |                   |                 |
| CapitaRetail China Trust - REIT            | 4,348,000  | 6,127,889          | 1.4             |                                                 |            |                   |                 |
| ARA Asset Management Ltd                   | 2,692,710  | 4,167,566          | 1.0             |                                                 |            |                   |                 |
| Super Group Ltd                            | 1,111,000  | 3,489,490          | 0.8             |                                                 |            |                   |                 |
| Ascendas India Trust - REIT                | 5,041,000  | 3,352,888          | 0.8             |                                                 |            |                   |                 |
| Sheng Siong Group Ltd                      | 1,808,000  | 954,418            | 0.2             |                                                 |            |                   |                 |
| <b>Total Singapore</b>                     |            | <b>45,786,655</b>  | <b>10.5</b>     |                                                 |            |                   |                 |

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

|                                                          | Shares    | Value              | % of Net<br>Assets |
|----------------------------------------------------------|-----------|--------------------|--------------------|
| <b>INDIA: 1.1%</b>                                       |           |                    |                    |
| Tata Motors Ltd - A DVR                                  | 1,775,574 | 5,002,063          | 1.1                |
| <b>Total India</b>                                       |           | <b>5,002,063</b>   | <b>1.1</b>         |
| <b>PHILIPPINES: 1.1%</b>                                 |           |                    |                    |
| Globe Telecom Inc                                        | 156,145   | 4,586,879          | 1.1                |
| <b>Total Philippines</b>                                 |           | <b>4,586,879</b>   | <b>1.1</b>         |
|                                                          | Shares    | Value              | % of Net<br>Assets |
| <b>TOTAL COMMON EQUITIES</b>                             |           | <b>415,809,429</b> |                    |
| (Cost \$374,093,480)                                     |           |                    |                    |
| <b>TOTAL INVESTMENTS: 95.4%</b>                          |           | <b>415,809,429</b> |                    |
| (Cost \$374,093,480)                                     |           |                    |                    |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 4.6%</b> |           | <b>19,860,654</b>  |                    |
| <b>NET ASSETS: 100.0%</b>                                |           | <b>435,670,083</b> |                    |

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



PORTFOLIO MANAGERS

**Yu Zhang, CFA**  
Lead Manager

**Jesper O. Madsen, CFA**  
Co-Manager

## China Dividend Fund

### *Fund Manager Report*

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

Matthews China Dividend Fund was launched on 31 January 2013. For the month ending March 2013, the China Dividend Fund returned -0.61%, while its benchmark, the MSCI China Index, fell -4.57%.

The deepening of China's equity market in recent years, and the expanding universe of the country's dividend-paying companies, has made it possible for Matthews to pursue a scalable dividend investing strategy in China across a variety of industries. The objective of the Matthews China Dividend Fund is to generate total return by focusing on the significant and fast-growing number of dividend-paying companies in China. It leverages both our knowledge of investing in Chinese companies gained through our long track record in China as well as the dividend-focused stock selection process of the Matthews Asia Dividend Fund.

During the period, mixed macroeconomic data made it unclear whether China's economy could maintain its recovery momentum. Such uncertainty was further exacerbated by market reaction to another round of government measures to cool the property market as well as increased efforts to control the rapid credit growth of China's informal lending or "shadow banking" system.

Among the main contributors to performance during the period were Haitian International, a manufacturer of plastic injection molding machines, and Minth Group, an automotive parts supplier. Haitian's strength in product research and development helped the company retain its pricing power, even during the recent industry downturn. While its full-year results were still negatively impacted by the sluggish demand, its profit margin was maintained due to an increase in the average selling price for its products, surprising the market on the upside. For Minth Group, after years of persistent effort, its overseas business expansion strategy began to pay off with strong sales growth momentum in such markets as North America and Europe. This offset the relatively weak domestic sales in China. In addition to posting positive earnings growth despite a challenging market condition, the company also raised its dividend payout ratio, resulting in a 42% increase in the dividend.

Among the main detractors to Fund performance during the period were Xingda International and winemaker Yantai Changyu Pioneer Wine. Xingda's tire cord business, which is sensitive to economic cycles, was significantly impacted by industry overcapacity amid a very weak customer demand environment. While Xingda raised its dividend payout ratio to nearly 100% to dampen the negative impact of a sharp earnings decline, a clearer pickup of customer demand is still needed for both the industry and the company to turn the corner.

Partly as a result of China's new efforts to trim government excess, winemaker Yantai Changyu saw its stock price come under pressure on concerns over a slowdown in China's burgeoning wine industry. The firm was also impacted by new foreign market entrants. While both concerns are understandable, we remain of the view that over the long term the rising culture of wine consumption in China should still be intact. As the largest domestic wine company, Yantai Changyu still enjoys an extensive distribution network. At its current price, we continue to see the stock as an attractive investment.

During the period, Tianjin ZhongXin Pharmaceutical, a traditional Chinese medicine maker, was among the health care firms in which we found valuations to be attractive. With a strong drug portfolio, the company has been revamping its distribution strategy and is aggressively expanding its hospital sales channel. If successful, we believe the company's growth should accelerate, making the stock's current valuation discount to its peers harder to justify.

While China's equity market may remain volatile over the short term, such market uncertainty has also created opportunities for us to uncover good dividend growers with attractive dividend yields.

*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 2013, expressed in U.S. dollars.

**COMMON EQUITIES: CHINA/HONG KONG: 80.4%**

|                                                                      | Shares    | Value            | % of Net Assets |                                                       | Shares    | Value            | % of Net Assets |
|----------------------------------------------------------------------|-----------|------------------|-----------------|-------------------------------------------------------|-----------|------------------|-----------------|
| <b>CONSUMER DISCRETIONARY: 28.3%</b>                                 |           |                  |                 | <b>FINANCIALS: 13.3%</b>                              |           |                  |                 |
| <b>Hotels, Restaurants &amp; Leisure: 9.2%</b>                       |           |                  |                 | <b>Real Estate Management &amp; Development: 4.4%</b> |           |                  |                 |
| Yum! Brands Inc                                                      | 10,300    | 734,982          | 3.3             | Cheung Kong Holdings Ltd                              | 36,000    | 531,624          | 2.4             |
| Shanghai Jinjiang International Hotels Development Co Ltd - B Shares | 450,624   | 723,702          | 3.3             | E-House China Holdings Ltd                            | 46,500    | 224,778          | 1.0             |
| Cafe de Coral Holdings Ltd                                           | 184,000   | 560,153          | 2.6             | Swire Pacific Ltd                                     | 16,500    | 210,398          | 1.0             |
|                                                                      |           | <b>2,018,837</b> | <b>9.2</b>      |                                                       |           | <b>966,800</b>   | <b>4.4</b>      |
| <b>Auto Components: 5.6%</b>                                         |           |                  |                 | <b>Real Estate Investment Trusts: 5.3%</b>            |           |                  |                 |
| Mintn Group Ltd                                                      | 574,000   | 846,674          | 3.8             | Yuexiu Real Estate Investment Trust                   | 1,427,000 | 810,347          | 3.7             |
| Xingda International Holdings Ltd                                    | 1,182,000 | 390,297          | 1.8             | Link REIT                                             | 66,500    | 362,285          | 1.6             |
|                                                                      |           | <b>1,236,971</b> | <b>5.6</b>      |                                                       |           | <b>1,172,632</b> | <b>5.3</b>      |
| <b>Automobiles: 3.7%</b>                                             |           |                  |                 | <b>Commercial Banks: 3.6%</b>                         |           |                  |                 |
| Dongfeng Motor Group Co Ltd - H Shares                               | 580,000   | 815,512          | 3.7             | HSBC Holdings PLC - ADR                               | 15,100    | 798,537          | 3.6             |
|                                                                      |           | <b>815,512</b>   | <b>3.7</b>      |                                                       |           | <b>798,537</b>   | <b>3.6</b>      |
| <b>Media: 3.6%</b>                                                   |           |                  |                 | <b>Total Financials</b>                               |           |                  |                 |
| Television Broadcasts Ltd                                            | 105,400   | 798,948          | 3.6             |                                                       |           | <b>2,937,969</b> | <b>13.3</b>     |
|                                                                      |           | <b>798,948</b>   | <b>3.6</b>      | <b>ENERGY: 8.3%</b>                                   |           |                  |                 |
| <b>Multiline Retail: 3.1%</b>                                        |           |                  |                 | <b>Oil, Gas &amp; Consumable Fuels: 8.3%</b>          |           |                  |                 |
| Springland International Holdings Ltd                                | 1,342,000 | 677,141          | 3.1             | China Shenhua Energy Co Ltd - H Shares                | 213,000   | 775,053          | 3.5             |
|                                                                      |           | <b>677,141</b>   | <b>3.1</b>      | China Petroleum & Chemical Corp - ADR                 | 5,600     | 655,347          | 3.0             |
| <b>Textiles, Apparel &amp; Luxury Goods: 3.1%</b>                    |           |                  |                 | CNOOC Ltd - ADR                                       | 2,100     | 406,814          | 1.8             |
| Shenzhou International Group Holdings Ltd                            | 246,000   | 692,269          | 3.1             |                                                       |           | <b>1,837,214</b> | <b>8.3</b>      |
|                                                                      |           | <b>692,269</b>   | <b>3.1</b>      | <b>Total Energy</b>                                   |           | <b>1,837,214</b> | <b>8.3</b>      |
| <b>Total Consumer Discretionary</b>                                  |           | <b>6,239,678</b> | <b>28.3</b>     | <b>CONSUMER STAPLES: 5.9%</b>                         |           |                  |                 |
| <b>INDUSTRIALS: 14.0%</b>                                            |           |                  |                 | <b>Beverages: 3.3%</b>                                |           |                  |                 |
| <b>Machinery: 4.1%</b>                                               |           |                  |                 | Yantai Changyu Pioneer Wine Co Ltd - B Shares         |           |                  |                 |
| Haitian International Holdings Ltd                                   | 584,000   | 908,590          | 4.1             |                                                       | 164,696   | 727,554          | 3.3             |
|                                                                      |           | <b>908,590</b>   | <b>4.1</b>      |                                                       |           | <b>727,554</b>   | <b>3.3</b>      |
| <b>Transportation Infrastructure: 7.4%</b>                           |           |                  |                 | <b>Food Products: 2.6%</b>                            |           |                  |                 |
| China Merchants Holdings International Co Ltd                        | 174,000   | 571,274          | 2.6             | Vitasoy International Holdings Ltd                    | 500,000   | 563,636          | 2.6             |
| Jiangsu Expressway Co Ltd - H Shares                                 | 538,000   | 538,383          | 2.5             |                                                       |           | <b>563,636</b>   | <b>2.6</b>      |
| Yuexiu Transport Infrastructure Ltd                                  | 978,000   | 511,664          | 2.3             | <b>Total Consumer Staples</b>                         |           | <b>1,291,190</b> | <b>5.9</b>      |
|                                                                      |           | <b>1,621,321</b> | <b>7.4</b>      | <b>UTILITIES: 4.7%</b>                                |           |                  |                 |
| <b>Air Freight &amp; Logistics: 2.5%</b>                             |           |                  |                 | <b>Water Utilities: 2.9%</b>                          |           |                  |                 |
| Shenzhen Chiwan Petroleum - B Shares                                 | 319,800   | 566,481          | 2.5             | Guangdong Investment Ltd                              | 738,000   | 649,110          | 2.9             |
|                                                                      |           | <b>566,481</b>   | <b>2.5</b>      |                                                       |           | <b>649,110</b>   | <b>2.9</b>      |
| <b>Total Industrials</b>                                             |           | <b>3,096,392</b> | <b>14.0</b>     | <b>Electric Utilities: 1.8%</b>                       |           |                  |                 |
|                                                                      |           |                  |                 | Cheung Kong Infrastructure Holdings Ltd               | 57,000    | 391,129          | 1.8             |
|                                                                      |           |                  |                 |                                                       |           | <b>391,129</b>   | <b>1.8</b>      |
|                                                                      |           |                  |                 | <b>Total Utilities</b>                                |           | <b>1,040,239</b> | <b>4.7</b>      |
|                                                                      |           |                  |                 | <b>TELECOMMUNICATION SERVICES: 3.4%</b>               |           |                  |                 |
|                                                                      |           |                  |                 | <b>Wireless Telecommunication Services: 3.4%</b>      |           |                  |                 |
|                                                                      |           |                  |                 | China Mobile Ltd                                      | 14,200    | 753,931          | 3.4             |
|                                                                      |           |                  |                 |                                                       |           | <b>753,931</b>   | <b>3.4</b>      |
|                                                                      |           |                  |                 | <b>Total Telecommunication Services</b>               |           | <b>753,931</b>   | <b>3.4</b>      |

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

|                                                           | Shares  | Value          | % of Net<br>Assets |
|-----------------------------------------------------------|---------|----------------|--------------------|
| <b>HEALTH CARE: 2.5%</b>                                  |         |                |                    |
| <b>Pharmaceuticals: 2.5%</b>                              |         |                |                    |
| Tianjin ZhongXin Pharmaceutical Group Corp Ltd - S Shares | 522,000 | 561,150        | 2.5                |
|                                                           |         | <u>561,150</u> | <u>2.5</u>         |
| <b>Total Health Care</b>                                  |         | <b>561,150</b> | <b>2.5</b>         |

|                                                    |                   |
|----------------------------------------------------|-------------------|
| <b>TOTAL COMMON EQUITIES:<br/>CHINA/HONG KONG:</b> | <b>17,757,763</b> |
| (Cost \$17,952,449)                                |                   |

**COMMON EQUITIES: SINGAPORE: 4.1%**

|                                            |         |                |            |
|--------------------------------------------|---------|----------------|------------|
| <b>FINANCIALS: 4.1%</b>                    |         |                |            |
| <b>Real Estate Investment Trusts: 4.1%</b> |         |                |            |
| CapitaRetail China Trust                   | 568,000 | 800,515        | 3.7        |
| Mapletree Greater China Commercial Trust   | 110,000 | 92,132         | 0.4        |
|                                            |         | <u>892,647</u> | <u>4.1</u> |
| <b>Total Financials</b>                    |         | <b>892,647</b> | <b>4.1</b> |

|                                             |                |
|---------------------------------------------|----------------|
| <b>TOTAL COMMON EQUITIES:<br/>SINGAPORE</b> | <b>892,647</b> |
| (Cost \$888,840)                            |                |

**COMMON EQUITIES: TAIWAN: 15.2%**

|                                                   |         |                  |            |
|---------------------------------------------------|---------|------------------|------------|
| <b>HEALTH CARE: 5.9%</b>                          |         |                  |            |
| <b>Health Care Equipment &amp; Supplies: 5.9%</b> |         |                  |            |
| Pacific Hospital Supply Co Ltd                    | 242,000 | 744,247          | 3.4        |
| St Shine Optical Co Ltd                           | 28,000  | 547,279          | 2.5        |
|                                                   |         | <u>1,291,526</u> | <u>5.9</u> |
| <b>Total Health Care</b>                          |         | <b>1,291,526</b> | <b>5.9</b> |

|                                                     |        |                |            |
|-----------------------------------------------------|--------|----------------|------------|
| <b>TELECOMMUNICATION SERVICES: 3.0%</b>             |        |                |            |
| <b>Diversified Telecommunication Services: 3.0%</b> |        |                |            |
| Chunghwa Telecom Co Ltd - ADR                       | 21,200 | 655,925        | 3.0        |
|                                                     |        | <u>655,925</u> | <u>3.0</u> |
| <b>Total Telecommunication Services</b>             |        | <b>655,925</b> | <b>3.0</b> |

|                                                                 |         |                |            |
|-----------------------------------------------------------------|---------|----------------|------------|
| <b>INFORMATION TECHNOLOGY: 2.6%</b>                             |         |                |            |
| <b>Electronic Equipment, Instruments &amp; Components: 1.3%</b> |         |                |            |
| TXC Corp                                                        | 196,000 | 296,010        | 1.3        |
|                                                                 |         | <u>296,010</u> | <u>1.3</u> |
| <b>Semiconductors &amp; Semiconductor Equipment: 1.3%</b>       |         |                |            |
| Taiwan Semiconductor Manufacturing Co Ltd                       | 85,000  | 285,062        | 1.3        |
|                                                                 |         | <u>285,062</u> | <u>1.3</u> |
| <b>Total Information Technology</b>                             |         | <b>581,072</b> | <b>2.6</b> |

|                                               |         |                |            |
|-----------------------------------------------|---------|----------------|------------|
| <b>CONSUMER DISCRETIONARY: 2.6%</b>           |         |                |            |
| <b>Leisure Equipment &amp; Products: 2.6%</b> |         |                |            |
| Johnson Health Tech Co Ltd                    | 207,000 | 573,705        | 2.6        |
|                                               |         | <u>573,705</u> | <u>2.6</u> |
| <b>Total Consumer Discretionary</b>           |         | <b>573,705</b> | <b>2.6</b> |

|                                         |        |                |            |
|-----------------------------------------|--------|----------------|------------|
| <b>MATERIALS: 1.1%</b>                  |        |                |            |
| <b>Containers &amp; Packaging: 1.1%</b> |        |                |            |
| Taiwan Hon Chuan Enterprise Co Ltd      | 97,000 | 250,851        | 1.1        |
|                                         |        | <u>250,851</u> | <u>1.1</u> |
| <b>Total Materials</b>                  |        | <b>250,851</b> | <b>1.1</b> |

|                                          |                  |
|------------------------------------------|------------------|
| <b>TOTAL COMMON EQUITIES:<br/>TAIWAN</b> | <b>3,353,079</b> |
| (Cost \$3,279,130)                       |                  |

|                              |                   |
|------------------------------|-------------------|
| <b>TOTAL COMMON EQUITIES</b> | <b>22,003,489</b> |
|------------------------------|-------------------|

|                                 |                   |
|---------------------------------|-------------------|
| <b>TOTAL INVESTMENTS: 99.7%</b> | <b>22,003,489</b> |
| (Cost \$22,120,059)             |                   |

|                                                          |               |
|----------------------------------------------------------|---------------|
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 0.3%</b> | <b>60,980</b> |
|----------------------------------------------------------|---------------|

|                           |                   |
|---------------------------|-------------------|
| <b>NET ASSETS: 100.0%</b> | <b>22,064,469</b> |
|---------------------------|-------------------|

ADR: American Depositary Receipt

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

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

REIT: Real Estate Investment Trust

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

**Richard H. Gao**  
Lead Manager

**Sharat Shroff, CFA**  
Lead Manager

# Pacific Tiger Fund

## *Fund Manager Report*

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

For the year ending 31 March 2013, the Matthews Pacific Tiger Fund returned 11.09% while its benchmark, the MSCI All Country Asia ex Japan Index, returned 7.41%. For the quarter ending 31 March 2013, the Matthews Pacific Tiger Fund returned 3.05% while its benchmark fell -0.42%.

During the most recent quarter, the relatively smaller markets in the region continued to perform strongly while China delivered subpar returns. Within the region's smaller markets, Thailand and Indonesia contributed most to the portfolio's outperformance during the fiscal year in review. Both governments substantially increased their minimum wages during this period, which has continued to support consumption-related demand. Inflationary pressure has generally been well-contained amid a low interest environment as well as low prices for commodities, such as oil. Stable raw material input prices also helped companies deliver good earnings growth.

In Thailand, the potential for a sustained pickup in capital spending and infrastructure-related projects has raised prospects for strong earnings growth in areas such as financials and building materials. That said, we are mindful of the valuations for select stocks, and have gradually reduced some of our exposure to Thai holdings.

By contrast, we have continued to add to our exposure to Chinese companies, across a variety of industries such as insurance and consumer-related businesses. As a group, Chinese companies were among the detractors to Fund performance during the fiscal year as concerns over slower growth and the possibility of more stringent measures related to China's real estate market worried investors. Despite these concerns, some of the portfolio's property stocks were among the better performers within our China holdings, and were helped by a recovery in transaction volumes.

We continue to search for mid-sized companies with good management teams that can benefit from secular growth in China and other parts of Asia. One recent addition to the portfolio, GAIL India is a mid-sized natural gas processing and distribution company. We were attracted to this firm as we believe energy consumption in India is likely to be driven by natural gas usage. It is our contention that management's efforts to secure supplies of gas are intensifying and may support growth in the coming years, and this outlook is not adequately reflected in the valuation.

Since last summer, gains in Asia's equity markets have been driven by an expansion in valuation multiples, particularly for stocks in Southeast Asia. In spite of those gains, the equity performance in Asia continues to lag returns from other developed markets such as the U.S. While there are several factors behind the relative underperformance, the divergence in profitability between companies in Asia and those in the U.S. is worth mentioning. Over the past few years, the profitability across many parts of the Asia ex-Japan region has been deteriorating due to rising cost pressures. In our experience, Asian entrepreneurs are relatively more likely to forgo margins than to lose market share.

With prospects for lower capital costs and operating leverage, along with stable commodity prices, margins may start to recover. A recovery in margins and the profitability of businesses is critical for a sustained recovery in the underlying operating performance of companies. In our view, the likelihood of such a recovery, particularly in economies like China and India, is not being fully reflected in the valuations, and this provides us with an opportunity to add to our positions in the portfolio.



*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 2013, expressed in U.S. dollars.

**COMMON EQUITIES: 96.2%**

|                                        | Shares  | Value            | % of Net Assets |                                            | Shares  | Value            | % of Net Assets |
|----------------------------------------|---------|------------------|-----------------|--------------------------------------------|---------|------------------|-----------------|
| <b>CHINA/HONG KONG: 26.8%</b>          |         |                  |                 | <b>INDONESIA: 10.0%</b>                    |         |                  |                 |
| Ping An Insurance Group Co - H Shares  | 45,500  | 353,151          | 2.9             | PT Perusahaan Gas Negara                   | 616,000 | 377,555          | 3.1             |
| Dairy Farm International Holdings Ltd  | 25,200  | 305,050          | 2.5             | PT Astra International                     | 352,500 | 287,280          | 2.4             |
| Hang Lung Group Ltd                    | 46,000  | 258,745          | 2.1             | PT Bank Central Asia                       | 184,000 | 216,193          | 1.8             |
| Sinopharm Group Co Ltd - H Shares      | 72,400  | 233,674          | 1.9             | PT Indofood CBP Sukses Makmur              | 206,500 | 204,160          | 1.7             |
| Dongfeng Motor Group Co Ltd - H Shares | 154,000 | 216,533          | 1.8             | PT Telekomunikasi Indonesia                | 113,000 | 128,137          | 1.0             |
| China Resources Land Ltd               | 66,000  | 184,651          | 1.5             | PT Telekomunikasi Indonesia - ADR          | 100     | 4,483            | 0.0             |
| China Resources Enterprise Ltd         | 62,000  | 183,841          | 1.5             | <b>Total Indonesia</b>                     |         | <b>1,217,808</b> | <b>10.0</b>     |
| Tingyi (Cayman Islands) Holding Corp   | 70,000  | 182,951          | 1.5             | <b>THAILAND: 8.1%</b>                      |         |                  |                 |
| Digital China Holdings Ltd             | 120,000 | 162,278          | 1.4             | Central Pattana PCL - Foreign              | 91,600  | 297,047          | 2.5             |
| China Vanke Co Ltd - B Shares          | 82,690  | 161,258          | 1.3             | Bank of Ayudhya PCL - Foreign              | 209,200 | 246,557          | 2.0             |
| China Mobile Ltd - ADR                 | 3,000   | 159,281          | 1.3             | Siam Cement PCL                            | 15,000  | 245,927          | 2.0             |
| Hengan International Group Co Ltd      | 14,000  | 137,084          | 1.1             | PTT Exploration & Production PCL - Foreign | 38,514  | 195,489          | 1.6             |
| Lenovo Group Ltd                       | 124,000 | 123,387          | 1.0             | <b>Total Thailand</b>                      |         | <b>985,020</b>   | <b>8.1</b>      |
| Baidu Inc - ADR                        | 1,370   | 120,613          | 1.0             | <b>TAIWAN: 7.2%</b>                        |         |                  |                 |
| Swire Pacific Ltd                      | 8,500   | 108,387          | 0.9             | Delta Electronics Inc                      | 80,000  | 335,457          | 2.8             |
| Shangri-La Asia Ltd                    | 55,666  | 109,165          | 0.9             | President Chain Store Corp                 | 36,000  | 197,688          | 1.6             |
| Tencent Holdings Ltd                   | 3,200   | 101,861          | 0.8             | Synnex Technology International Corp       | 95,297  | 172,453          | 1.4             |
| Hong Kong Exchanges and Clearing Ltd   | 5,900   | 100,580          | 0.8             | Taiwan Semiconductor Manufacturing Co Ltd  | 26,000  | 87,195           | 0.7             |
| Li & Fung Ltd                          | 32,000  | 44,215           | 0.4             | Yuanta Financial Holding Co Ltd            | 168,962 | 85,598           | 0.7             |
| China Merchants Bank Co Ltd - H Shares | 12,000  | 25,430           | 0.2             | <b>Total Taiwan</b>                        |         | <b>878,391</b>   | <b>7.2</b>      |
| <b>Total China/Hong Kong</b>           |         | <b>3,272,135</b> | <b>26.8</b>     | <b>MALAYSIA: 5.2%</b>                      |         |                  |                 |
| <b>INDIA: 17.5%</b>                    |         |                  |                 | <b>PHILIPPINES: 2.3%</b>                   |         |                  |                 |
| Tata Power Co Ltd                      | 191,289 | 340,484          | 2.8             | SM Prime Holdings Inc                      | 589,975 | 275,851          | 2.3             |
| ITC Ltd                                | 43,208  | 246,459          | 2.0             | <b>Total Philippines</b>                   |         | <b>275,851</b>   | <b>2.3</b>      |
| Kotak Mahindra Bank Ltd                | 17,681  | 212,893          | 1.7             | <b>SINGAPORE: 2.2%</b>                     |         |                  |                 |
| Housing Development Finance Corp       | 13,345  | 203,282          | 1.6             | Hyflux Ltd                                 | 108,000 | 127,175          | 1.0             |
| GAIL India Ltd                         | 33,441  | 196,072          | 1.6             | Keppel Land Ltd                            | 46,000  | 146,301          | 1.2             |
| HDFC Bank Ltd                          | 16,071  | 185,317          | 1.5             | <b>Total Singapore</b>                     |         | <b>273,476</b>   | <b>2.2</b>      |
| Sun Pharmaceutical Industries Ltd      | 12,262  | 184,986          | 1.5             | <b>SWITZERLAND: 1.5%</b>                   |         |                  |                 |
| Titan Industries Ltd                   | 35,196  | 166,236          | 1.4             | DKSH Holding AG                            | 2,045   | 181,106          | 1.5             |
| Container Corp of India Ltd            | 7,452   | 141,469          | 1.2             | <b>Total Switzerland</b>                   |         | <b>181,106</b>   | <b>1.5</b>      |
| Dabur India Ltd                        | 46,921  | 118,372          | 1.0             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Thermax Ltd                            | 11,117  | 115,419          | 0.9             | Vietnam Dairy Products JSC                 | 14,887  | 81,573           | 0.7             |
| Infosys Ltd - ADR                      | 600     | 31,576           | 0.3             | <b>Total Vietnam</b>                       |         | <b>81,573</b>    | <b>0.7</b>      |
| <b>Total India</b>                     |         | <b>2,142,565</b> | <b>17.5</b>     | <b>SOUTH KOREA: 14.7%</b>                  |         |                  |                 |
| <b>SOUTH KOREA: 14.7%</b>              |         |                  |                 | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Dongbu Insurance Co Ltd                | 6,471   | 276,355          | 2.2             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Samsung Electronics Co Ltd             | 196     | 266,584          | 2.2             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| NHN Corp                               | 1,062   | 255,920          | 2.1             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Green Cross Corp                       | 1,746   | 242,994          | 2.0             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Amorepacific Corp                      | 244     | 205,062          | 1.7             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Cheil Worldwide Inc                    | 7,174   | 155,188          | 1.3             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Yuhan Corp                             | 705     | 120,272          | 1.0             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Hyundai Mobis                          | 405     | 113,563          | 0.9             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| MegaStudy Co Ltd                       | 1,452   | 93,055           | 0.8             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| Posco                                  | 221     | 65,036           | 0.5             | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |
| <b>Total South Korea</b>               |         | <b>1,794,029</b> | <b>14.7</b>     | <b>VIETNAM: 0.7%</b>                       |         |                  |                 |



*Schedule of Investments* (Audited) (continued)

|                                                          |                   |
|----------------------------------------------------------|-------------------|
| <b>TOTAL COMMON EQUITIES</b>                             | <b>11,742,371</b> |
| (Cost \$10,600,055)                                      |                   |
| <b>TOTAL INVESTMENTS: 96.2%</b>                          | <b>11,742,371</b> |
| (Cost \$10,600,055)                                      |                   |
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 3.8%</b> | <b>468,903</b>    |
| <b>NET ASSETS: 100.0%</b>                                | <b>12,211,274</b> |

ADR: American Depositary Receipt

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

BHD: Berhad

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



#### PORTFOLIO MANAGERS

**Richard H. Gao**  
Lead Manager

**Henry Zhang, CFA**  
Co-Manager

## China Fund

### *Fund Manager Report*

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

For the one-year period ending 31 March 2013, the Matthews China Fund returned 1.04% while its benchmark, the MSCI China Index, returned 6.91%. For the quarter ending 31 March 2013, the Fund fell -1.57% while the benchmark dropped -4.54%.

Both fixed asset investments and exports, historically China's two biggest engines for economic growth, continued to decelerate. It seemed 2012 would mark the end of China's 12-year streak of annual GDP growth over 8%, and the government clearly stated that its focus would shift more toward quality of growth rather than pace of growth. Indeed, a rebalancing of growth to be more reliant upon domestic demand has become the central government's top priority in setting economic policy. During the last three months of 2012, there were growing signs that China's macroeconomic environment may have reached bottom and investor sentiment toward Chinese equities improved substantially. However, the optimism fell during the first three months of 2013 after economic data indicated a tepid recovery.

The Fund lagged its benchmark during the fiscal year in review as the consumer discretionary and consumer staples sectors, in which we maintain overweight allocations, were among the worst performers. Meanwhile, China's financial sector, in which we are underweight relative to the benchmark, performed well during the period. Our investment in consumer-related sectors touches a wide range of industries, including department stores and other retailers, auto manufacturers and hotels. China's domestic consumption faced some strong headwinds in the past year as economic growth slowed and consumer sentiment deteriorated. Profitability for many consumer firms was further squeezed by rising labour costs and overcapacity, and the firms came under considerable selling pressure, particularly as many had previously traded at relatively high valuations given strong past growth.

We expect that the slowing consumption levels and lower profitability represent only a near-term phenomenon, and that longer-term growth in China's domestic consumption is ongoing. The government's rebalancing efforts toward this goal have strengthened our conviction.

During the fiscal year, we consolidated some of our consumer holdings and also exited some holdings that did not meet expectations. We exited positions in Ports Design, Ctrip.com and New Oriental Education & Technology Group during the year and added to consumer names like China Mengniu Dairy, Dongfeng Motor Group and Golden Eagle Retail Group. Although Golden Eagle faces what we believe are short-term challenges to its main department store operations business, the firm has consistently demonstrated strong management capability in handling tough competitive environments and we believe it has the potential to remain a leader in its industry. We also selectively increased our positions in clean energy companies such as China Longyuan and Kunlun Energy during the fiscal year.

Looking forward, while China's macroeconomic environment is expected to continue on its path of recovery, we do anticipate that the country will see more modest growth rates than those we saw over the past two decades. Service-oriented industries have also been of particular interest to us as we believe China's need for services will continue to grow rapidly. We will maintain our strategy of positioning the portfolio toward less cyclical sectors and seeking companies that can perform well through varying economic cycles.

*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 2013, expressed in U.S. dollars.

**COMMON EQUITIES: CHINA/HONG KONG: 97.6%**

|                                                       | Shares    | Value            | % of Net Assets |                                                                 | Shares    | Value            | % of Net Assets |
|-------------------------------------------------------|-----------|------------------|-----------------|-----------------------------------------------------------------|-----------|------------------|-----------------|
| <b>FINANCIALS: 24.6%</b>                              |           |                  |                 | <b>CONSUMER DISCRETIONARY (continued)</b>                       |           |                  |                 |
| <b>Real Estate Management &amp; Development: 8.6%</b> |           |                  |                 | <b>Textiles, Apparel &amp; Luxury Goods: 0.6%</b>               |           |                  |                 |
| China Vanke Co Ltd - B Shares                         | 500,453   | 975,956          | 2.8             | Li Ning Co Ltd                                                  | 314,000   | 185,289          | 0.5             |
| China Resources Land Ltd                              | 312,000   | 872,893          | 2.5             | Li Ning Co Ltd - Rights                                         | 157,000   | 21,873           | 0.1             |
| Hang Lung Group Ltd                                   | 113,000   | 635,612          | 1.9             |                                                                 |           | <b>207,162</b>   | <b>0.6</b>      |
| Swire Pacific Ltd                                     | 39,000    | 497,303          | 1.4             | <b>Total Consumer Discretionary</b>                             |           | <b>5,653,254</b> | <b>16.4</b>     |
|                                                       |           | <b>2,981,764</b> | <b>8.6</b>      |                                                                 |           |                  |                 |
| <b>Commercial Banks: 8.4%</b>                         |           |                  |                 | <b>INFORMATION TECHNOLOGY: 11.2%</b>                            |           |                  |                 |
| China Merchants Bank Co Ltd - H Shares                | 436,955   | 925,973          | 2.7             | <b>Internet Software &amp; Services: 4.4%</b>                   |           |                  |                 |
| China Construction Bank - H Shares                    | 850,340   | 695,051          | 2.0             | Tencent Holdings Ltd                                            | 16,800    | 534,770          | 1.6             |
| Agricultural Bank of China Ltd - H Shares             | 1,364,000 | 654,131          | 1.9             | NetEase.com Inc - ADR                                           | 9,450     | 521,582          | 1.5             |
| BOC Hong Kong Holdings Ltd                            | 193,000   | 644,340          | 1.8             | Sina Corp                                                       | 9,450     | 462,692          | 1.3             |
|                                                       |           | <b>2,919,495</b> | <b>8.4</b>      |                                                                 |           | <b>1,519,044</b> | <b>4.4</b>      |
| <b>Insurance: 5.5%</b>                                |           |                  |                 | <b>Electronic Equipment, Instruments &amp; Components: 2.1%</b> |           |                  |                 |
| Ping An Insurance Group Co - H Shares                 | 120,500   | 935,269          | 2.7             | Digital China Holdings Ltd                                      | 539,000   | 728,897          | 2.1             |
| China Life Insurance Co Ltd - H Shares                | 260,000   | 674,153          | 2.0             |                                                                 |           | <b>728,897</b>   | <b>2.1</b>      |
| China Life Insurance Co Ltd - ADR                     | 7,000     | 286,747          | 0.8             | <b>Computers &amp; Peripherals: 2.0%</b>                        |           |                  |                 |
|                                                       |           | <b>1,896,169</b> | <b>5.5</b>      | Lenovo Group Ltd                                                | 690,000   | 686,587          | 2.0             |
| <b>Diversified Financial Services: 2.1%</b>           |           |                  |                 |                                                                 |           | <b>686,587</b>   | <b>2.0</b>      |
| Hong Kong Exchanges and Clearing Ltd                  | 42,400    | 722,810          | 2.1             | <b>Communications Equipment: 1.7%</b>                           |           |                  |                 |
|                                                       |           | <b>722,810</b>   | <b>2.1</b>      | ZTE Corp - H Shares                                             | 342,880   | 592,226          | 1.7             |
| <b>Total Financials</b>                               |           | <b>8,520,238</b> | <b>24.6</b>     |                                                                 |           | <b>592,226</b>   | <b>1.7</b>      |
|                                                       |           |                  |                 | <b>Software: 1.0%</b>                                           |           |                  |                 |
| <b>CONSUMER DISCRETIONARY: 16.4%</b>                  |           |                  |                 | Kingdee International Software Group Co Ltd                     | 2,014,800 | 332,703          | 1.0             |
| <b>Hotels, Restaurants &amp; Leisure: 7.6%</b>        |           |                  |                 |                                                                 |           | <b>332,703</b>   | <b>1.0</b>      |
| Cafe de Coral Holdings Ltd                            | 282,000   | 858,494          | 2.5             | <b>Total Information Technology</b>                             |           | <b>3,859,457</b> | <b>11.2</b>     |
| Sands China Ltd                                       | 126,400   | 656,345          | 1.9             |                                                                 |           |                  |                 |
| Home Inns & Hotels Management Inc - ADR               | 19,300    | 581,395          | 1.7             | <b>CONSUMER STAPLES: 10.8%</b>                                  |           |                  |                 |
| Shangri - La Asia Ltd                                 | 266,000   | 521,643          | 1.5             | <b>Food Products: 3.7%</b>                                      |           |                  |                 |
|                                                       |           | <b>2,617,877</b> | <b>7.6</b>      | Tingyi (Cayman Islands) Holding Corp                            | 266,000   | 695,214          | 2.0             |
| <b>Automobiles; 2.0%</b>                              |           |                  |                 | China Mengniu Dairy Co Ltd                                      | 203,000   | 582,719          | 1.7             |
| Dongfeng Motor Group Co Ltd - H Shares                | 498,000   | 700,216          | 2.0             |                                                                 |           | <b>1,277,933</b> | <b>3.7</b>      |
|                                                       |           | <b>700,216</b>   | <b>2.0</b>      | <b>Food &amp; Staples Retailing: 3.3%</b>                       |           |                  |                 |
| <b>Specialty Retail: 1.8%</b>                         |           |                  |                 | China Resources Enterprise Ltd                                  | 164,000   | 486,290          | 1.4             |
| Belle International Holdings Ltd                      | 378,000   | 629,290          | 1.8             | Lianhua Supermarket Holdings Co Ltd - H Shares                  | 552,800   | 440,726          | 1.2             |
|                                                       |           | <b>629,290</b>   | <b>1.8</b>      | Sun Art Retail Group Ltd                                        | 166,000   | 231,071          | 0.7             |
| <b>Multiline Retail: 1.5%</b>                         |           |                  |                 |                                                                 |           | <b>1,158,087</b> | <b>3.3</b>      |
| Golden Eagle Retail Group Ltd                         | 281,000   | 507,238          | 1.5             | <b>Beverages: 2.0%</b>                                          |           |                  |                 |
|                                                       |           | <b>507,238</b>   | <b>1.5</b>      | Tsingtao Brewery Co Ltd - H Shares                              | 106,000   | 676,586          | 2.0             |
| <b>Media: 1.5%</b>                                    |           |                  |                 |                                                                 |           | <b>676,586</b>   | <b>2.0</b>      |
| Television Broadcasts Ltd                             | 67,000    | 507,870          | 1.5             | <b>Personal Products: 1.8%</b>                                  |           |                  |                 |
|                                                       |           | <b>507,870</b>   | <b>1.5</b>      | Hengan International Group Co Ltd                               | 62,500    | 611,980          | 1.8             |
| <b>Distributors: 1.4%</b>                             |           |                  |                 |                                                                 |           | <b>611,980</b>   | <b>1.8</b>      |
| Li & Fung Ltd                                         | 350,000   | 483,601          | 1.4             | <b>Total Consumer Staples</b>                                   |           | <b>3,724,586</b> | <b>10.8</b>     |
|                                                       |           | <b>483,601</b>   | <b>1.4</b>      |                                                                 |           |                  |                 |

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

|                                                     | Shares    | Value            | % of Net Assets |                                                                                                                                               | Shares         | Value             | % of Net Assets |
|-----------------------------------------------------|-----------|------------------|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------|-------------------|-----------------|
| <b>INDUSTRIALS: 9.8%</b>                            |           |                  |                 | <b>UTILITIES: 6.5%</b>                                                                                                                        |                |                   |                 |
| <b>Transportation Infrastructure: 3.2%</b>          |           |                  |                 | <b>Electric Utilities: 3.0%</b>                                                                                                               |                |                   |                 |
| China Merchants Holdings International Co Ltd       | 194,000   | 636,938          | 1.8             | Cheung Kong Infrastructure Holdings Ltd                                                                                                       | 149,000        | 1,022,425         | 3.0             |
| Yuexiu Transport Infrastructure Ltd                 | 918,000   | 480,273          | 1.4             |                                                                                                                                               |                | <b>1,022,425</b>  | <b>3.0</b>      |
|                                                     |           | <b>1,117,211</b> | <b>3.2</b>      | <b>Gas Utilities: 2.1%</b>                                                                                                                    |                |                   |                 |
| <b>Machinery: 3.0%</b>                              |           |                  |                 | Hong Kong & China Gas Co Ltd                                                                                                                  |                |                   |                 |
| CSR Corp Ltd - H Shares                             | 804,000   | 571,140          | 1.6             | 254,534                                                                                                                                       | 743,863        | 2.1               |                 |
| Sany Heavy Equipment International Holdings Co Ltd  | 534,500   | 247,467          | 0.7             |                                                                                                                                               | <b>743,863</b> | <b>2.1</b>        |                 |
| China National Materials Co Ltd - H Shares          | 863,000   | 230,454          | 0.7             | <b>Independent Power Producers &amp; Energy Traders: 1.4%</b>                                                                                 |                |                   |                 |
|                                                     |           | <b>1,049,061</b> | <b>3.0</b>      | China Longyuan Power Group Corp - H Shares                                                                                                    | 536,000        | 486,611           | 1.4             |
| <b>Airlines: 2.0%</b>                               |           |                  |                 |                                                                                                                                               |                | <b>486,611</b>    | <b>1.4</b>      |
| Air China Ltd - H Shares                            | 766,000   | 680,767          | 2.0             |                                                                                                                                               |                | <b>2,252,899</b>  | <b>6.5</b>      |
|                                                     |           | <b>680,767</b>   | <b>2.0</b>      | <b>Total Utilities</b>                                                                                                                        |                |                   |                 |
| <b>Industrial Conglomerates: 1.6%</b>               |           |                  |                 |                                                                                                                                               |                |                   |                 |
| NWS Holdings Ltd                                    | 313,500   | 558,271          | 1.6             | <b>HEALTH CARE: 5.4%</b>                                                                                                                      |                |                   |                 |
|                                                     |           | <b>558,271</b>   | <b>1.6</b>      | <b>Health Care Equipment &amp; Supplies: 3.0%</b>                                                                                             |                |                   |                 |
| <b>Total Industrials</b>                            |           |                  |                 |                                                                                                                                               |                |                   |                 |
|                                                     |           | <b>3,405,310</b> | <b>9.8</b>      | Mindray Medical International Ltd - ADR                                                                                                       | 25,450         | 1,026,260         | 3.0             |
| <b>ENERGY: 7.3%</b>                                 |           |                  |                 |                                                                                                                                               |                | <b>1,026,260</b>  | <b>3.0</b>      |
| <b>Oil, Gas &amp; Consumable Fuels: 5.0%</b>        |           |                  |                 | <b>Health Care Providers &amp; Services: 2.4%</b>                                                                                             |                |                   |                 |
| China Shenhua Energy Co Ltd - H Shares              | 180,000   | 654,974          | 1.9             | Sinopharm Group Co Ltd - H Shares                                                                                                             | 265,200        | 855,945           | 2.4             |
| CNOOC Ltd                                           | 315,000   | 606,500          | 1.8             |                                                                                                                                               |                | <b>855,945</b>    | <b>2.4</b>      |
| Kunlun Energy Co Ltd                                | 210,000   | 446,758          | 1.3             | <b>Total Health Care</b>                                                                                                                      |                |                   |                 |
|                                                     |           | <b>1,708,232</b> | <b>5.0</b>      |                                                                                                                                               |                | <b>1,882,205</b>  | <b>5.4</b>      |
| <b>Energy Equipment &amp; Services: 2.3%</b>        |           |                  |                 | <b>TOTAL COMMON EQUITIES</b>                                                                                                                  |                |                   |                 |
| China Oilfield Services Ltd - H Shares              | 386,000   | 809,731          | 2.3             |                                                                                                                                               |                | <b>33,738,659</b> |                 |
|                                                     |           | <b>809,731</b>   | <b>2.3</b>      | <b>(Cost \$ 32,603,513)</b>                                                                                                                   |                |                   |                 |
| <b>Total Energy</b>                                 |           |                  |                 | <b>TOTAL INVESTMENTS: 97.6%</b>                                                                                                               |                |                   |                 |
|                                                     |           | <b>2,517,963</b> | <b>7.3</b>      |                                                                                                                                               |                | <b>33,738,659</b> |                 |
| <b>TELECOMMUNICATION SERVICES: 5.6%</b>             |           |                  |                 | <b>(Cost \$ 32,603,513)</b>                                                                                                                   |                |                   |                 |
| <b>Wireless Telecommunication Services: 3.2%</b>    |           |                  |                 | <b>CASH AND OTHER ASSETS, LESS LIABILITIES: 2.4%</b>                                                                                          |                |                   |                 |
| China Mobile Ltd                                    | 62,500    | 662,195          | 1.9             |                                                                                                                                               |                | <b>821,736</b>    |                 |
| China Mobile Ltd - ADR                              | 8,000     | 424,750          | 1.3             | <b>NET ASSETS: 100.0%</b>                                                                                                                     |                |                   |                 |
|                                                     |           | <b>1,086,945</b> | <b>3.2</b>      |                                                                                                                                               |                | <b>34,560,395</b> |                 |
| <b>Diversified Telecommunication Services: 2.4%</b> |           |                  |                 | ADR: American Depositary Receipt                                                                                                              |                |                   |                 |
| China Communications Services Corp Ltd - H Shares   | 1,294,000 | 835,802          | 2.4             | B Shares: Mainland Chinese companies listed on the Shanghai and Shenzhen stock exchanges, available to both Chinese and non-Chinese investors |                |                   |                 |
|                                                     |           | <b>835,802</b>   | <b>2.4</b>      | H Shares: Mainland Chinese companies listed on the Hong Kong stock exchange but incorporated in mainland China                                |                |                   |                 |
| <b>Total Telecommunication Services</b>             |           |                  |                 |                                                                                                                                               |                |                   |                 |
|                                                     |           | <b>1,922,747</b> | <b>5.6</b>      |                                                                                                                                               |                |                   |                 |

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



#### PORTFOLIO MANAGERS

**Sharat Shroff, CFA**

Lead Manager

**Sunil Asnani**

Co-Manager

## India Fund

### *Fund Manager Report*

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

For the fiscal year ending 31 March 2013, the Matthews India Fund gained 4.69% while its benchmark, the Bombay Stock Exchange 100 Index, rose by 1.80%. For the quarter ending 31 March 2013, the Fund fell -0.23% while the benchmark dropped -4.25%.

During the fiscal year, the market's large-capitalisation stocks delivered better returns compared to their smaller peers due partly to two factors: record foreign equity inflows, which have generally skewed toward large-cap stocks, and net selling by domestic investors, who tend to hold more small company stocks.

The Fund's higher allocation to small and mid-capitalisation stocks, a focus of our strategy, detracted from performance during the fiscal year in review. We were also overweight in the industrials and materials sectors—areas that had not done well primarily as private capital expenditure has largely ceased. One thing that helped, however, was our higher weight in defensive areas such as consumer staples as the market has recently avoided riskier investments.

Investments in companies that have what we believe to be stronger business models and management teams than their peers helped the Fund outperform its benchmark for the year, and some portfolio holdings were able to deliver more favourable earnings than overall sector performance. For example, within materials, the companies in which we invest tend to own their brands and command pricing power. This has helped them amid declining commodity prices, which have conversely hurt metals companies. We tend to avoid metals firms as their business models are more tied to cyclical commodities.

During the year, we consolidated the portfolio, exiting some positions in technology services, an industry that has increasingly seen more competition. Companies in this area have been shifting away from business models based on "labour arbitrage," or the practice of chasing lower-cost labour and outsourcing, and toward business models driven more by domain expertise. We also added a consumer discretionary company, Symphony, which makes and markets air cooling products. We believe the firm, a market leader, should benefit from India's rising household incomes as well as increasing penetration of appliances.

Looking ahead, a strong pickup in India's economic growth is dependent on greater impetus from policymaking. However, this is an internal challenge, and is not contingent on the economic environment elsewhere in the world. The recent passage of a bill by the central government to allow foreign direct investment in the retail sector is illustrative in that the burden of implementing new reforms is at least partly shifting from the central government to India's state governments. We are optimistic that this move should allow some state governments to take the lead and set a positive example for other local administrations. Valuations are at or below the historical five- and ten-year averages after recent corrections and in the light of a challenging macro-economic environment, we believe our approach of focusing on fundamental, bottom-up research is critical to identifying and investing in the companies and entrepreneurs of India that can chart their own destinies across varying economic cycles.

*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 2013, expressed in U.S. dollars.

**COMMON EQUITIES: INDIA: 93.9%**

|                                             | Shares/<br>Units | Value            | % of Net<br>Assets |                                                   | Shares/<br>Units | Value            | % of Net<br>Assets |
|---------------------------------------------|------------------|------------------|--------------------|---------------------------------------------------|------------------|------------------|--------------------|
| <b>FINANCIALS: 19.3%</b>                    |                  |                  |                    | <b>MATERIALS: 15.3%</b>                           |                  |                  |                    |
| <b>Commercial Banks: 9.5%</b>               |                  |                  |                    | <b>Chemicals: 12.1%</b>                           |                  |                  |                    |
| HDFC Bank Ltd                               | 49,763           | 573,825          | 4.2                | Asian Paints Ltd                                  | 8,970            | 812,794          | 5.9                |
| ICICI Bank Ltd                              | 23,291           | 448,978          | 3.3                | Castrol India Ltd                                 | 81,273           | 474,992          | 3.5                |
| Axis Bank Ltd                               | 6,051            | 145,127          | 1.1                | Supreme Industries Ltd                            | 63,827           | 367,665          | 2.7                |
| Allahabad Bank                              | 54,202           | 126,349          | 0.9                |                                                   |                  | <b>1,655,451</b> | <b>12.1</b>        |
|                                             |                  | <b>1,294,279</b> | <b>9.5</b>         | <b>Construction Materials: 1.9%</b>               |                  |                  |                    |
| <b>Diversified Financial Services: 7.3%</b> |                  |                  |                    | Grasim Industries Ltd                             |                  |                  |                    |
| Kotak Mahindra Bank Ltd                     | 51,181           | 616,260          | 4.5                | 5,018                                             | 260,127          | 1.9              |                    |
| Infrastructure Development Finance Co Ltd   | 109,540          | 290,123          | 2.1                |                                                   | <b>260,127</b>   | <b>1.9</b>       |                    |
| Multi Commodity Exchange of India Ltd       | 6,398            | 97,894           | 0.7                | <b>Metals &amp; Mining: 1.3%</b>                  |                  |                  |                    |
|                                             |                  | <b>1,004,277</b> | <b>7.3</b>         | NMDC Ltd                                          |                  |                  |                    |
| <b>Thriffs &amp; Mortgage Finance: 2.5%</b> |                  |                  |                    | 69,218                                            |                  |                  |                    |
| Housing Development Finance Corp            | 22,241           | 338,792          | 2.5                |                                                   | 174,814          | 1.3              |                    |
|                                             |                  | <b>338,792</b>   | <b>2.5</b>         |                                                   | <b>174,814</b>   | <b>1.3</b>       |                    |
| <b>Total Financials</b>                     |                  |                  |                    | <b>Total Materials</b>                            |                  |                  |                    |
|                                             |                  | <b>2,637,348</b> | <b>19.3</b>        |                                                   | <b>2,090,392</b> | <b>15.3</b>      |                    |
| <b>INDUSTRIALS: 17.5%</b>                   |                  |                  |                    | <b>CONSUMER DISCRETIONARY: 9.6%</b>               |                  |                  |                    |
| <b>Machinery: 7.4%</b>                      |                  |                  |                    | <b>Auto Components: 3.9%</b>                      |                  |                  |                    |
| Ashok Leyland Ltd                           | 890,112          | 358,275          | 2.6                | Exide Industries Ltd                              | 221,702          | 528,679          | 3.9                |
| Thermax Ltd                                 | 29,859           | 310,003          | 2.3                |                                                   |                  | <b>528,679</b>   | <b>3.9</b>         |
| AIA Engineering Ltd                         | 50,334           | 294,762          | 2.1                | <b>Media: 3.5%</b>                                |                  |                  |                    |
| Jain Irrigation Systems Ltd                 | 49,954           | 56,535           | 0.4                | Jagran Prakashan Ltd                              | 244,207          | 418,371          | 3.0                |
|                                             |                  | <b>1,019,575</b> | <b>7.4</b>         | Dish TV India Ltd                                 | 50,611           | 62,561           | 0.5                |
| <b>Road &amp; Rail: 3.1%</b>                |                  |                  |                    |                                                   |                  | <b>480,932</b>   | <b>3.5</b>         |
| Container Corp of India Ltd                 | 22,249           | 422,377          | 3.1                | <b>Textiles, Apparel &amp; Luxury Goods: 1.2%</b> |                  |                  |                    |
|                                             |                  | <b>422,377</b>   | <b>3.1</b>         | Titan Industries Ltd                              |                  |                  |                    |
| <b>Transportation Infrastructure: 2.8%</b>  |                  |                  |                    | 35,533                                            |                  |                  |                    |
| Gujarat Pipavav Port Ltd                    | 421,835          | 387,286          | 2.8                |                                                   | 167,828          | 1.2              |                    |
|                                             |                  | <b>387,286</b>   | <b>2.8</b>         |                                                   | <b>167,828</b>   | <b>1.2</b>       |                    |
| <b>Industrial Conglomerates: 2.6%</b>       |                  |                  |                    | <b>Household Durables: 1.0%</b>                   |                  |                  |                    |
| MAX India Ltd                               | 84,566           | 348,704          | 2.6                | Symphony Ltd                                      |                  |                  |                    |
|                                             |                  | <b>348,704</b>   | <b>2.6</b>         | 20,512                                            | 135,311          | 1.0              |                    |
| <b>Electrical Equipment: 1.6%</b>           |                  |                  |                    |                                                   | <b>135,311</b>   | <b>1.0</b>       |                    |
| Crompton Greaves Ltd                        | 123,136          | 213,050          | 1.6                | <b>Total Consumer Discretionary</b>               |                  |                  |                    |
|                                             |                  | <b>213,050</b>   | <b>1.6</b>         |                                                   | <b>1,312,750</b> | <b>9.6</b>       |                    |
| <b>Total Industrials</b>                    |                  |                  |                    | <b>INFORMATION TECHNOLOGY: 6.5%</b>               |                  |                  |                    |
|                                             |                  | <b>2,390,992</b> | <b>17.5</b>        | <b>Internet Software &amp; Services: 3.9%</b>     |                  |                  |                    |
| <b>CONSUMER STAPLES: 16.7%</b>              |                  |                  |                    | Info Edge India Ltd                               |                  |                  |                    |
| <b>Personal Products: 13.0%</b>             |                  |                  |                    | 80,571                                            |                  |                  |                    |
| Emami Ltd                                   | 72,516           | 803,895          | 5.9                |                                                   | 533,429          | 3.9              |                    |
| Dabur India Ltd                             | 237,671          | 599,596          | 4.4                |                                                   | <b>533,429</b>   | <b>3.9</b>       |                    |
| Bajaj Corp Ltd                              | 92,133           | 375,338          | 2.7                | <b>IT Services: 2.6%</b>                          |                  |                  |                    |
|                                             |                  | <b>1,778,829</b> | <b>13.0</b>        | MindTree Ltd                                      |                  |                  |                    |
| <b>Tobacco: 3.7%</b>                        |                  |                  |                    | 12,749                                            |                  |                  |                    |
| ITC Ltd                                     | 89,629           | 511,245          | 3.7                | 3,104                                             | 77,287           | 0.6              |                    |
|                                             |                  | <b>511,245</b>   | <b>3.7</b>         | 1,264                                             | 67,277           | 0.5              |                    |
| <b>Total Consumer Staples</b>               |                  |                  |                    |                                                   | <b>359,349</b>   | <b>2.6</b>       |                    |
|                                             |                  | <b>2,290,074</b> | <b>16.7</b>        | <b>Total Information Technology</b>               |                  |                  |                    |
| <b>HEALTH CARE: 5.4%</b>                    |                  |                  |                    | <b>892,778</b>                                    |                  |                  |                    |
| <b>Pharmaceuticals: 5.4%</b>                |                  |                  |                    | <b>6.5</b>                                        |                  |                  |                    |
| Sun Pharmaceutical Industries Ltd           | 40,393           | 609,374          | 4.5                | <b>UTILITIES: 2.6%</b>                            |                  |                  |                    |
| Cipla Ltd                                   | 17,531           | 122,638          | 0.9                | <b>Gas Utilities: 2.6%</b>                        |                  |                  |                    |
|                                             |                  | <b>732,012</b>   | <b>5.4</b>         | GAIL India Ltd                                    |                  |                  |                    |
| <b>Total Health Care</b>                    |                  |                  |                    | 60,590                                            | 355,252          | 2.6              |                    |
|                                             |                  | <b>732,012</b>   | <b>5.4</b>         |                                                   | <b>355,252</b>   | <b>2.6</b>       |                    |
| <b>UTILITIES: 2.6%</b>                      |                  |                  |                    | <b>Total Utilities</b>                            |                  |                  |                    |
| <b>Gas Utilities: 2.6%</b>                  |                  |                  |                    | <b>355,252</b>                                    |                  |                  |                    |
| GAIL India Ltd                              |                  |                  |                    | 60,590                                            | 355,252          | 2.6              |                    |
|                                             |                  | <b>355,252</b>   | <b>2.6</b>         | <b>Total Utilities</b>                            |                  |                  |                    |
|                                             |                  | <b>355,252</b>   | <b>2.6</b>         | <b>2.6</b>                                        |                  |                  |                    |

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

|                                              | Shares/<br>Units | Value          | % of Net<br>Assets |
|----------------------------------------------|------------------|----------------|--------------------|
| <b>ENERGY: 1.0%</b>                          |                  |                |                    |
| <b>Oil, Gas &amp; Consumable Fuels: 1.0%</b> |                  |                |                    |
| Reliance Industries Ltd                      | 9,223            | 131,436        | 1.0                |
|                                              |                  | <b>131,436</b> | <b>1.0</b>         |
| <b>Total Energy</b>                          |                  | <b>131,436</b> | <b>1.0</b>         |

|                                     |                   |
|-------------------------------------|-------------------|
| <b>TOTAL COMMON EQUITIES: INDIA</b> | <b>12,833,034</b> |
|-------------------------------------|-------------------|

(Cost \$13,359,392)

**COMMON EQUITIES: SINGAPORE: 3.8%**

|                                                       |         |                |            |
|-------------------------------------------------------|---------|----------------|------------|
| <b>FINANCIALS: 3.8%</b>                               |         |                |            |
| <b>Real Estate Management &amp; Development: 3.8%</b> |         |                |            |
| Ascendas India Trust REIT                             | 779,000 | 518,131        | 3.8        |
|                                                       |         | <b>518,131</b> | <b>3.8</b> |
| <b>Total Financials</b>                               |         | <b>518,131</b> | <b>3.8</b> |

|                                             |                |
|---------------------------------------------|----------------|
| <b>TOTAL COMMON EQUITIES:<br/>SINGAPORE</b> | <b>518,131</b> |
|---------------------------------------------|----------------|

(Cost \$535,373)

|                              |                   |
|------------------------------|-------------------|
| <b>TOTAL COMMON EQUITIES</b> | <b>13,351,165</b> |
|------------------------------|-------------------|

**CONVERTIBLE BONDS: INDIA: 1.6%**

|                                 | Shares/<br>Units | Value          | % of Net<br>Assets |
|---------------------------------|------------------|----------------|--------------------|
| <b>UTILITIES: 1.6%</b>          |                  |                |                    |
| <b>Electric Utilities: 1.6%</b> |                  |                |                    |
| Tata Power Company Ltd 1.75%    |                  |                |                    |
| 21/11/2014                      | 200,000          | 211,500        | 1.6                |
|                                 |                  | <b>211,500</b> | <b>1.6</b>         |
| <b>Total Utilities</b>          |                  | <b>211,500</b> | <b>1.6</b>         |

|                                |                |
|--------------------------------|----------------|
| <b>TOTAL CONVERTIBLE BONDS</b> | <b>211,500</b> |
|--------------------------------|----------------|

(Cost \$213,500)

|                                 |                   |
|---------------------------------|-------------------|
| <b>TOTAL INVESTMENTS: 99.3%</b> | <b>13,562,665</b> |
|---------------------------------|-------------------|

(Cost \$14,108,265)

|                                                          |                |
|----------------------------------------------------------|----------------|
| <b>CASH AND OTHER ASSETS,<br/>LESS LIABILITIES: 0.7%</b> | <b>101,035</b> |
|----------------------------------------------------------|----------------|

|                           |                   |
|---------------------------|-------------------|
| <b>NET ASSETS: 100.0%</b> | <b>13,663,700</b> |
|---------------------------|-------------------|

REIT: Real Estate Investment Trust





#### 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 one-year period ending 31 March 2013, the Matthews China Small Companies Fund returned 8.39% while its benchmark, the MSCI China Small Cap Index, returned 17.77%. For the quarter ending 31 March 2013, the Fund rose 8.50% while the benchmark returned 5.79%.

Over the past 12 months, China's economy experienced modest growth. Economic activity slowed during the first two quarters, followed by a mild recovery during the latter half of the fiscal period. During the fiscal year in review, China completed its once-in-a-decade leadership transition, and its new leaders laid out a blueprint for future growth, maintaining its GDP growth target for 2013 at 7.5% and lowering its inflation target to 3.5% from 4% last year.

By sector, health care and financials were the main contributors to absolute performance for the period. Despite last year's tough economic environment, health care companies were largely unscathed and demonstrated strong growth in both revenues and profits. Pharmaceutical company Sino Biopharmaceutical was one of the top contributors to Fund performance, having benefited from growing medical spending and health care demand. Investors were also encouraged to find that recent regulatory price adjustments for certain drugs in China listed as "essential" has had only limited impact on the company. China Overseas Grand Oceans Group, a Hong Kong-based property developer and one of the largest holdings in the Fund, was also among the top contributors to performance. The firm demonstrated strong execution capability in a less favorable market environment. Given its focus on expansion into smaller cities, the company has the potential to benefit from the long-term trend of rising inland urbanisation and rising household income.

Conversely, holdings in the information technology and consumer staples sectors were among the major detractors to Fund performance during the past 12 months. Integrated IT service provider Digital China faced challenges as its distribution business was negatively impacted by subdued demand for notebook computers. Investors were also concerned by a large equity placement from the company's CEO. While the company may face near-term headwinds, we have maintained our position in this stock as the firm's leading market position remains intact, and its other business segments continue to experience healthy growth. Another major detractor was NVC Lighting, a lighting fixture manufacturer and distributor in China. The stock suffered heavy sell-off as the management and the major shareholders had disputes over some management practices. We exited the position as we consider solid management to be a key criterion in company selection.

We initiated a position in Chailease, a Taiwan-listed leasing company. Established in 1977, Chailease entered mainland China in 2005 as one of the first foreign leasing companies to be granted a national leasing license. With its extensive operating experience and successful track record, the company has become one of the leading leasing companies in both Taiwan and mainland China. Given that the leasing industry is still at a nascent stage in China, we believe Chailease will benefit from growing demand for its services.

China's economic growth appears to have stabilised. Under its new administration, the country's increasing urbanisation and rising household income should continue to serve as the main drivers of domestic demand. The government has clearly stated that it would shift its focus toward quality of growth rather than emphasising pace of growth for a more balanced economic structure. We believe China's smaller companies will benefit from the country's ongoing transformation from a central planned economy to a market-oriented economy. We will continue to seek small companies that can benefit from these shifts.

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

*Schedule of Investments* (Audited)

Transferable securities and money market instruments admitted to official exchange listing or dealt in on another regulated market. As at 31 March 2013, expressed in U.S. dollars.

**COMMON EQUITIES: CHINA/HONG KONG: 84.1%**

|                                                    | Shares | Value          | % of Net Assets |                                                                 | Shares  | Value          | % of Net Assets |
|----------------------------------------------------|--------|----------------|-----------------|-----------------------------------------------------------------|---------|----------------|-----------------|
| <b>CONSUMER DISCRETIONARY: 24.7%</b>               |        |                |                 | <b>HEALTH CARE: 9.5%</b>                                        |         |                |                 |
| <b>Leisure Equipment &amp; Products: 7.3%</b>      |        |                |                 | <b>Pharmaceuticals: 6.6%</b>                                    |         |                |                 |
| Sunny Optical Technology Group Co Ltd              | 38,000 | 43,933         | 3.7             | Sino Biopharmaceutical                                          | 72,000  | 50,321         | 4.2             |
| Goodbaby International Holdings Ltd                | 72,000 | 42,340         | 3.6             | Lee's Pharmaceutical Holdings Ltd                               | 25,000  | 17,406         | 1.5             |
|                                                    |        | <b>86,273</b>  | <b>7.3</b>      | Tianjin ZhongXin Pharmaceutical Group Corp Ltd - S Share        | 10,000  | 10,750         | 0.9             |
|                                                    |        |                |                 |                                                                 |         | <b>78,477</b>  | <b>6.6</b>      |
| <b>Auto Components: 3.0%</b>                       |        |                |                 | <b>Life Sciences Tools &amp; Services: 2.9%</b>                 |         |                |                 |
| Minth Group Ltd                                    | 24,000 | 35,401         | 3.0             | WuXi PharmaTech Cayman Inc - ADR                                | 2,000   | 34,199         | 2.9             |
|                                                    |        | <b>35,401</b>  | <b>3.0</b>      |                                                                 |         | <b>34,199</b>  | <b>2.9</b>      |
| <b>Hotels, Restaurants &amp; Leisure: 2.9%</b>     |        |                |                 | <b>Total Health Care</b>                                        |         |                |                 |
| Home Inns & Hotels Management Inc - ADR            | 600    | 18,074         | 1.5             |                                                                 |         | <b>112,676</b> | <b>9.5</b>      |
| Tao Heung Holdings Ltd                             | 28,000 | 15,939         | 1.4             |                                                                 |         |                |                 |
|                                                    |        | <b>34,013</b>  | <b>2.9</b>      |                                                                 |         |                |                 |
| <b>Diversified Consumer Services: 2.6%</b>         |        |                |                 | <b>FINANCIALS: 10.3%</b>                                        |         |                |                 |
| TAL Education Group - ADR                          | 3,300  | 31,284         | 2.6             | <b>Real Estate Management &amp; Development: 10.3%</b>          |         |                |                 |
|                                                    |        | <b>31,284</b>  | <b>2.6</b>      | China Overseas Grand Oceans Group Ltd                           | 42,000  | 55,450         | 4.7             |
| <b>Media: 2.5%</b>                                 |        |                |                 | Franshion Properties China Ltd                                  | 124,000 | 40,582         | 3.4             |
| Television Broadcasts Ltd                          | 4,000  | 30,321         | 2.5             | KWG Property Holding Ltd                                        | 22,000  | 13,784         | 1.1             |
|                                                    |        | <b>30,321</b>  | <b>2.5</b>      | K Wah International Holdings Ltd                                | 24,000  | 13,486         | 1.1             |
| <b>Multiline Retail: 2.4%</b>                      |        |                |                 |                                                                 |         | <b>123,302</b> | <b>10.3</b>     |
| Springland International Holdings Ltd              | 57,000 | 28,761         | 2.4             | <b>Total Financials</b>                                         |         | <b>123,302</b> | <b>10.3</b>     |
|                                                    |        | <b>28,761</b>  | <b>2.4</b>      |                                                                 |         |                |                 |
| <b>Textiles, Apparel &amp; Luxury Goods: 2.2%</b>  |        |                |                 | <b>INFORMATION TECHNOLOGY: 7.7%</b>                             |         |                |                 |
| Trinity Ltd                                        | 32,000 | 16,378         | 1.4             | <b>Electronic Equipment, Instruments &amp; Components: 3.8%</b> |         |                |                 |
| Anta Sports Products Ltd                           | 11,000 | 9,411          | 0.8             | Digital China Holdings Ltd                                      | 18,000  | 24,342         | 2.0             |
|                                                    |        | <b>25,789</b>  | <b>2.2</b>      | PAX Global Technology Ltd                                       | 90,000  | 20,748         | 1.8             |
| <b>Speciality Retail: 1.8%</b>                     |        |                |                 |                                                                 |         | <b>45,090</b>  | <b>3.8</b>      |
| Hengdeli Holdings Ltd                              | 76,000 | 21,310         | 1.8             | <b>Internet Software &amp; Services: 3.0%</b>                   |         |                |                 |
|                                                    |        | <b>21,310</b>  | <b>1.8</b>      | 21Vianet Group Inc - ADR                                        | 2,700   | 25,623         | 2.2             |
| <b>Total Consumer Discretionary</b>                |        |                |                 | SINA Corp                                                       | 200     | 9,792          | 0.8             |
|                                                    |        | <b>293,152</b> | <b>24.7</b>     |                                                                 |         | <b>35,415</b>  | <b>3.0</b>      |
| <b>INDUSTRIALS: 15.0%</b>                          |        |                |                 | <b>Semiconductors &amp; Semiconductor Equipment: 0.9%</b>       |         |                |                 |
| <b>Machinery: 4.5%</b>                             |        |                |                 | Spreadtrum Communications Inc - ADR                             | 300     | 6,061          | 0.5             |
| Haitian International Holdings Ltd                 | 17,000 | 26,449         | 2.2             | RDA Microelectronics Inc - ADR                                  | 500     | 4,734          | 0.4             |
| Airtac International Group                         | 3,000  | 15,294         | 1.3             |                                                                 |         | <b>10,795</b>  | <b>0.9</b>      |
| Sany Heavy Equipment International Holdings Co Ltd | 25,000 | 11,575         | 1.0             | <b>Total Information Technology</b>                             |         | <b>91,300</b>  | <b>7.7</b>      |
|                                                    |        | <b>53,318</b>  | <b>4.5</b>      |                                                                 |         |                |                 |
| <b>Electrical Equipment: 3.7%</b>                  |        |                |                 | <b>UTILITIES: 5.6%</b>                                          |         |                |                 |
| Hangzhou Steam Turbine Co - B Share                | 20,960 | 35,136         | 3.0             | <b>Gas Utilities: 5.6%</b>                                      |         |                |                 |
| Zhuzhou CSR Times Electric Co Ltd - H Share        | 3,000  | 8,509          | 0.7             | Towngas China Co Ltd                                            | 72,000  | 66,526         | 5.6             |
|                                                    |        | <b>43,645</b>  | <b>3.7</b>      |                                                                 |         | <b>66,526</b>  | <b>5.6</b>      |
| <b>Professional Services: 3.0%</b>                 |        |                |                 | <b>Total Utilities</b>                                          |         | <b>66,526</b>  | <b>5.6</b>      |
| 51job Inc - ADR                                    | 600    | 35,938         | 3.0             |                                                                 |         |                |                 |
|                                                    |        | <b>35,938</b>  | <b>3.0</b>      |                                                                 |         |                |                 |
| <b>Transportation Infrastructure: 2.4%</b>         |        |                |                 |                                                                 |         |                |                 |
| Yuexiu Transport Infrastructure Ltd                | 54,000 | 28,251         | 2.4             |                                                                 |         |                |                 |
|                                                    |        | <b>28,251</b>  | <b>2.4</b>      |                                                                 |         |                |                 |
| <b>Marine: 1.4%</b>                                |        |                |                 |                                                                 |         |                |                 |
| SITC International Holdings Co Ltd                 | 46,000 | 17,441         | 1.4             |                                                                 |         |                |                 |
|                                                    |        | <b>17,441</b>  | <b>1.4</b>      |                                                                 |         |                |                 |
| <b>Total Industrials</b>                           |        | <b>178,593</b> | <b>15.0</b>     |                                                                 |         |                |                 |

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

|                                           | Shares | Value         | % of Net Assets |
|-------------------------------------------|--------|---------------|-----------------|
| <b>CONSUMER STAPLES: 5.4%</b>             |        |               |                 |
| <b>Household Products: 2.3%</b>           |        |               |                 |
| Vinda International Holdings Ltd          | 19,000 | 27,138        | 2.3             |
|                                           |        | <u>27,138</u> | <u>2.3</u>      |
| <b>Food Products: 2.2%</b>                |        |               |                 |
| Shenguan Holdings Group Ltd               | 32,000 | 16,611        | 1.4             |
| Tenfu Cayman Holdings Co Ltd              | 17,000 | 8,977         | 0.8             |
|                                           |        | <u>25,588</u> | <u>2.2</u>      |
| <b>Food &amp; Staples Retailing: 0.9%</b> |        |               |                 |
| Wumart Stores Inc - H Share               | 6,000  | 10,840        | 0.9             |
|                                           |        | <u>10,840</u> | <u>0.9</u>      |
| <b>Total Consumer Staples</b>             |        | <u>63,566</u> | <u>5.4</u>      |

**MATERIALS: 5.3%**

|                                         |        |               |            |
|-----------------------------------------|--------|---------------|------------|
| <b>Containers &amp; Packaging: 3.1%</b> |        |               |            |
| Greatview Aseptic Packaging Co Ltd      | 55,000 | 36,835        | 3.1        |
|                                         |        | <u>36,835</u> | <u>3.1</u> |
| <b>Chemicals: 2.2%</b>                  |        |               |            |
| Yip's Chemical Holdings Ltd             | 24,000 | 25,717        | 2.2        |
|                                         |        | <u>25,717</u> | <u>2.2</u> |
| <b>Total Materials</b>                  |        | <u>62,552</u> | <u>5.3</u> |

**ENERGY: 0.6%**

|                                            |       |              |            |
|--------------------------------------------|-------|--------------|------------|
| <b>Oil, Gas and Consumable Fuels: 0.6%</b> |       |              |            |
| Sinopec Kantons Holdings Ltd               | 8,000 | 7,024        | 0.6        |
|                                            |       | <u>7,024</u> | <u>0.6</u> |
| <b>Total Energy</b>                        |       | <u>7,024</u> | <u>0.6</u> |

**TOTAL COMMON EQUITIES:****CHINA/HONG KONG:** 998,691

(Cost \$855,786)

**COMMON EQUITIES: TAIWAN: 11.8%****HEALTH CARE: 4.4%**

|                                                   |       |               |            |
|---------------------------------------------------|-------|---------------|------------|
| <b>Health Care Equipment &amp; Supplies: 4.4%</b> |       |               |            |
| Ginko International Co Ltd                        | 2,000 | 33,040        | 2.8        |
| St Shine Optical Co Ltd                           | 1,000 | 19,546        | 1.6        |
|                                                   |       | <u>52,586</u> | <u>4.4</u> |
| <b>Total Health Care</b>                          |       | <u>52,586</u> | <u>4.4</u> |

**INDUSTRIAL: 3.1%**

|                            |        |               |            |
|----------------------------|--------|---------------|------------|
| <b>Machinery: 3.1%</b>     |        |               |            |
| Yungtay Engineering Co Ltd | 19,000 | 37,142        | 3.1        |
|                            |        | <u>37,142</u> | <u>3.1</u> |
| <b>Total Industrial</b>    |        | <u>37,142</u> | <u>3.1</u> |

**CONSUMER DISCRETIONARY: 1.9%**

|                                                |       |               |            |
|------------------------------------------------|-------|---------------|------------|
| <b>Hotels, Restaurants &amp; Leisure: 1.9%</b> |       |               |            |
| Gourmet Master Co Ltd                          | 4,100 | 22,878        | 1.9        |
|                                                |       | <u>22,878</u> | <u>1.9</u> |
| <b>Total Consumer Discretionary</b>            |       | <u>22,878</u> | <u>1.9</u> |

**FINANCIALS: 1.7%**

|                                             |       |               |            |
|---------------------------------------------|-------|---------------|------------|
| <b>Diversified Financial Services: 1.7%</b> |       |               |            |
| Chailease Holding Co Ltd                    | 7,000 | 19,491        | 1.7        |
|                                             |       | <u>19,491</u> | <u>1.7</u> |
| <b>Total Financials</b>                     |       | <u>19,491</u> | <u>1.7</u> |

**MATERIALS: 0.7%**

|                                         |       |              |            |
|-----------------------------------------|-------|--------------|------------|
| <b>Containers &amp; Packaging: 0.7%</b> |       |              |            |
| Taiwan Hon Chuan Enterprise Co Ltd      | 3,000 | 7,758        | 0.7        |
|                                         |       | <u>7,758</u> | <u>0.7</u> |
| <b>Total Materials</b>                  |       | <u>7,758</u> | <u>0.7</u> |

**TOTAL COMMON EQUITIES:****TAIWAN** 139,855

(Cost \$132,705)

**TOTAL COMMON EQUITIES**1,138,546**TOTAL INVESTMENTS: 95.9%**1,138,546

(Cost \$988,491)

**CASH AND OTHER ASSETS,  
LESS LIABILITIES: 4.1%**48,646**NET ASSETS: 100.0%**1,187,192

ADR: American Depositary Receipt

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

H Shares: Mainland Chinese companies listed on the Hong Kong stock 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.

# Statement of Assets and Liabilities

*As at 31 March 2013*

|                                                  | Asia Dividend<br>Fund (USD) | Pacific Tiger<br>Fund (USD) | China<br>Fund (USD) | India<br>Fund (USD) |
|--------------------------------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| <b>ASSETS</b>                                    |                             |                             |                     |                     |
| Investment in securities at value                | 415,809,429                 | 11,742,371                  | 33,738,659          | 13,562,665          |
| At cost                                          | 374,093,480                 | 10,600,055                  | 32,603,513          | 14,108,265          |
| Cash and cash equivalent at bank                 | 14,981,984                  | 418,539                     | 883,797             | 191,741             |
| Amount receivable on sales of investments        | 600,776                     | 340                         | –                   | –                   |
| Interests and dividends receivable               | 1,714,745                   | 15,109                      | 24,434              | 1,235               |
| Subscriptions receivable                         | 9,194,650                   | 104,628                     | –                   | –                   |
| Formation expenses (note 2I)                     | 16,429                      | 16,429                      | 15,136              | 25,614              |
| Prepaid expenses and other receivables (note 2H) | 174,052                     | 38,919                      | 49,172              | 22,489              |
| <b>TOTAL ASSETS</b>                              | <b>442,492,065</b>          | <b>12,336,335</b>           | <b>34,711,198</b>   | <b>13,803,744</b>   |
| <b>LIABILITIES</b>                               |                             |                             |                     |                     |
| Amounts payable on purchases of investments      | 5,723,976                   | 11,938                      | –                   | –                   |
| Redemptions payable                              | 93,484                      | –                           | –                   | –                   |
| Management fees (note 4)                         | 555,547                     | 14,360                      | 53,668              | 15,917              |
| Payable for foreign taxes (note 7B)              | –                           | 2,799                       | –                   | 13,717              |
| Accrued expenses and other payables              | 448,975                     | 95,964                      | 97,135              | 110,410             |
| <b>TOTAL LIABILITIES</b>                         | <b>6,821,982</b>            | <b>125,061</b>              | <b>150,803</b>      | <b>140,044</b>      |
| <b>TOTAL NET ASSETS</b>                          | <b>435,670,083</b>          | <b>12,211,274</b>           | <b>34,560,395</b>   | <b>13,663,700</b>   |

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

# Statement of Assets and Liabilities *(Continued)*

*As at 31 March 2013*

|                                                  | China Small<br>Companies<br>Fund (USD) | China Dividend<br>Fund* (USD) | Combined<br>(USD)  |
|--------------------------------------------------|----------------------------------------|-------------------------------|--------------------|
| <b>ASSETS</b>                                    |                                        |                               |                    |
| Investment in securities at value                | 1,138,546                              | 22,003,489                    | 497,995,159        |
| At cost                                          | 988,491                                | 22,120,059                    | 454,513,863        |
| Cash and cash equivalent at bank                 | 52,506                                 | 71,324                        | 16,599,891         |
| Amount receivable on sales of investments        | –                                      | –                             | 601,116            |
| Interests and dividends receivable               | –                                      | 13,351                        | 1,768,874          |
| Subscriptions receivable                         | –                                      | –                             | 9,299,278          |
| Formation expenses (note 2I)                     | –                                      | –                             | 73,608             |
| Prepaid expenses and other receivables (note 2H) | 35,701                                 | 8,552                         | 328,885            |
| <b>TOTAL ASSETS</b>                              | <b>1,226,753</b>                       | <b>22,096,716</b>             | <b>526,666,811</b> |
| <b>LIABILITIES</b>                               |                                        |                               |                    |
| Amounts payable on purchases of investments      | –                                      | –                             | 5,735,914          |
| Redemptions payable                              | –                                      | –                             | 93,484             |
| Management fees (note 4)                         | 2,278                                  | 12,447                        | 654,217            |
| Payable for foreign taxes (note 7B)              | –                                      | –                             | 16,516             |
| Accrued expenses and other payables              | 37,283                                 | 19,800                        | 809,567            |
| <b>TOTAL LIABILITIES</b>                         | <b>39,561</b>                          | <b>32,247</b>                 | <b>7,309,698</b>   |
| <b>TOTAL NET ASSETS</b>                          | <b>1,187,192</b>                       | <b>22,064,469</b>             | <b>519,357,113</b> |

\* For the period from 31 January 2013 (date of launch) to 31 March 2013.

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

# Statement of Operations and Changes in Net Assets

For the year/period ended 31 March 2013

|                                                                         | Asia Dividend<br>Fund (USD) | Pacific Tiger<br>Fund (USD) | China<br>Fund (USD) | India<br>Fund (USD) |
|-------------------------------------------------------------------------|-----------------------------|-----------------------------|---------------------|---------------------|
| <b>NET ASSETS AT THE BEGINNING OF THE YEAR / PERIOD</b>                 | <b>96,240,286</b>           | <b>4,111,734</b>            | <b>3,152,037</b>    | <b>12,510,339</b>   |
| <b>INCOME</b>                                                           |                             |                             |                     |                     |
| Dividends income, net                                                   | 5,256,455                   | 85,934                      | 120,714             | 214,123             |
| Interest income, net                                                    | –                           | 10                          | –                   | 7,040               |
| Other income                                                            | 53,358                      | –                           | –                   | –                   |
| <b>TOTAL INCOME</b>                                                     | <b>5,309,813</b>            | <b>85,944</b>               | <b>120,714</b>      | <b>221,163</b>      |
| <b>EXPENSES</b>                                                         |                             |                             |                     |                     |
| Overdraft interest on bank accounts                                     | 182                         | –                           | 9                   | 54                  |
| Management fees and administration fees (note 4)                        | 1,867,665                   | 77,626                      | 158,107             | 126,872             |
| Domiciliation, Administration and Transfer agency fees                  | 121,537                     | 67,661                      | 67,863              | 67,600              |
| Professional fees                                                       | 291,683                     | 63,109                      | 70,642              | 64,654              |
| Printing fees                                                           | 103,296                     | 6,553                       | 1,794               | 10,531              |
| Custodian fees                                                          | 28,910                      | 20,428                      | 20,428              | 20,417              |
| Amortization of formation expenses (note 2I)                            | 7,805                       | 7,805                       | 7,804               | 7,805               |
| Taxe d'abonnement (note 7A)                                             | 39,273                      | 1,098                       | 1,654               | 1,275               |
| Transaction costs (note 8)                                              | 487,813                     | 44,334                      | 58,550              | 27,580              |
| Other fees                                                              | 181,253                     | 37,920                      | 22,993              | 39,715              |
| <b>TOTAL EXPENSES</b>                                                   | <b>3,129,417</b>            | <b>326,534</b>              | <b>409,844</b>      | <b>366,503</b>      |
| Fee waiver (note 2H)                                                    | 402,578                     | 183,484                     | 124,984             | 159,645             |
| <b>NET INVESTMENT INCOME/(LOSS)</b>                                     | <b>2,582,974</b>            | <b>(57,106)</b>             | <b>(164,146)</b>    | <b>14,305</b>       |
| Net realised gain/(loss) on investments                                 | (3,477,320)                 | 139,231                     | (138,335)           | (501,596)           |
| Net realised gain/(loss) on foreign exchanges                           | (68,031)                    | (20,661)                    | (784)               | (7,376)             |
| <b>Net realised gain/(loss) for the year/period</b>                     | <b>(3,545,351)</b>          | <b>118,570</b>              | <b>(139,119)</b>    | <b>(508,972)</b>    |
| Net change in unrealised gain/(loss) on investments                     | 37,345,149                  | 1,063,762                   | 1,201,672           | 1,020,760           |
| Net change in unrealised gain/(loss) on foreign tax provision (note 7B) | –                           | (2,799)                     | –                   | 43,128              |
| Net change in unrealised gain/(loss) on foreign exchanges               | (5,940)                     | (355)                       | (9)                 | (8)                 |
| <b>Net change in unrealised gain/(loss) for the year/period</b>         | <b>37,339,209</b>           | <b>1,060,608</b>            | <b>1,201,663</b>    | <b>1,063,880</b>    |
| <b>Increase/(decrease) in net assets as a result of operations</b>      | <b>36,376,832</b>           | <b>1,122,072</b>            | <b>898,398</b>      | <b>569,213</b>      |
| Subscriptions                                                           | 316,379,196                 | 10,654,357                  | 31,684,073          | 2,434,283           |
| Redemptions                                                             | (13,086,009)                | (3,676,889)                 | (1,174,113)         | (1,850,135)         |
| Dividend distributions (note 10)                                        | (240,222)                   | –                           | –                   | –                   |
| <b>NET ASSETS AT THE END OF THE YEAR/PERIOD</b>                         | <b>435,670,083</b>          | <b>12,211,274</b>           | <b>34,560,395</b>   | <b>13,663,700</b>   |

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

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

For the year/period ended 31 March 2013

|                                                                         | China Small<br>Companies<br>Fund (USD) | China Dividend<br>Fund* (USD) | Combined<br>(USD)  |
|-------------------------------------------------------------------------|----------------------------------------|-------------------------------|--------------------|
| <b>NET ASSETS AT THE BEGINNING OF THE YEAR / PERIOD</b>                 | <b>953,349</b>                         | <b>–</b>                      | <b>116,967,745</b> |
| <b>INCOME</b>                                                           |                                        |                               |                    |
| Dividends income, net                                                   | 22,871                                 | 18,260                        | 5,718,357          |
| Interest income, net                                                    | –                                      | –                             | 7,050              |
| Other income                                                            | –                                      | –                             | 53,358             |
| <b>TOTAL INCOME</b>                                                     | <b>22,871</b>                          | <b>18,260</b>                 | <b>5,778,765</b>   |
| <b>EXPENSES</b>                                                         |                                        |                               |                    |
| Overdraft interest on bank accounts                                     | 25                                     | 291                           | 561                |
| Management fees and administration fees (note 4)                        | 14,680                                 | 16,454                        | 2,261,404          |
| Domiciliation, Administration and Transfer agency fees                  | 36,812                                 | 2,026                         | 363,499            |
| Professional fees                                                       | 20,897                                 | 10,076                        | 521,061            |
| Printing fees                                                           | 660                                    | 12                            | 122,846            |
| Custodian fees                                                          | 14,303                                 | 767                           | 105,253            |
| Amortization of formation expenses (note 2I)                            | –                                      | –                             | 31,219             |
| Taxe d'abonnement (note 7A)                                             | 346                                    | 194                           | 43,840             |
| Transaction costs (note 8)                                              | 7,718                                  | 45,350                        | 671,345            |
| Other fees                                                              | 15,400                                 | 3,002                         | 300,283            |
| <b>TOTAL EXPENSES</b>                                                   | <b>110,841</b>                         | <b>78,172</b>                 | <b>4,421,311</b>   |
| Fee waiver (note 2H)                                                    | 89,735                                 | 8,060                         | 968,486            |
| <b>NET INVESTMENT INCOME/(LOSS)</b>                                     | <b>1,765</b>                           | <b>(51,852)</b>               | <b>2,325,940</b>   |
| Net realised gain/(loss) on investments                                 | (102,393)                              | 74,466                        | (4,005,947)        |
| Net realised gain/(loss) on foreign exchanges                           | (80)                                   | (4,179)                       | (101,111)          |
| <b>Net realised gain/(loss) for the year/period</b>                     | <b>(102,473)</b>                       | <b>70,287</b>                 | <b>(4,107,058)</b> |
| Net change in unrealised gain/(loss) on investments                     | 193,984                                | (116,570)                     | 40,708,757         |
| Net change in unrealised gain/(loss) on foreign tax provision (note 7B) | –                                      | –                             | 40,329             |
| Net change in unrealised gain/(loss) on foreign exchanges               | –                                      | –                             | (6,312)            |
| <b>Net change in unrealised gain/(loss) for the year/period</b>         | <b>193,984</b>                         | <b>(116,570)</b>              | <b>40,742,774</b>  |
| <b>Increase/(decrease) in net assets as a result of operations</b>      | <b>93,276</b>                          | <b>(98,135)</b>               | <b>38,961,656</b>  |
| Subscriptions                                                           | 141,069                                | 22,167,619                    | 383,460,597        |
| Redemptions                                                             | (502)                                  | (5,015)                       | (19,792,663)       |
| Dividend distributions (note 10)                                        | –                                      | –                             | (240,222)          |
| <b>NET ASSETS AT THE END OF THE YEAR/PERIOD</b>                         | <b>1,187,192</b>                       | <b>22,064,469</b>             | <b>519,357,113</b> |

\* For the period from 31 January 2013 (date of launch) to 31 March 2013.

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



# Statement of Changes in Number of Shares

For the year/period ended 31 March 2013

|                                                   | I Acc<br>(USD) | I Dist<br>(USD) | A Acc<br>(USD) | A Dist<br>(USD) | C Acc<br>(USD) | I Acc<br>(GBP) | I Dist<br>(GBP) | A Acc<br>(GBP) | A Dist<br>(GBP) |
|---------------------------------------------------|----------------|-----------------|----------------|-----------------|----------------|----------------|-----------------|----------------|-----------------|
| <b>ASIA DIVIDEND FUND</b>                         |                |                 |                |                 |                |                |                 |                |                 |
| Shares outstanding at the beginning of the year   | 291,873        | 473,401         | 29,635         | 49,453          | 8,004,916      | 44,657         | 15,174          | 6,199          | 219             |
| Shares subscribed                                 | 11,113,281     | 2,305,661       | 9,016,808      | 2,135,679       | –              | 222,968        | 724,053         | 15,868         | 136,835         |
| Shares redeemed                                   | 558,766        | 265,435         | 59,064         | 92,100          | –              | 35,610         | 19,126          | 1,569          | 616             |
| Shares outstanding at the end of the year         | 10,846,388     | 2,513,627       | 8,987,379      | 2,093,032       | 8,004,916      | 232,015        | 720,101         | 20,498         | 136,438         |
| <b>PACIFIC TIGER FUND</b>                         |                |                 |                |                 |                |                |                 |                |                 |
| Shares outstanding at the beginning of the year   | 251,540        | n.a.            | 37,062         | n.a.            | n.a.           | 51,551         | n.a.            | 215            | n.a.            |
| Shares subscribed                                 | 861,355        | n.a.            | 61,417         | n.a.            | n.a.           | –              | n.a.            | 4,327          | n.a.            |
| Shares redeemed                                   | 232,041        | n.a.            | 4,454          | n.a.            | n.a.           | 51,336         | n.a.            | 1,359          | n.a.            |
| Shares outstanding at the end of the year         | 880,854        | n.a.            | 94,025         | n.a.            | n.a.           | 215            | n.a.            | 3,183          | n.a.            |
| <b>CHINA FUND</b>                                 |                |                 |                |                 |                |                |                 |                |                 |
| Shares outstanding at the beginning of the year   | 272,673        | n.a.            | 27,864         | n.a.            | n.a.           | 215            | n.a.            | 215            | n.a.            |
| Shares subscribed                                 | 3,063,673      | n.a.            | 6,475          | n.a.            | n.a.           | –              | n.a.            | 1,753          | n.a.            |
| Shares redeemed                                   | 114,673        | n.a.            | 9,268          | n.a.            | n.a.           | –              | n.a.            | –              | n.a.            |
| Shares outstanding at the end of the year         | 3,221,673      | n.a.            | 25,071         | n.a.            | n.a.           | 215            | n.a.            | 1,968          | n.a.            |
| <b>INDIA FUND</b>                                 |                |                 |                |                 |                |                |                 |                |                 |
| Shares outstanding at the beginning of the period | 1,502,272      | n.a.            | 1,000          | n.a.            | n.a.           | 622            | n.a.            | 630            | n.a.            |
| Shares subscribed                                 | 277,254        | n.a.            | –              | n.a.            | n.a.           | –              | n.a.            | 1,934          | n.a.            |
| Shares redeemed                                   | 214,589        | n.a.            | –              | n.a.            | n.a.           | –              | n.a.            | 8              | n.a.            |
| Shares outstanding at the end of the period       | 1,564,937      | n.a.            | 1,000          | n.a.            | n.a.           | 622            | n.a.            | 2,556          | n.a.            |
| <b>CHINA SMALL COMPANIES FUND</b>                 |                |                 |                |                 |                |                |                 |                |                 |
| Shares outstanding at the beginning of the period | 50,000         | n.a.            | 50,000         | n.a.            | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| Shares subscribed                                 | –              | n.a.            | 15,168         | n.a.            | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| Shares redeemed                                   | –              | n.a.            | 53             | n.a.            | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| Shares outstanding at the end of the period       | 50,000         | n.a.            | 65,115         | n.a.            | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| <b>CHINA DIVIDEND FUND*</b>                       |                |                 |                |                 |                |                |                 |                |                 |
| Shares outstanding at the beginning of the period | –              | –               | –              | –               | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| Shares subscribed                                 | 2,149,161      | 25,000          | 39,564         | 35,132          | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| Shares redeemed                                   | –              | –               | –              | 514             | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |
| Shares outstanding at the end of the period       | 2,149,161      | 25,000          | 39,564         | 34,618          | n.a.           | n.a.           | n.a.            | n.a.           | n.a.            |

\* For the period from 31 January 2013 (date of launch) to 31 March 2013.

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

# Statement of NAV per Share and Net Asset Statistics

|                                   | Inception Dates   | As at 31 March 2013 |               |                    | As at 31 March 2012 |               |                    |
|-----------------------------------|-------------------|---------------------|---------------|--------------------|---------------------|---------------|--------------------|
|                                   |                   | Net Assets          | NAV per Share | Shares Outstanding | Net Assets          | NAV per Share | Shares Outstanding |
| <b>ASIA DIVIDEND FUND</b>         |                   |                     |               |                    |                     |               |                    |
| I Acc (USD)                       | 30 April 2010     | USD 141,057,180     | USD 13.00     | 10,846,388         | USD 3,252,785       | USD 11.14     | 291,873            |
| I Dist (USD)                      | 26 August 2010    | USD 31,407,246      | USD 12.49     | 2,513,627          | USD 5,166,215       | USD 10.91     | 473,401            |
| A Acc (USD)                       | 26 August 2010    | USD 115,335,104     | USD 12.83     | 8,987,379          | USD 327,371         | USD 11.05     | 29,635             |
| A Dist (USD)                      | 26 August 2010    | USD 26,142,354      | USD 12.49     | 2,093,032          | USD 539,544         | USD 10.91     | 49,453             |
| C Acc (USD)                       | 20 September 2010 | USD 100,744,165     | USD 12.59     | 8,004,916          | USD 85,850,265      | USD 10.72     | 8,004,916          |
| I Acc (GBP)                       | 28 February 2011  | GBP 2,998,605       | GBP 12.92     | 232,015            | GBP 467,210         | GBP 10.46     | 44,657             |
| I Dist (GBP)                      | 28 February 2011  | GBP 8,907,454       | GBP 12.37     | 720,101            | GBP 155,095         | GBP 10.22     | 15,174             |
| A Acc (GBP)                       | 28 February 2011  | GBP 262,186         | GBP 12.79     | 20,498             | GBP 64,510          | GBP 10.41     | 6,199              |
| A Dist (GBP)                      | 28 February 2011  | GBP 1,692,208       | GBP 12.40     | 136,438            | GBP 2,241           | GBP 10.23     | 219                |
| <b>PACIFIC TIGER FUND</b>         |                   |                     |               |                    |                     |               |                    |
| I Acc (USD)                       | 30 April 2010     | USD 11,029,555      | USD 12.52     | 880,854            | USD 2,834,141       | USD 11.27     | 251,540            |
| A Acc (USD)                       | 26 August 2010    | USD 1,118,208       | USD 11.89     | 94,025             | USD 398,656         | USD 10.76     | 37,062             |
| I Acc (GBP)                       | 28 February 2011  | GBP 2,682           | GBP 12.45     | 215                | GBP 546,260         | GBP 10.60     | 51,551             |
| A Acc (GBP)                       | 28 February 2011  | GBP 39,268          | GBP 12.34     | 3,183              | GBP 2,270           | GBP 10.54     | 215                |
| <b>CHINA FUND</b>                 |                   |                     |               |                    |                     |               |                    |
| I Acc (USD)                       | 26 February 2010  | USD 34,279,946      | USD 10.64     | 3,221,673          | USD 2,871,942       | USD 10.53     | 272,673            |
| A Acc (USD)                       | 26 August 2010    | USD 247,486         | USD 9.87      | 25,071             | USD 273,614         | USD 9.82      | 27,864             |
| I Acc (GBP)                       | 28 February 2011  | GBP 2,168           | GBP 10.07     | 215                | GBP 2,028           | GBP 9.42      | 215                |
| A Acc (GBP)                       | 28 February 2011  | GBP 19,604          | GBP 9.96      | 1,968              | GBP 2,017           | GBP 9.36      | 215                |
| <b>INDIA FUND</b>                 |                   |                     |               |                    |                     |               |                    |
| I Acc (USD)                       | 30 June 2011      | USD 13,611,132      | USD 8.70      | 1,564,937          | USD 12,485,436      | USD 8.31      | 1,502,272          |
| A Acc (USD)                       | 30 June 2011      | USD 8,617           | USD 8.62      | 1,000              | USD 8,277           | USD 8.28      | 1,000              |
| I Acc (GBP)                       | 30 June 2011      | GBP 5,722           | GBP 9.20      | 622                | GBP 5,167           | GBP 8.31      | 622                |
| A Acc (GBP)                       | 30 June 2011      | GBP 23,308          | GBP 9.12      | 2,556              | GBP 5,209           | GBP 8.27      | 630                |
| <b>CHINA SMALL COMPANIES FUND</b> |                   |                     |               |                    |                     |               |                    |
| I Acc (USD)                       | 29 February 2012  | USD 517,224         | USD 10.34     | 50,000             | USD 476,776         | USD 9.54      | 50,000             |
| A Acc (USD)                       | 29 February 2012  | USD 669,967         | USD 10.29     | 65,115             | USD 476,573         | USD 9.53      | 50,000             |
| <b>CHINA DIVIDEND FUND*</b>       |                   |                     |               |                    |                     |               |                    |
| I Acc (USD)                       | 31 January 2013   | USD 21,091,779      | USD 9.81      | 2,149,161          | n.a.                | n.a.          | n.a.               |
| I Dist (USD)                      | 31 January 2013   | USD 245,320         | USD 9.81      | 25,000             | n.a.                | n.a.          | n.a.               |
| A Acc (USD)                       | 31 January 2013   | USD 387,906         | USD 9.80      | 39,564             | n.a.                | n.a.          | n.a.               |
| A Dist (USD)                      | 31 January 2013   | USD 339,463         | USD 9.81      | 34,618             | n.a.                | n.a.          | n.a.               |

\* For the period from 31 January 2013 (date of launch) to 31 March 2013.

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

# Notes to Financial Statements *(Audited)*

*As at 31 March 2013*

## 1. GENERAL

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

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

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

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

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

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

| SHARE CLASS  | ASIA<br>DIVIDEND<br>FUND | PACIFIC<br>TIGER<br>FUND | CHINA<br>FUND | INDIA<br>FUND | CHINA SMALL<br>COMPANIES<br>FUND | CHINA<br>DIVIDEND<br>FUND |
|--------------|--------------------------|--------------------------|---------------|---------------|----------------------------------|---------------------------|
| I Acc (USD)  | x                        | x                        | x             | x             | x                                | x                         |
| I Dist (USD) | x                        |                          |               |               |                                  | x                         |
| A Acc (USD)  | x                        | x                        | x             | x             | x                                | x                         |
| C Acc (USD)  | x                        |                          |               |               |                                  |                           |
| A Dist (USD) | x                        |                          |               |               |                                  | x                         |
| I Acc (GBP)  | x                        | x                        | x             | x             |                                  |                           |
| I Dist (GBP) | x                        |                          |               |               |                                  |                           |
| A Acc (GBP)  | x                        | x                        | x             | x             |                                  |                           |
| A Dist (GBP) | x                        |                          |               |               |                                  |                           |

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

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A) PRESENTATION OF FINANCIAL STATEMENTS

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

### B) COMBINED FINANCIAL STATEMENTS

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

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

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

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

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.

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

*As at 31 March 2013*

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

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

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

## E) CONVERSION OF FOREIGN CURRENCIES

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

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

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

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

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

|                            | CURRENCY |
|----------------------------|----------|
| Asia Dividend Fund         | USD      |
| Pacific Tiger Fund         | USD      |
| China Fund                 | USD      |
| India Fund                 | USD      |
| China Small Companies Fund | USD      |
| China Dividend Fund        | USD      |

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

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

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

## F) COST OF INVESTMENTS IN SECURITIES

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

## G) INCOME

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

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

## H) FEE WAIVER

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

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

*As at 31 March 2013*

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 31 March 2013 are:

|                         |        |                         |          |                         |             |
|-------------------------|--------|-------------------------|----------|-------------------------|-------------|
| Australian Dollar (AUD) | 0.9611 | British Pound (GBP)     | 0.6605   | Singapore Dollar (SGD)  | 1.2417      |
| Swiss Franc (CHF)       | 0.953  | Japanese Yen (JPY)      | 94.28    | Thai Bhat (THB)         | 29.295      |
| Hong Kong Dollar (HKD)  | 7.7645 | South Korean Won (KRW)  | 1,113.73 | Taiwan New Dollar (TWD) | 29.907      |
| Indonesian Rupiah (IDR) | 9,717  | Malaysian Ringgit (MYR) | 3.0965   | Vietnamese Dong (VND) * | 20,987.3624 |
| Indian Rupee (INR)      | 54.285 | Philippine Peso (PHP)   | 40.85    |                         |             |

\*Please refer to note 2E.

## 4. MANAGEMENT FEES AND ADMINISTRATION FEES

The Investment Advisor receives an amount corresponding to the Management Fee, which may be up to 1.25% per annum of the NAV of the Sub-Fund calculated (before deduction of accrued Management and Advisory Fees) on each Valuation Day. Such fees and any and all properly incurred expenses are payable out of the assets of the Sub-Fund monthly in arrears. These fees also represent the effective fees paid to the Advisor. The Investment Advisor will remunerate the Investment Manager out of this fee.

|                            | I Acc<br>(USD) | I Dist<br>(USD) | A Acc<br>(USD) | A Dist<br>(USD) | C Acc<br>(USD) | I Acc<br>(GBP) | I Dist<br>(GBP) | A Acc<br>(GBP) | A Dist<br>(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%          | —               |
| China Small Companies Fund | 1.00%          | —               | 1.50%          | —               | —              | —              | —               | —              | —               |
| China Dividend Fund        | 0.75%          | 0.75%           | 1.25%          | 1.25%           | —              | —              | —               | —              | —               |

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

| Sub-Fund                   |       |
|----------------------------|-------|
| Asia Dividend Fund         | 0.25% |
| Pacific Tiger Fund         | 0.25% |
| China Fund                 | 0.25% |
| India Fund                 | 0.25% |
| China Small Companies Fund | 0.25% |
| China Dividend 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 Fund pays Richard Goddard EUR 41,000 on an annual basis in connection with his services as Independent Director and Conducting Officer. The Directors and Conducting Officer who are employees of Matthews International Capital Management, LLC do not receive additional compensation in respect of these roles.

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

*As at 31 March 2013*

## 7. TAXATION

### A) TAXE D'ABONNEMENT

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

This rate is reduced to 0.01% (i) for sub-funds or individual classes of shares reserved to one or more institutional investors or (ii) funds or sub-funds having the exclusive object to invest in money market instruments as defined by the law of 17 December 2010.

### B) PROVISION FOR FOREIGN TAXES

The Sub-Funds may be subject to short-term capital gains tax in India on gains realised upon disposition of Indian securities held for a period of one year or less. The tax is computed on net realised gains; any realised losses in excess of gains may be carried forward for a period of up to eight years to offset future gains. Any net taxes payable must be remitted to the Indian government prior to repatriation of sales proceeds. The Sub-Funds that invest in Indian securities accrue a deferred tax liability for net unrealised short-term gains in excess of available carry forwards on Indian securities. This accrual may reduce a Sub-Fund's net asset value. As at 31 March 2013, the Matthews Asia Funds Pacific Tiger Fund has recorded a payable of USD 2,799 and the Matthews Asia Funds India Fund a payable of USD 13,717 as an estimate for potential future India capital gains taxes.

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

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

## 8. TRANSACTION COSTS

For the year ended 31 March 2013, the Fund incurred transaction costs which have been defined as brokerage fees and custody transaction fees relating to purchase or sale of transferable securities or other eligible assets as follows:

| Sub-Fund (USD)             | Transaction costs | Custody transaction fees | Brokerage fees and commissions |
|----------------------------|-------------------|--------------------------|--------------------------------|
| Asia Dividend Fund         | 487,813           | 40,200                   | 447,613                        |
| Pacific Tiger Fund         | 44,334            | 16,088                   | 28,246                         |
| China Fund                 | 58,550            | 10,534                   | 48,015                         |
| India Fund                 | 27,580            | 10,085                   | 17,495                         |
| China Small Companies Fund | 7,718             | 6,089                    | 1,629                          |
| China Dividend Fund        | 45,350            | –                        | 45,350                         |

## 9. SOFT COMMISSION ARRANGEMENTS

The Investment Manager may effect transactions with or through the agency of another person with whom the Investment Manager or an entity affiliated to the Investment Manager has arrangements under which that person will, from time to time, provide to or procure for the Investment Manager and/or an affiliated party goods, services or other benefits such as research and advisory services, specialised computer hardware or software. No direct payment may be made for such goods or services but the Investment Manager may undertake to place business with that person provided that person has agreed to provide best execution with respect to such business and the services provided must be of a type which assist in the provision of investment services to the Company. The total monetary value of these arrangements for the year ended 31 March 2013 are USD 47,762.44

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

*As at 31 March 2013*

## 10. DIVIDENDS

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

The following dividend payments were made during the year ended 31 March 2013:

| Asia Dividend Fund | Currency | Ex-Date    | Date of dividend payment | Dividend per Share | Dividend paid out of net distributable income for the month (%) | Dividend paid out of capital (%) |
|--------------------|----------|------------|--------------------------|--------------------|-----------------------------------------------------------------|----------------------------------|
| I Dist             | USD      | 20/06/2012 | 27/06/2012               | 0.102696           | 100%                                                            | 0%                               |
| I Dist             | USD      | 19/09/2012 | 26/09/2012               | 0.081012           | 100%                                                            | 0%                               |
| I Dist             | USD      | 12/12/2012 | 19/12/2012               | 0.005824           | 100%                                                            | 0%                               |
| I Dist             | USD      | 20/03/2013 | 27/03/2013               | 0.019796           | 100%                                                            | 0%                               |
| A Dist             | USD      | 20/06/2012 | 27/06/2012               | 0.089338           | 100%                                                            | 0%                               |
| A Dist             | USD      | 19/09/2012 | 26/09/2012               | 0.056179           | 100%                                                            | 0%                               |
| A Dist             | USD      | 12/12/2012 | 19/12/2012               | 0.000000           | n.a.                                                            | 0%                               |
| A Dist             | USD      | 20/03/2013 | 27/03/2013               | 0.010987           | 100%                                                            | 0%                               |
| I Dist             | GBP      | 20/06/2012 | 27/06/2012               | 0.102056           | 100%                                                            | 0%                               |
| I Dist             | GBP      | 19/09/2012 | 26/09/2012               | 0.079421           | 100%                                                            | 0%                               |
| I Dist             | GBP      | 12/12/2012 | 19/12/2012               | 0.003967           | 100%                                                            | 0%                               |
| I Dist             | GBP      | 20/03/2013 | 27/03/2013               | 0.025641           | 100%                                                            | 0%                               |
| A Dist             | GBP      | 20/06/2012 | 27/06/2012               | 0.085585           | 100%                                                            | 0%                               |
| A Dist             | GBP      | 19/09/2012 | 26/09/2012               | 0.042017           | 100%                                                            | 0%                               |
| A Dist             | GBP      | 12/12/2012 | 19/12/2012               | 0.000000           | n.a.                                                            | 0%                               |
| A Dist             | GBP      | 20/03/2013 | 27/03/2013               | 0.014864           | 100%                                                            | 0%                               |

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

## 11. SWING PRICING

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

## 12. SUBSEQUENT EVENT

The Sub-Fund Matthews Asia Small Companies has been launched on 30 April 2013.

### Further information

#### STATEMENT OF CHANGES IN PORTFOLIO

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



# Performance and Expenses *(Unaudited)*

As at 31 March 2013

|                                       | Average Annual Total Return* |        |         |         |                     | Inception Date    | Portfolio Turnover <sup>1</sup> | Total Expense Ratio <sup>2</sup> |
|---------------------------------------|------------------------------|--------|---------|---------|---------------------|-------------------|---------------------------------|----------------------------------|
|                                       | 3 Months                     | 1 year | 3 years | 5 years | Since Inception     |                   |                                 |                                  |
| <b>ASIA DIVIDEND FUND</b>             |                              |        |         |         |                     |                   |                                 |                                  |
| I Acc (USD)                           | 8.12%                        | 17.15% | n.a.    | n.a.    | 9.55%               | 30 April 2010     | -5.61%                          | 1.50%                            |
| I Dist (USD)                          | 8.09%                        | 17.17% | n.a.    | n.a.    | 10.77%              | 26 August 2010    | -5.61%                          | 1.50%                            |
| A Acc (USD)                           | 7.96%                        | 16.56% | n.a.    | n.a.    | 10.25%              | 26 August 2010    | -5.61%                          | 1.95%                            |
| A Dist (USD)                          | 7.93%                        | 16.52% | n.a.    | n.a.    | 10.22%              | 26 August 2010    | -5.61%                          | 1.96%                            |
| C Acc (USD)                           | 8.23%                        | 17.71% | n.a.    | n.a.    | 9.68%               | 20 September 2010 | -5.61%                          | 0.95%                            |
| I Acc (GBP)                           | 15.39%                       | 24.00% | n.a.    | n.a.    | 13.28%              | 28 February 2011  | -5.61%                          | 1.50%                            |
| I Dist (GBP)                          | 15.36%                       | 23.94% | n.a.    | n.a.    | 13.24%              | 28 February 2011  | -5.61%                          | 1.43%                            |
| A Acc (GBP)                           | 15.26%                       | 23.34% | n.a.    | n.a.    | 12.74%              | 28 February 2011  | -5.61%                          | 2.00%                            |
| A Dist (GBP)                          | 15.31%                       | 23.40% | n.a.    | n.a.    | 12.74%              | 28 February 2011  | -5.61%                          | 1.94%                            |
| MSCI AC Asia Pacific Index (USD)      | 5.51%                        | 10.19% | n.a.    | n.a.    | 5.52% <sup>3</sup>  |                   |                                 |                                  |
| <b>PACIFIC TIGER FUND</b>             |                              |        |         |         |                     |                   |                                 |                                  |
| I Acc (USD)                           | 3.05%                        | 11.09% | n.a.    | n.a.    | 8.01%               | 30 April 2010     | -26.37%                         | 1.50%                            |
| A Acc (USD)                           | 2.94%                        | 10.50% | n.a.    | n.a.    | 6.90%               | 26 August 2010    | -26.37%                         | 2.00%                            |
| I Acc (GBP)                           | 10.07%                       | 17.55% | n.a.    | n.a.    | 11.13%              | 28 February 2011  | -26.37%                         | 1.50%                            |
| A Acc (GBP)                           | 9.98%                        | 17.08% | n.a.    | n.a.    | 10.61%              | 28 February 2011  | -26.37%                         | 2.00%                            |
| MSCI AC Asia ex Japan Index (USD)     | -0.42%                       | 7.41%  | n.a.    | n.a.    | 5.69% <sup>3</sup>  |                   |                                 |                                  |
| <b>CHINA FUND</b>                     |                              |        |         |         |                     |                   |                                 |                                  |
| I Acc (USD)                           | -1.57%                       | 1.04%  | 0.00%   | n.a.    | 2.03%               | 26 February 2010  | 1.21%                           | 1.50%                            |
| A Acc (USD)                           | -1.69%                       | 0.51%  | n.a.    | n.a.    | -0.50%              | 26 August 2010    | 1.21%                           | 2.00%                            |
| I Acc (GBP)                           | 5.11%                        | 6.90%  | n.a.    | n.a.    | 0.34%               | 28 February 2011  | 1.21%                           | 1.50%                            |
| A Acc (GBP)                           | 4.84%                        | 6.30%  | n.a.    | n.a.    | -0.19%              | 28 February 2011  | 1.21%                           | 2.00%                            |
| MSCI China Index (USD)                | -4.54%                       | 6.91%  | n.a.    | n.a.    | 2.49% <sup>3</sup>  |                   |                                 |                                  |
| <b>INDIA FUND</b>                     |                              |        |         |         |                     |                   |                                 |                                  |
| I Acc (USD)                           | -0.23%                       | 4.69%  | n.a.    | n.a.    | -7.64%              | 30 June 2011      | 5.85%                           | 1.49%                            |
| A Acc (USD)                           | -0.35%                       | 4.11%  | n.a.    | n.a.    | -8.12%              | 30 June 2011      | 5.85%                           | 2.00%                            |
| I Acc (GBP)                           | 6.48%                        | 10.71% | n.a.    | n.a.    | -4.64%              | 30 June 2011      | 5.85%                           | 1.50%                            |
| A Acc (GBP)                           | 6.29%                        | 10.14% | n.a.    | n.a.    | -5.12%              | 30 June 2011      | 5.85%                           | 2.00%                            |
| Bombay Stock Exchange 100 Index (USD) | -4.25%                       | 1.80%  | n.a.    | n.a.    | -9.22% <sup>3</sup> |                   |                                 |                                  |
| <b>CHINA SMALL COMPANIES FUND</b>     |                              |        |         |         |                     |                   |                                 |                                  |
| I Acc (USD)                           | 8.50%                        | 8.39%  | n.a.    | n.a.    | 3.13%               | 29 February 2012  | 88.04%                          | 1.75%                            |
| A Acc (USD)                           | 8.43%                        | 7.97%  | n.a.    | n.a.    | 2.67%               | 29 February 2012  | 88.04%                          | 2.25%                            |
| MSCI China Small Cap Index (USD)      | 5.79%                        | 17.77% | n.a.    | n.a.    | 7.33% <sup>3</sup>  |                   |                                 |                                  |
| <b>CHINA DIVIDEND FUND</b>            |                              |        |         |         |                     |                   |                                 |                                  |
| I Acc (USD)                           | n.a.                         | n.a.   | n.a.    | n.a.    | -1.90%              | 31 January 2013   | 1.88%                           | 1.50%                            |
| I Dist (USD)                          | n.a.                         | n.a.   | n.a.    | n.a.    | -1.90%              | 31 January 2013   | 1.88%                           | 1.50%                            |
| A Acc (USD)                           | n.a.                         | n.a.   | n.a.    | n.a.    | -2.00%              | 31 January 2013   | 1.88%                           | 2.00%                            |
| A Dist (USD)                          | n.a.                         | n.a.   | n.a.    | n.a.    | -1.90%              | 31 January 2013   | 1.88%                           | 2.00%                            |
| MSCI China Index (USD)                | n.a.                         | n.a.   | n.a.    | n.a.    | -8.32% <sup>3</sup> |                   |                                 |                                  |

1 The Portfolio Turnover is calculated over the last 12 months 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. Portfolio turnover rates for funds that inceptioned during the twelve months preceding 31 March 2013 are not annualised.

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

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

\* Performance is based on swung net asset value per share, see note 11.

## Investor Disclosure

All performance quoted represents past performance and is no guarantee of future results. The performance data do not take into account of the commissions and costs incurred on the issue and redemption of units. Investment returns and principal value will fluctuate with market conditions so that when redeemed, shares may be worth more or less than the original cost. Current performance may be lower or higher than the return figures quoted. Investors investing in Sub-Funds denominated in non-local currency should be aware of the risk of currency exchange fluctuations that may cause a loss of principal.

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

# Disclosures and Index Definitions *(Unaudited)*

## Calculation method of the risk exposure

The methodology used in order to calculate the global exposure is the commitment approach in accordance with the CSSF Circular 11/512. As of 31 March 2013, the Sub-Funds did not hold any derivatives.

## Index Definitions

It is not possible to invest directly in an index.

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

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

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

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

The **MSCI 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).



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HK-AR001-0313