

MATTHEWS INTERNATIONAL FUNDS
Form N-30D
October 30, 2002

MATTHEWS ASIAN FUNDS

Annual Report August 31, 2002

Matthews Pacific Tiger Fund | Matthews Asian Growth and Income Fund

Matthews Korea Fund | Matthews China Fund

Matthews Japan Fund | Matthews Asian Technology Fund

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OUR VIEWS OF ASIA

From top to bottom:

Asia's demographic profile bodes well for the future of the region. Within the next 10 to 20 years there will be more than one billion people in Asia who will be in their peak spending years.

China, 2001

The consumer sector in Asia continues to play a growing role in the regional economy. Domestic spending in Asia is helping to offset a weak global economy.

Hong Kong, 2001

Korean fans spell out "Dreams Come True" during the World Cup semi-final match between South Korea and Germany on June 25, 2002. The 2002 World Cup, co-hosted by South Korea and Japan, marked the first time in World Cup history that a Korean team made it to the semi-final round.

Korea, 2002

Asian technology companies continue to gain global market share. Regionally, Asia's high savings rates and rising per-capita incomes are becoming the primary drivers of Asian technology growth.

Japan, 2001

On the cover:

A small portion of Hong Kong's waterfront.

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Dear Fellow Shareholders,

The fiscal year ended August 31, 2002, has been a period of strong relative performance for many Asian financial markets. Although the latter half of 2001 was dominated by the events of September 11, the region's initial fears of significant deterioration in post-September 11 global economic activity proved overblown. In the year's final weeks, financial markets around the region recovered quickly. In the early months of 2002, a number of Asian countries saw significant equity market rallies, fueled by hopes of further economic recovery in the U.S. and Europe. Over the course of the summer, Asian markets pulled back as doubts grew about the strength of the U.S. economic recovery. Nevertheless, so far in 2002 Asia's economies and markets have fared better than their counterparts elsewhere, with the notable exception of Japan.

For the six funds in the Matthews Asian Funds family, the fiscal year saw returns ranging from +68% in the case of the Matthews Korea Fund to -12% for the Matthews Japan Fund.

Within Asia the nature of economic recovery has remained uneven, with significant strength in some sectors offsetting weakness in others. Notably, the consumer sector continues to play a growing role in China, Thailand, and South Korea. Domestic spending in those countries and for the region as a whole is helping offset a weak global economy, particularly in technology-related exports. Asian exporters have also offset weak market conditions by gaining market share due to their highly competitive cost base.

Japan's economy has shown very modest signs of renewed growth, but there has been progress in restructuring and reform. We are particularly encouraged by the increased urgency shown by the Bank of Japan in addressing deflation, the major threat to Japanese economic recovery. Although there is disagreement within the government

about how vigorously anti-deflation policies should be pursued, the governor of the Bank of Japan has been increasingly supportive of strong measures. With some major Japanese equity indices at close to 20-year lows, such actions are long overdue.

China has continued to grow its economy at a rapid rate, confounding expectations that the slowing demand for exports would cause a dramatic decline in China's internal growth. While skeptics question the accuracy of China's statistics, the reality of its steady growth is readily apparent to regular travelers to China. During the past year, China has gained admission to the World Trade Organization, won its bid to host the 2008 Olympics, lost its best basketball player to the NBA draft, and eased tensions with the United States. China's financial markets remain underdeveloped and geopolitical concerns persist, but reform and restructuring in its state-owned enterprises and domestic financial system continue to move forward. We remain optimistic that Hong Kong will continue to benefit from its ever-closer ties with China such as the growing number of major Chinese companies seeking to improve their access to foreign capital through listing on Hong Kong's well-regulated stock market.

2 Matthews Asian Funds

G. Paul Matthews,

Chairman and Chief Investment Officer (left)

Mark W. Headley,

President and Portfolio Manager

South Korea has sustained its dramatic progress in financial restructuring and economic recovery, proving extraordinarily resilient to slowing external demand. South Korea is one of the few relatively large countries in the region on the verge of surpassing the \$10,000-per-capita GNP threshold, widely considered the definition of a developed country. Successful restructuring has allowed it to lead the way in generating consumer growth, which has helped offset declines in trade and the growth of capital investment. As always, the prospect of reunification with North Korea remains an uncertainty, but Kim Dae-Jung's sunshine policies toward the North seem to be improving dialogue between North and South as well as between North Korea, Japan, and the U.S.

South Asian countries still face a number of challenges, but even in the Philippines and Indonesia local financial markets have stabilized and some progress has been made toward improving reporting and governance standards. Thailand has best emulated South Korea's efforts to grow its domestic economy.

As a fund family, Matthews Asian Funds has worked hard to improve our communications with shareholders and provide as much information as possible on the region and our investment efforts. Most notably, we have enhanced the fund family's Web site, www.matthewsfunds.com, with daily, weekly, and monthly reports available through e-mail subscription. We are also publishing special reports under our new AsiaNow research series. We encourage you to visit us online or call us at 800-789-ASIA [2742] if you would like to receive this information.

In closing, we remain highly encouraged by broad trends in Asia as well as by the steady growth and the improvement in corporate quality found across the portfolios. We thank you for your continued support of our efforts.

G. Paul Matthews

Chairman and Chief Investment Officer

Mark W. Headley

President and Portfolio Manager

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Matthews Pacific Tiger Fund (MAPTX)

Overall Morningstar rating as of 8/31/02 out of 76 Pacific/Asia ex-Japan Funds.

This growth fan remains one of the best offerings in its category.

William Samuel Rocco, Morningstar Analyst

Matthews Pacific Tiger Fund remains focused on firms with strong growth prospects and moderate prices, and it continues to consider all countries in emerging Asia and companies of all sizes. The portfolio's 25% financial stake includes significant positions in midsize Hong Kong banks Dah Sing Financial and Bank of East Asia. And the fund also owns several small caps, including the Singapore noodle company Nong Shim and the Hong Kong restaurant chain Cafe de Coral. As a result, its median market cap is still a fraction of the group norm.

Moreover, though Korea and Hong Kong remain the largest country weights here at about 27% and 25%, respectively the fund also has significant exposure to the region's smaller markets. In fact, its 9% Thailand stake and its 5% Indonesia position are much bigger than the category's norms. Smaller caps have also outpaced larger caps in emerging Asia, and several of Paul Matthews and Mark Headley's picks have done particularly well. The fund has also benefited from its hefty stake in Korea and its oversized positions in Thailand and Indonesia.

Superior results are nothing new here. The fund has beaten the competition in all kinds of markets in the past, and its long-term returns rank among its group's best. And it hasn't been much more volatile than most members of its chaotic category along the way. For all these reasons, we think this fund should be on every emerging-Asia fan's short list. n

September 4, 2002

Investing in foreign securities may involve certain additional risks including exchange rate fluctuations, reduced liquidity, greater volatility, and less regulation. Past performance does not guarantee future results. Investment return and principal value of mutual funds will vary with market conditions, so that shares, when redeemed, may be worth more or less than their original cost. As of 6/30/02, the 1-year total return for the Matthews Asian Growth and Income Fund was 17.63%, the 5-year average annual total return was 7.81% and since inception (9/12/94) the average annual total return was 8.17%. As of August 31, 2002, the Matthews Asian Growth and Income Fund received an Overall Morningstar Rating of 5 stars out of 76 funds in the Pacific/Asia ex-Japan stock category, 5 stars out of 76 funds for the 3-year period, and 5 stars out of 57 funds for the 5-year period. As of 6/30/02, the 1-year total return for the Matthews Pacific Tiger Fund was 9.17%, the 5-year average annual total return was 2.79% and since inception (9/12/94) the average annual total return was 1.57%. As of August 31, 2002, the Matthews Pacific Tiger Fund received an Overall Morningstar Rating of 4 stars out of 76 funds in the Pacific/Asia ex-Japan stock cate-

4 Matthews Asian Funds

Matthews Asian Growth and Income Fund (MACSX)

Overall Morningstar rating as of 8/31/02 out of 76 Pacific/Asia ex-Japan Funds.

This growth fan remains one of the best offerings in its category.

Matthews Asian Growth & Income continues to stand out and to stand tall.

This fund is as conservative as they come in the Pacific/Asia ex-Japan category. For starters, Paul Matthews is the only manager in the group who readily considers convertible bonds, and he normally invests one to two thirds of the portfolio in these tame securities. On Aug. 31, in fact, the fund had 37% of its assets in converts. And the rest of the portfolio, as usual, was divided between preferred stock (6% of assets) and moderately priced common stocks with hefty payouts (54% of assets)-which tend to be pretty resilient securities themselves. Meanwhile, due to the industry orientation of the convertible market as well as Mathews' value bias, the fund's sector exposure is also conservative.

Indeed, the fund had just 4% of its assets in tech issues at the end of August, while its typical peer had 24% of its assets invested in computer-related stocks. What's more, the fund has more country and issue diversification than many of its peers.

This conservatism served the fund nicely as emerging Asia's markets struggled in late spring and early summer. However, the fund also performed well when the region's markets bounced back in late summer and when they rallied earlier in the year, thanks to Matthews' strong security selection. The fund has consistently distinguished itself during past downturns in the market and has often done well during moderate upswings.

Therefore, though it has lagged during go-go surges such as 1999 its long-term returns rank among its group's best. And, as would be expected, it has suffered far less volatility than its rivals. In short, this fund remains a great way to play the emerging-Asia story while moderating the risk. n

September 9, 2002

gory, 4 stars out of 76 funds for the 3-year period, and 4 stars out of 57 funds for the 5-year period. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) The Overall Morningstar Rating for a fund is derived from a weighted-average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating metrics. A fund's rating may change at any time based on new data. Ratings are historical and do not represent future performance. Past performance is no guarantee of future results. Reprinted by permission of Morningstar.

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MATTHEWS PACIFIC TIGER FUND

Co-Portfolio Managers: G. Paul Matthews and Mark W. Headley

The Matthews Pacific Tiger Fund is an all-capitalization, core equity fund focusing on the broad range of equity markets in Asia ex-Japan. Historically, the Fund has not invested in Australia or New Zealand, which we do not consider part of Asia, nor has it invested in India, although it may eventually.

Matthews Asian Growth & Income continues to stand out and to stand tall.

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For the past year, the majority of the Matthews Pacific Tiger Fund's investments has been in Hong Kong, Korea, Singapore, China (typically listed in Hong Kong), and Thailand. The Fund also has exposure to companies in Taiwan, Indonesia, and the Philippines. For the 12-month period ended August 31, 2002, the Fund gained 8.44%, slightly lagging the benchmark MSCI All-Country Far East Free ex-Japan Index which gained 9.05%. Nevertheless, the Fund remains well ahead of the benchmark for its three-year, five-year, and since-inception time periods.

Through one of the most challenging periods in modern financial history, the performance of the Fund's holdings has been very encouraging. Providing positive returns and significant diversification from the broad U.S. and global markets, the Fund has participated in some of the most important trends in Asian markets. Domestically focused companies, in which the Fund has always maintained sizable exposure, have been the real story of the past year. From banking and electrical generation to fashion and beer, financially solid and well-managed Asian companies with strong local branding and distribution have been the primary contributors to performance.

Despite a very difficult global trade environment, a number of manufacturing companies in the portfolio have done well. Of note is Samsung Electronics, which has evolved from a commodity chip manufacturer into a top global consumer electronics company with an enormous range of high-quality products. Due to the awesome efficiency of China's manufacturing base, Asian manufacturers are taking market share from virtually every country in the world. Although the world's economy may continue to slow, the drive for low-cost products is pushing a vast array of traditional manufacturers to focus on marketing and distribution and to outsource manufacturing to Asian specialists.

The Matthews Pacific Tiger Fund remains fully invested in a well-diversified portfolio of companies. Stock selection is guided by continuous on-site company visits and tempered by the more than 20 years of hands-on Asian investing experience of Chief Investment Officer G. Paul Matthews. With the region supported by increasing domestic consumption and growing manufacturing, we are optimistic about the coming year. Valuations and corporate earnings growth are extremely attractive, giving perhaps the best overall growth at a reasonable price picture we have ever seen.

6 Matthews Asian Funds

Fund Performance

Average Annual Returns as of August 31, 2002

	Matthews Pacific Tiger Fund	MSCI All Country Far East Free ex-Japan Index ¹	Lipper Pacific ex-Japan Funds Average ²
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One Year	8.44%	9.05%	10.55%
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Three Years	-1.56%	-11.19%	-7.27%
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Five Years	-2.21%	-8.62%	-6.15%
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Since Inception

(9/12/94)	0.18%	-6.89%	-5.82%*
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*From 8/31/94

Growth of a \$10,000 Investment

Matthews Asian Growth & Income continues to stand out and to stand tall.

Past performance is not indicative of future results. Before taxes on distributions or redemptions of Fund shares.

¹ The MSCI All Country Far East Free ex-Japan Index is an unmanaged capitalization-weighted index of stock markets of Hong Kong, Taiwan, Singapore, Korea, Indonesia, Malaysia, Philippines, Thailand and China that excludes securities not available to foreign investors. Taiwan is only represented at 50% of its total market cap. ² As of 8/31/02, the Lipper Pacific Ex-Japan Funds Average consisted of 67 funds for the one-year period, 58 funds for the three-year period, 48 funds for the five-year period, and 20 funds since 8/31/94. Lipper Analytical Services, Inc. fund performance does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods. ³ For Lipper Pacific ex-Japan Funds Average, graph start date is 8/31/94.

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MATTHEWS ASIAN GROWTH AND INCOME FUND

Portfolio Manager: G. Paul Matthews

The Matthews Asian Growth and Income Fund seeks long-term capital appreciation and some current income through investments in higher-yielding equities, convertible bonds, and preferred shares of Asia-based companies.

The fiscal year ended August 31, 2002, was a positive one for the Matthews Asian Growth and Income Fund, which enjoyed a total return of 21.11% for the period. The Fund benefited from a general trend toward lower risk and a sustained decline in interest rates globally. In particular, higher-yielding securities in South Korea performed well, as a combination of better-than-expected economic performance and a shift in market emphasis towards domestically focused companies drove market performance. The Fund maintained an exposure to Korean securities of between 25% and 30% during the year.

Outside of Korea, securities listed in Hong Kong accounted for the second-largest portion of the portfolio. Historically, Hong Kong utilities and finance sectors have offered relatively high dividend yields, and our primary exposure is to these sectors. Although the physical limitations of Hong Kong have always restricted utility industry growth options, in our opinion a recently relaxed Chinese regulatory environment is presenting new growth opportunities. We have seen a number of Hong Kong electric and gas utilities announce acquisitions or new investment projects in China and elsewhere and believe this trend is still in its early stages. In the banking sector, the yields available on a number of bank stocks now exceed their deposit rates, which we believe is due to excessive pessimism over the future economic outlook for Hong Kong.

During the second half of the year, we increased our exposure to securities listed in Singapore, where we saw a number of opportunities to invest in proven, relatively stable businesses that have consistently sustained a relatively high level of dividend payout.

The Fund has maintained modest weightings in Taiwan and Thailand, which have been increased during the year. In Taiwan the exposure is entirely through dollar-denominated convertible bonds that are primarily convertible into the equity securities of listed banks and financial companies.

During the year the Fund's exposure to convertible bonds was reduced in favor of higher-yielding equities.

8 Matthews Asian Funds

Fund Performance

Average Annual Returns as of August 31, 2002

**Matthews
Asian
Growth and Income
FundMSCI All Country
Far East Free
ex-Japan Index¹Lipper Pacific
ex-Japan
Funds Average²**

One Year 21.11% 9.05% 10.55%

Three Years 13.29% -11.19% -7.27%

Five Years 7.52% -8.62% -6.15%

Since Inception

(9/12/94) **7.90% -6.89% -5.82%***

*From 8/31/94

Growth of a \$10,000 Investment

Past performance is not indicative of future results. Before taxes on distributions or redemptions of Fund shares.

¹ The MSCI All Country Far East Free ex-Japan Index is an unmanaged capitalization-weighted index of stock markets of Hong Kong, Taiwan, Singapore, Korea, Indonesia, Malaysia, Philippines, Thailand and China that excludes securities not available to foreign investors. Taiwan is only represented at 50% of its total market cap. ² As of 8/31/02, the Lipper Pacific Ex-Japan Funds Average consisted of 67 funds for the one-year period, 58 funds for the three-year period, 48 funds for the five-year period, and 20 funds since 8/31/94. Lipper Analytical Services, Inc. fund performance does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods. ³ For Lipper Pacific ex-Japan Funds Average, graph start date is 8/31/94.

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MATTHEWS KOREA FUND

Co-Portfolio Managers: G. Paul Matthews and Mark W. Headley

The Matthews Korea Fund is an all-capitalization equity fund with diversified exposure across a wide range of Korean equities.

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The fiscal year ended August 31, 2002, was a period of very positive performance for the Korean financial markets, buoyed by stronger-than-expected domestic growth led by the Korean consumer. Robust consumer spending and strength in the domestic real estate market more than compensated for the challenges faced by leading Korean exporters. Although the general environment for exports was difficult, the principal Korean manufacturers of automobiles and key electronic goods experienced surprisingly resilient demand for their products overseas. This was accounted for in part by the low valuation of the Korean won against the U.S. dollar, which remains approximately 40% below its pre-1998 levels.

The Matthews Korea Fund appreciated by 68.49% during the year, outperforming the benchmark KOSPI, which gained 44.09%. This outperformance can be attributed to the Fund's weighting in domestic industry stocks in general and consumer stocks in particular.

The Fund has consistently maintained a diversified approach to the Korean market, with its exposure broadly divided among the financial, consumer, and technology sectors. The financial sector has seen continuous restructuring over the past two years, with a number of bank mergers announced and completed. This restructuring contributed to positive Fund returns in banking and non-banking financial institutions. The first round of bank mergers has now been completed, but we believe that the next two to three years will see further consolidation. The consumer sector has benefited from a general increase in consumer confidence and spending, driven by lower interest rates and pent-up demand from the 1997-98 Asian crisis. The Korean technology sector has fared less well than purely domestic-oriented industries but has been more resilient than its international counterparts. Although we are encouraged by the strong relative performance of a number of Korean telecoms and semiconductor companies, the Fund has maintained a lower weighting in these two sectors than the benchmark index, and this has contributed positively to the Fund's performance.

The Korean economy appears well positioned relative to regional competitors. There is likely to be some uncertainty over the results of the coming general election, and, as always, the long-term future of relations with North Korea remains a factor. Irrespective of the coming elections, the reform and restructuring process in Korea has been more successful than in many other Asian countries, and we believe that it is likely to continue. Our portfolio remains broadly diversified by industry and company and we believe it will continue to benefit from sustained growth in the Korean economy.

10 Matthews Asian Funds

Fund Performance

Average Annual Returns as of August 31, 2002

	Matthews Korea Fund	KOSPI Index ¹	Lipper Pacific ex-Japan Funds Average ²
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One Year	68.49%	44.09%	10.55%
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Three Years	4.12%	-8.13%	-7.27%
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Five Years	6.43%	-3.97%	-6.15%
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Since Inception

(1/3/95)	-2.06%	-9.19%	-4.04%*
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*From 12/31/94

Growth of a \$10,000 Investment

Matthews Asian Growth & Income continues to stand out and to stand tall.

Past performance is not indicative of future results. Before taxes on distributions or redemptions of Fund shares.

¹ KOSPI: The South Korea Stock Price Index is a capitalization-weighted index of all common stocks listed on the Korean Stock Exchange. ² As of 8/31/02, the Lipper Pacific Ex-Japan Funds Average consisted of 67 funds for the one-year period, 58 funds for the three-year period, 48 funds for the five-year period, and 25 funds since 12/31/94. Lipper Analytical Services, Inc. fund performance does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods. ³ For Lipper Pacific ex-Japan Funds Average, graph start date is 12/31/94.

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MATTHEWS CHINA FUND

Co-Portfolio Managers: G. Paul Matthews, Mark W. Headley, and Richard H. Gao

The Matthews China Fund is an all-capitalization equity fund that invests in a diversified portfolio of Chinese securities.

The Matthews China Fund fell 1.16% for the fiscal year ended August 31, 2002, slightly underperforming its benchmark indices, the MSCI China Free Index and the CLSA China World Index, which were up 1.09% and down 0.41%, respectively. Nevertheless, the Fund outperformed its peer group the China Region Funds which was down an average of 2.52% according to Lipper Analytical Services.

During the fiscal year, global economic development continued to slow, worsened no doubt by the terrorist attacks and corporate scandals in the U.S. The Fund maintained its overemphasis on utilities, energy, infrastructure, and consumer goods. We believe these sectors are less affected by the global economy and that companies within them are direct beneficiaries of China's strong domestic economy.

Huaneng Power and Shangdong International Power, two of the largest independent power producers in China, were among the best-performing stocks in the portfolio. The Fund also benefited from its holdings in oil companies, which saw high profit growth as a result of a surge in oil prices. Consumer companies were also among the portfolio's top performers. On the downside, the Fund's investments in telecommunications and technology companies continued to suffer from a weak global technology market. The Fund's holdings in Hong Kong stocks were also hurt by the economic recession there.

China remains one of the few high-growth countries in the world. Economic growth has been accelerating since the end of 2001. GDP growth for the first half of 2002 was 7.8%. Exports also grew by more than 20% in the months of July and August. With high export growth and continued foreign investment, the country is becoming the manufacturing center of the world, taking export market share from other developing countries. Meanwhile, in the first year since it joined the World Trade Organization, China continues to pursue structural economic reform. The listing of the Bank of China Hong Kong, one of the largest Asian IPOs this year, is just one example of China's reform efforts in the banking sector.

The Fund remains fully invested and well diversified. We are glad to see that over the past year more and better-quality Chinese companies have been listed on the Hong Kong Stock Exchange. As a result, the Fund has more investment opportunities than ever, and we will continue to invest in companies that we believe have the best growth prospects in China's dynamic economy.

12 Matthews Asian Funds

Fund Performance

Average Annual Returns as of August 31, 2002

**Matthews
 China
 FundMSCI
 China
 Free Index¹Credit Lyonnais
 China World
 Index²Lipper China
 Region
 Funds Average³**

One Year -1.16% 1.09% -0.41% -2.52%

Three Years 4.63% -26.89% -7.54% -2.78%

Since Inception

(2/19/98) -0.27% -22.59% -7.11% -2.98%*

*From 2/28/98

Growth of a \$10,000 Investment

Past performance is not indicative of future results. Before taxes on distributions or redemptions of Fund shares.

1 The MSCI China Free Index is an unmanaged capitalization-weighted index of Chinese equities that includes Red Chips and H shares listed on the Hong Kong exchange, and B shares listed on the Shanghai and Shenzhen exchanges. Red Chips are Chinese companies that are incorporated in Hong Kong but have at least 35% of their shares held by Chinese state-owned organizations. 2 The Credit Lyonnais China World Index is an unmanaged capitalization-weighted index of Chinese equities that are listed on the Hong Kong, Shanghai and Shenzhen stock exchanges. 3 As of 8/31/02, the Lipper China Region Funds Average consisted of 23 funds for the one-year period, 21 funds for the three-year period, and 17 funds since 2/28/98. Lipper Analytical Services, Inc. fund performance does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods. 4 For Lipper China Region Funds Average, graph start date is 2/28/98.

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MATTHEWS JAPAN FUND

Portfolio Manager: Mark W. Headley

The Matthews Japan Fund is an all-capitalization core equity fund with diversified exposure across a wide range of corporate Japan.

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For the fiscal year ended August 31, 2002, the Fund lost 12.20% but outperformed the benchmark MSCI Developed Market Japan and TOPIX indices, which lost 14.96% and 13.85%, respectively. Following a weaker period the previous year, the Fund has improved its performance relative to its peers and benchmarks.

The Fund remains focused on three primary areas in the Japanese equity market: consumer and retail, financial services, and technology and manufacturing. Investing in innovative consumer and retail companies enables participation in the restructuring of the retail industry and in the long-awaited recovery of consumer spending. The Fund has had significant exposure to the financial services sector, where we believe restructuring ultimately holds the key to a true economic resurgence and a sustained bull market. Finally, the Fund has maintained diversified exposure to the technology and manufacturing industries, including such top names as Sony and Honda. We have also found attractive niche industries in which to participate, including temporary employment agencies and specialty mushroom farming.

On the broad economic picture and government policy in general, we have no prediction. Our years in Asia have taught us that the sentiment factor in any economy is vitally important to overall economic health, and the Japanese government has consistently taken steps that have undermined any recovery of confidence in the broad population. We remain convinced that things will improve eventually, but when the bureaucrats will work for the good of their nation rather than fight petty internal wars is hard to say. Japan's role in the regional economy is one area of undeniable change, as trade throughout the region especially with China consistently grows.

The Matthews Japan Fund remains fully invested and is currently unhedged. Looking forward it is well positioned for any positive developments in Japan's economic picture. We believe that many of the Fund's holdings control their own destinies and should thrive no matter what the top-line economic growth may be. We further believe that Japan offers many good long-term investment opportunities on a company-by-company basis and with any positive economic change the market could be very exciting.

14 Matthews Asian Funds

Fund Performance

Average Annual Returns as of August 31, 2002

Matthews
Japan
Fund TOPIX
Index¹ MSCI Developed
Market Japan
Index² Lipper
Japanese Funds
Average³

One Year -12.20% -13.85% -14.96% -14.96%

Three Years -20.12% -15.22% -14.65% -17.32%

Since Inception

(12/31/98) 2.78% -3.95% -5.27% -3.23%

Growth of a \$10,000 Investment

Past performance is not indicative of future results. Before taxes on distributions or redemptions of Fund shares.

Matthews Asian Growth & Income continues to stand out and to stand tall.

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¹ TOPIX: The Tokyo Price Index is a capitalization-weighted index of all companies listed on the First Section of the Tokyo Stock Exchange. ² The MSCI Developed Market Japan Index is an unmanaged capitalization-weighted index of all Japanese equities. ³ As of 8/31/02, the Lipper Japanese Funds Average consisted of 54 funds for the one-year period, 38 funds for the three-year period, and 37 funds since 12/31/98. Lipper Analytical Services, Inc. fund performance does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods.

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MATTHEWS ASIAN TECHNOLOGY FUND

Co-Portfolio Managers: G. Paul Matthews and Mark W. Headley

The Matthews Asian Technology Fund invests in companies located in Asia that derive a substantial portion of their revenue from technology-related industries and services.

The Asian technology sector had a very difficult year, suffering from the global economic downturn and weak overall demand. The global technology sector is suffering from the overcapacity built up during the peak cycle, as demand for personal computers faded away and no other products came forward to replace it as the main growth driver. Yet despite an environment characterized by global economic malaise, overcapacity, and weak overall demand, Asian technology companies fared better than many of their non-Asian competitors, gaining market share in primary markets, especially the U.S. Nevertheless, gaining market share was not enough for the sector to remain in positive territory for the year. The Fund was down 10.40% for the fiscal year ended August 31, 2002, whereas the MSCI/Matthews Asia Technology Fund Index, which unlike the Fund is heavily weighted in Japan, was down only 6.53% for the same period.

One of the positive trends we are seeing in the Asian technology arena is the growing sale of new consumer products such as digital cameras, flat-screen displays, and DVD players. The demand for these products is expected to accelerate as competition and manufacturing efficiencies continue to erode prices. These innovative products, commercialized by Asian companies, should help drive growth until the global market recovers.

We also expect Asian technology companies to continue gaining market share. For example, Samsung Electronics, which was the biggest positive contributor to the Fund in the past year, is the classic case of a profitable company focused on quality and innovation. We are seeing this more and more in Asia: companies that strive to be number one, not just in Asia but worldwide.

The health of the U.S. economy continues to be the most vital factor for continued growth in the Asian technology sector. The Chinese market is on the rise, but it is not yet big enough to provide any meaningful buffer against a depressed U.S. market. On the other hand, we expect Asia's high savings rate, rising per-capita income, and increasingly positive cultural attitude toward consumer spending to become the primary drivers for Asian technology growth. The Asian market should eventually become as big as the U.S. market, and Asian technology companies are best positioned to benefit from the rising Asian consumer market.

We continue to focus on innovative companies as they develop new products that will enable them to maintain and sustain growth.

16 Matthews Asian Funds

Fund Performance

Average Annual Returns as of August 31, 2002

**Matthews
Asian Technology
FundMSCI/Matthews
Asian Technology
Index¹Lipper Science and
Technology Funds
Average²**

One Year -10.40% -6.53% -39.69%

Since Inception

(12/27/99) **-33.85% -35.13% -41.10%***

*From 12/31/99

Growth of a \$10,000 Investment

Past performance is not indicative of future results. Before taxes on distributions or redemptions of Fund shares.

¹ The MSCI/Matthews Asian Technology Index is an unmanaged capitalization-weighted index of Asian equities tracking a broad range of technology stocks including: semiconductor equipment and products, communications equipment, computers and peripherals, electronic equipment and instruments, office electronics, software, IT consulting and services, Internet software and services, diversified telecommunications services, and wireless telecommunications services. ² As of 8/31/02, the Lipper Science and Technology Funds Average consisted of 387 funds for the one-year period and 171 funds since 12/31/99. Lipper Analytical Services, Inc. fund performance does not reflect sales charges and is based on total return, including reinvestment of dividends and capital gains for the stated periods. ³ For Lipper Science and Technology Funds Average, graph start date is 12/31/99. **www.matthewsfunds.com | 800-789-ASIA [2742] 17**

August 31, 2002

MATTHEWS PACIFIC TIGER FUND

	SHARES	VALUE

EQUITIES: 99.66%*		
China/Hong Kong: 40.64%		
Asia Satellite Telecommuni- cations Holdings Ltd.	1,476,600	\$2,195,975
AsiaInfo Holdings, Inc.**	418,200	1,913,265
Bank of East Asia Ltd.	1,443,600	2,748,399
Cafe De Coral Holdings Ltd.	2,724,800	2,078,539
China Mobile HK Ltd. **	1,149,717	3,176,470
China Mobile HK Ltd. ADR **	165,850	2,297,022
China Pharmaceutical Enterprise and Investment Corp., Ltd.	15,239,000	2,285,856
Dah Sing Financial Group	829,200	3,635,732
Giordano International, Ltd.	9,439,000	4,174,953
Huaneng Power Interna-		

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tional, Inc. ADR	108,000	3,240,000
Legend Group Ltd.	12,322,000	4,620,762
Li & Fung Ltd.	1,561,000	1,701,094
Quality Healthcare Asia Ltd.**	5,852,000	120,041
Shangri-La Asia Ltd.	6,022,000	3,937,472
Swire Pacific Ltd. - Class A	871,000	3,941,843
Television Broadcasts Ltd.	554,700	1,795,668
Vitasoy International Holdings, Ltd.	15,190,750	2,784,978
Total China/Hong Kong		46,648,069

Indonesia: 4.69%		
PT Astra International, Inc.**	4,299,000	1,553,563
PT Bank Central Asia	7,265,000	1,845,991
PT Ramayana Lestari Sentosa	5,637,000	1,989,342
Total Indonesia		5,388,896

Philippines: 0.67%		
SM Prime Holdings, Inc.	7,030,000	772,900

Singapore: 11.91%		
CSE Systems & Engineering Ltd.**	2,313,000	\$515,504
DBS Group Holdings Ltd.	456,750	3,106,113
Fraser & Neave Ltd.	876,500	3,856,864
Great Eastern Holdings Ltd.	520,500	2,766,275
Venture Corp., Ltd.	464,800	3,426,475
Total Singapore		13,671,231

South Korea: 26.77%		
Hana Bank	378,437	5,887,742
Handsome Co., Ltd.	196,410	1,764,822
Hite Brewery Co., Ltd.	63,527	3,567,596
Hyundai Marine & Fire Insurance Co., Ltd.	47,520	1,443,055
Internet Auction Co., Ltd.**	162,360	3,005,541
KT Corp. ADR	66,000	1,498,860
Nong Shim Co., Ltd.	50,150	3,246,117
Pulmuone Co., Ltd.	105,150	3,123,137
Samsung Electronics Co., Ltd.	16,533	4,552,954
SK Telecom Co., Ltd.	4,945	972,996
SK Telecom Co., Ltd. ADR	76,500	1,664,640
Total South Korea		30,727,460

Taiwan: 6.15%		
Hon Hai Precision Industry Co., Ltd.	488,750	1,855,380
SinoPac Holdings Co.**	6,405,966	2,805,942
Taiwan Semiconductor Manufacturing Co., Ltd.**	954,620	1,391,022
Via Technologies, Inc.	588,392	1,005,137
Total Taiwan		7,057,481

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Thailand: 8.83%

Advanced Info Service Public Co., Ltd.	6,657,200	4,575,932
Bangkok Bank Public Co., Ltd.**	2,784,500	4,157,935
Serm Suk Public Co., Ltd.	269,100	1,403,225
Total Thailand		10,137,092

See accompanying notes to financial statements

18 Matthews Asian Funds

	SHARES	VALUE
TOTAL INVESTMENTS: 99.66%		\$114,403,129
(Cost \$118,491,564***)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 0.34%		394,952
NET ASSETS: 100.00%		\$114,798,081

* As a percentage of net assets as of August 31, 2002

** Non - income producing security.

ADR American Depositary Receipt

*** Cost for Federal income tax purposes is \$119,024,662 and net unrealized depreciation consists of:

Gross unrealized appreciation	\$11,564,951
Gross unrealized depreciation	(16,186,484)

Net unrealized depreciation	\$(4,621,533)
	=====

MARKET SECTOR DIVERSIFICATION

As a Percentage of Total Value of Investment in Securities

Consumer Discretionary	19.23%
Distributors	2.84%
Hotels, Restaurants & Leisure	5.26%
Internet & Catalog Retail	2.63%
Media	1.57%
Multiline Retail	1.74%
Specialty Retail	3.65%
Textiles & Apparel	1.54%

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Consumer Staples	15.72%
Beverages	7.72%
Food Products	8.00%
Financials	28.95%
Banks	22.19%
Diversified Financials	2.40%
Insurance	3.68%
Real Estate	0.68%
Health Care	2.10%
Health Care Providers & Services	0.10%
Medical & Pharmaceutical	2.00%
Information Technology	16.85%
Computers & Peripherals	5.66%
Electronic Equipment & Instruments	3.00%
IT Consulting & Services	2.12%
Semiconductor Equipment & Products	6.07%
Telecommunication Services	14.32%
Diversified Telecommunication Services	3.23%
Wireless Telecommunication Services	11.09%
Utilities	2.83%
Electric Utilities	2.83%

TOTAL INVESTMENTS	100.00%
	=====

See accompanying notes to financial statements

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August 31, 2002

MATTHEWS ASIAN GROWTH AND INCOME FUND

	SHARES	VALUE

EQUITIES: 60.13%*		
China/Hong Kong: 34.76%		
Bank of East Asia Ltd.	1,625,400	\$3,094,519
BOC Hong Kong Holdings Ltd. **	2,539,500	2,734,853
Cafe De Coral Holdings Ltd.	3,776,000	2,880,418
Cheung Kong Infrastructure Holdings Ltd.	1,392,500	2,427,955
China Hong Kong Photo Products Holdings Ltd.	8,810,003	564,745
CLP Holdings Ltd.	1,120,700	4,511,547
Dickson Concepts International, Ltd.	1,295,500	323,876
Hang Seng Bank Ltd.	278,300	2,988,165
Hong Kong & China Gas Co., Ltd.	2,991,000	4,007,183
Hongkong Electric		

Matthews Asian Growth & Income continues to stand out and to stand tall.

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Holdings Ltd.	1,317,000	5,132,936
Hongkong Land Holdings Ltd.	1,533,000	2,130,870
Huaneng Power International, Inc. ADR	84,950	2,548,500
MTR Corp., Ltd.	2,162,000	2,730,225
PetroChina Co., Ltd.	6,000,000	1,223,080
PetroChina Co., Ltd. ADR	104,700	2,155,773
Shandong International Power Development Co., Ltd.	6,884,000	1,562,142
Shangri-La Asia Ltd.	5,399,000	3,530,124
Television Broadcasts Ltd.	746,000	2,414,942
The Wharf Holdings Ltd.	1,794,000	3,737,510
Vitasoy International Holdings Ltd.	12,905,000	2,365,924

Total China/Hong Kong **53,065,287**

Indonesia: 0.63%

PT Indosat ADR	93,000	953,250
----------------	--------	---------

Singapore: 5.37%

Fraser & Neave Ltd.	1,219,800	5,367,488
Great Eastern Holdings Ltd.	49,900	265,201
Singapore Exchange Ltd.	3,677,000	2,563,570

Total Singapore **8,196,259**

South Korea: 14.13%

Daehan City Gas Co., Ltd.	142,000	\$1,677,607
Hyundai Motor Co., Ltd., Pfd.	251,350	3,189,057
Kookmin Bank ADR	1,414	66,175
Korea Electric Power Corp. ADR	125,250	1,252,500
Korea Gas Corp.	148,870	2,508,106
LG Household & Health Care Ltd., Pfd.	143,830	2,393,278
Samsung Fire & Marine Insurance Co., Ltd., Pfd.	114,620	3,528,383
Shinhan Financial Group Co., Ltd.	183,410	2,578,834
Sindo Ricoh Co., Ltd.	57,190	2,697,843
S-Oil Corp.	103,500	1,687,757

Total South Korea **21,579,540**

Thailand: 3.26%

Bangkok Bank Public Co., Ltd. **	843,000	1,258,804
Charoen Pokphand Foods Public Co., Ltd.	4,870,000	526,361
Charoen Pokphand Foods Public Co., Ltd., Foreign	15,405,000	1,665,009
Charoen Pokphand Foods Public Co., Ltd., Warrants **	638,000	54,439
Thai Farmers Bank Public Co., Ltd. **	560,000	338,468
Thai Farmers Bank Public Co., Ltd., Foreign **	304,000	208,959
Thai Reinsurance Public Co., Ltd.	1,197,600	929,637

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Total Thailand		4,981,677

United Kingdom: 1.98%		
HSBC Holdings PLC ADR	53,000	3,029,480

TOTAL EQUITIES		91,805,493

(Cost \$91,369,374)		

See accompanying notes to financial statements

20 Matthews Asian Funds

	FACE AMOUNT	VALUE

INTERNATIONAL DOLLAR BONDS: 37.00%*		
China/Hong Kong: 12.00%		
Hang Lung Properties, Ltd., Cnv. 5.500%, 12/29/49	\$7,000,000	\$5,862,500
China Mobile Hong Kong Ltd., Cnv. 2.250%, 11/03/05	7,900,000	7,584,000
New World Capital Finance Ltd., Cnv. 3.000%, 06/09/04	600,000	710,250
New World Infrastructure Cnv. 1.000%, 04/15/03	400,000	532,000
PCCW Capital II Ltd., Cnv. 1.000%, 01/29/07	3,800,000	3,638,500

Total China/Hong Kong		18,327,250

Singapore: 2.71%		
Finlayson Global Corp. (DBS Holdings) 0.000%, 02/19/04	3,150,000	4,008,375
Finlayson Global Corp.*** (DBS Holdings) 0.000%, 02/19/04	100,000	127,250

Total Singapore		4,135,625

South Korea: 11.94%		
HMC Cayman Finance Co., Cnv. 3.000%, 08/17/03	3,200,000	3,480,000
Korea Deposit Insurance Corp., Cnv. 2.250%, 10/11/05	4,820,000	5,729,775
Korea Telecom Corp., Cnv. 0.250%, 01/04/07	7,825,000	8,607,500

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Korea Telecom Corp., Cnv.*** 0.250%, 01/04/07	375,000	412,500
Total South Korea		18,229,775

Taiwan: 8.67%		
Cathay Financial Holding Co., Cnv. 0.000%, 05/20/07	6,100,000	5,955,125
Fubon Financial Holding Co., Ltd., Cnv. 0.000%, 07/10/04	4,500,000	4,646,250
Sinopac Holdings Cnv. 0.000%, 07/12/07	2,500,000	2,637,500
Total Taiwan		13,238,875

Thailand: 1.68%		
Bangkok Bank Public Co., Ltd., Cnv. 4.589%, 03/03/04	\$4,200,000	\$2,551,500
Robinson Department Store, Cnv.**** 4.250%, 04/07/04	50,000	5,000
Total Thailand		2,556,500

TOTAL INTERNATIONAL DOLLAR BONDS		56,488,025

(Cost \$56,790,285)		
TOTAL INVESTMENTS: 97.13%*		148,293,518
(Cost \$148,159,659*****)		
CASH AND OTHER ASSETS, LESS LIABILITIES: 2.87%		4,387,683

NET ASSETS: 100.00%		\$152,681,201
=====		

* As a percentage of net assets as of August 31, 2002

** Non - income producing security.

*** Securities exempt from registration under rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At August 31, 2002, the value of these securities amounted to \$539,750 or 0.35% of net assets.

**** Security for which market quotations are no longer available. Represents .003% of net assets. This security has been valued under procedures established by the Fund's Board of Directors.

ADR American Depositary Receipt

Pfd. Preferred

Cnv. Convertible

***** Cost for Federal income tax purposes is \$148,167,627 and net unrealized appreciation consists of:

Gross unrealized appreciation \$5,798,981

Gross unrealized depreciation (5,673,090)

Net unrealized appreciation \$125,891

=====

See accompanying notes to financial statements

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August 31, 2002

MATTHEWS ASIAN GROWTH & INCOME FUND continued

MARKET SECTOR DIVERSIFICATION**As a Percentage of Total Value of
Investment in Securities**

Consumer Discretionary	12.64%
Automobiles	2.15%
Hotels, Restaurants & Leisure	4.33%
Household Appliances	2.70%
Household Products	1.61%
Media	1.63%
Specialty Retail	0.22%
Consumer Staples	5.22%
Beverages	5.22%
Energy	6.24%
Oil & Gas	6.24%
Financials	43.94%
Banks	6.19%
Diversified Financials	13.16%
Insurance	11.07%
Real Estate	7.91%
Special Purpose Entity	5.61%
Industrials	5.35%
Agriculture	1.51%
Transportation Infrastructure	3.84%
Information Technology	2.20%
Electronic Equipment & Instruments	0.38%
Office Electronics	1.82%
Telecommunication Services	14.29%
Diversified Telecommunication Services	9.18%
Wireless Telecommunication Services	5.11%
Utilities	10.12%
Electric Utilities	10.12%
TOTAL INVESTMENTS	100.00%
=====	=====

See accompanying notes to financial statements

22 Matthews Asian Funds

Matthews Asian Growth & Income continues to stand out and to stand tall.

MATTHEWS KOREA FUND

	SHARES	VALUE

EQUITIES-SOUTH KOREA: 98.84%*		
BUSINESS SERVICES: 1.78%		
Media: 1.78%		
Cheil Communications, Inc.	24,740	\$2,459,695
CJ Entertainment, Inc. **	163,007	2,054,625

Total Business Services		4,514,320

CONSUMER DISCRETIONARY: 9.51%		
Automobiles: 5.23%		
Hyundai Motor Co., Ltd	304,681	8,618,623
Hyundai Motor Co., Ltd Pfd.	363,380	4,610,462

		13,229,085

Automobile Parts: 0.16%		
Global & Yuasa Battery Co., Ltd.	224,800	393,697

Internet & Catalog Retail: 2.70%		
Internet Auction Co., Ltd. **	250,317	4,633,764
LG Home Shopping, Inc.	20,443	2,202,561

		6,836,325

Retail: 1.42%		
Hyundai Department Store Co., Ltd.	129,200	3,595,607

Total Consumer Discretionary		24,054,714

CONSUMER STAPLES: 15.43%		
Beverages: 4.53%		
Hite Brewery Co., Ltd.	111,351	6,253,332
Lotte Chilsung Beverage Co.	9,270	5,205,915

		11,459,247

Consumer Products: 3.44%		
Handsome Co., Ltd.	114,290	1,026,941
Hanssem Co., Ltd. **	168,400	1,408,062
Pacific Corp.	58,880	6,270,344

		8,705,347

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Food Products: 6.41%		
Cheil Jedang Corp.	42,200	1,948,584
Lotte Confectionery Co., Ltd.	9,450	4,795,956
Nong Shim Co., Ltd.	130,978	8,477,964
Pulmuone Co., Ltd.	33,810	1,004,216

		16,226,720

Household Products / Ware: 1.05%		
LG Household & Health Care, Ltd. Pfd.	159,270	\$2,650,193

Total Consumer Staples		39,041,507

FINANCIALS: 23.28%		
Banks: 13.07%		
Hana Bank	917,604	14,276,130
Kookmin Bank	254,263	11,888,665
Kookmin Bank ADR **	68,939	3,226,345
Shinhan Financial Group Co., Ltd.	261,192	3,672,486

		33,063,626

Diversified Financials: 3.77%		
Good Morning Securities Co., Ltd. **	1,024,650	4,262,448
Samsung Securities Co., Ltd.	127,495	3,733,786
Seoul Securities Co., Ltd.	336,380	1,539,240

		9,535,474

Insurance: 6.44%		
Hyundai Marine & Fire Insurance Co.	73,510	2,232,302
Samsung Fire & Marine Insurance Co., Ltd.	160,853	11,040,702
Samsung Fire & Marine Insurance Co., Ltd. Pfd.	98,000	3,016,764

		16,289,768

Total Financials		58,888,868

HEALTH CARE: 1.75%		
Health Care Equipment & Supplies: 0.36%		
Shinhang Co., Ltd.	342,700	919,512

Pharmaceuticals: 1.39%		
Yuhan Corp.	79,160	3,497,147

Total Health Care		4,416,659

See accompanying notes to financial statements

August 31, 2002

MATTHEWS KOREA FUND continued

	SHARES	VALUE
INDUSTRIALS: 6.99%		
Commercial Services: 2.53%		
S1 Corp.	318,095	\$6,404,508
Construction: 2.12%		
Tae Young Corp.	171,590	5,367,764
Metals & Mining: 2.34%		
Poongsan Corp.	547,240	5,918,815
Total Industrials		17,691,087
INFORMATION TECHNOLOGY: 18.68%		
Electrical & Electronic Equipment: 1.95%		
Dae Duck GDS Co., Ltd.	525,933	4,944,501
Internet Software & Services: 2.56%		
NCSOFT Corp.	58,707	6,471,715
Office Electronics: 2.08%		
Sindo Ricoh Co.	111,486	5,259,167
Semiconductor Equipment & Products: 12.09%		
Samsung Electronics	94,621	26,057,282
Samsung Electronics Co., Ltd. Pfd.	33,040	4,535,630
		30,592,912
Total Information Technology		47,268,295
TELECOMMUNICATION SERVICES: 14.05%		
Telecommunication Services: 5.53%		
Korea Telecom Corp.	120,570	5,487,066
Korea Telecom Corp. ADR	374,400	8,502,624
		13,989,690
Wireless Telecommunication Services: 8.52%		
KT Freetel **	262,361	7,530,641
SK Telecom Co., Ltd.	58,115	11,434,916
SK Telecom Co., Ltd. ADR	118,600	2,580,736
		21,546,293
Total Telecommunication Services		35,535,983

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UTILITIES: 7.37%		
Daehan City Gas Co., Ltd.	57,492	679,219
Korea Electric Power (KEPCO) Corp.	480,240	8,410,543
Korea Gas Corp.	567,820	9,566,417

Total Utilities **18,656,179**

	FACE AMOUNT	VALUE
TOTAL EQUITIES-SOUTH KOREA		\$250,067,612

(Cost \$181,434,510)

INTERNATIONAL DOLLAR BONDS: 1.09%*

FINANCIALS: 0.09%

Insurance: 0.09%

Korea Deposit Insurance Cnv. 2.250%, 10/11/05	\$200,000	237,750
--	-----------	---------

TELECOMMUNICATION SERVICES: 1.00%

Telecommunication Services: 1.00%

Korea Telecom Co. 0.250%, 01/04/07	1,925,000	2,117,500
Korea Telecom Co. 0.250%, 01/04/07 ***	375,000	412,500

Total Telecommunications Services **2,530,000**

**TOTAL INTERNATIONAL
DOLLAR BONDS** **2,767,750**

(Cost \$2,656,721)

TOTAL INVESTMENTS: 99.93% **252,835,362**

(Cost \$184,091,231****)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 0.07%** **168,101**

NET ASSETS: 100.00% **\$253,003,463**

* As a percentage of net assets as of August 31, 2002

** Non - income producing security.

*** Securities exempt from registration under rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified, institutional buyers. At August 31, 2002, the value of these securities amounted to \$412,500 or 0.16% of net assets.

**** Cost for Federal income tax purposes is \$189,337,695 and net unrealized depreciation consists of:

Gross unrealized appreciation	\$67,873,462
Gross unrealized depreciation	(4,375,795)

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	Net unrealized appreciation	----- \$63,497,667 =====
ADR	American Depositary Receipt	
Cnv.	Convertible	
Pfd.	Preferred	

See accompanying notes to financial statements

24 Matthews Asian Funds

MATTHEWS CHINA FUND

	SHARES	VALUE
	-----	-----
EQUITIES-CHINA/HONG KONG: 98.81%*		
CONSUMER DISCRETIONARY: 24.87%		
Automobiles & Components: 4.85%		
Denway Motors, Ltd.	3,650,600	\$1,076,462
Qingling Motors Co., Ltd. H Shares	5,227,000	556,208
		----- 1,632,670 -----
Consumer Durable & Apparel: 1.98%		
TCL International Holdings, Ltd.	424,000	114,154
Texwinca Holdings, Ltd.	808,000	554,207
		----- 668,361 -----
Distributors: 1.68%		
Li & Fung, Ltd.	520,000	566,668

Hotels, Restaurants & Leisure: 6.25%		
Cafe De Coral Holdings, Ltd.	1,154,100	880,373
Shangri-La Asia, Ltd.	1,875,000	1,225,965
		----- 2,106,338 -----
Media: 4.49%		
Clear Media, Ltd. **	1,288,000	817,387
MediaNation, Inc. **	1,709,000	63,540
Television Broadcasts, Ltd.	195,000	631,252
		----- 1,512,179 -----
Retail: 2.86%		
Giordano International, Ltd.	2,174,000	961,579

Travel & Recreation: 2.76%		
China Travel International		

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Investment Hong Kong, Ltd.	5,484,000	928,064
Total Consumer Discretionary		8,375,859

ENERGY: 14.06%		
Oil & Gas: 14.06%		
CNOOC, Ltd.	988,500	1,375,032
Hong Kong and China Gas Co., Ltd.	981,400	1,314,828
PetroChina Co., Ltd. H Shares	5,100,000	1,039,618
Sinopec Zhenhai Refining & Chemical Co., Ltd.	4,338,000	1,006,641
Total Energy		4,736,119

FINANCIALS: 7.80%		
Banks: 2.16%		
BOC Hong Kong (Holdings) Ltd. **	675,000	\$726,925
Diversified Financials: 3.17%		
Swire Pacific, Ltd. A Shares	236,000	1,068,054
Real Estate: 2.47%		
China Vanke Co., Ltd. B Shares	841,733	830,944
Total Financials		2,625,923

HEALTH CARE: 3.65%		
Pharmaceuticals: 3.65%		
China Pharmaceutical Enterprise	8,204,000	1,230,603
Total Health Care		1,230,603

INDUSTRIALS: 23.38%		
Airlines: 4.66%		
Beijing Capital International Airport Co.	3,280,000	735,899
China Southern Airlines Co., Ltd Class H	2,022,000	609,194
China Southern Airlines Co., Ltd. ADR	14,800	225,256
		1,570,349
Industrial Conglomerates: 13.92%		
Beijing Enterprises Holdings, Ltd.	658,000	666,438
BYD Co., Ltd. **	106,000	199,770
Cheung Kong Infrastructure	919,500	1,603,235
China Merchants Holdings International Co., Ltd.	1,582,000	1,115,516
Shanghai Industrial Holdings, Ltd.	694,000	1,103,285
		4,688,244
Machinery: 1.53%		

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Shanghai Zhenhua Port Machinery Co., Ltd. B Shares	515,500	513,954

Transportation: 3.27%		
Zhejiang Expressway Co., Ltd. H Shares	3,404,000	1,101,939

Total Industrials		7,874,486

See accompanying notes to financial statements

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August 31, 2002

MATTHEWS CHINA FUND continued

	SHARES	VALUE

INFORMATION TECHNOLOGY: 7.15%		
Computer Software: 1.51%		
Travelsky Technology, Ltd.	846,000	\$507,059

Computers & Peripherals: 3.48%		
Legend Holdings, Ltd.	3,122,000	1,170,753

IT Consulting & Services: 2.16%		
AsiaInfo Holdings, Inc. **	159,263	728,628

Total Information Technology		2,406,440

TELECOMMUNICATION SERVICES: 7.80%		
Wireless Telecommunication Services: 7.80%		
China Mobile HK, Ltd. **	471,083	1,301,521
China Mobile HK, Ltd. ADR **	21,500	297,775
China Unicom, Ltd. **	1,232,000	908,206
China Unicom, Ltd. ADR **	16,200	119,070

Total Telecommunication Services		2,626,572

UTILITIES: 10.10%		
Beijing Datang Power Generation, Co., Ltd. H Shares	2,606,000	918,784
Huaneng Power International, Inc. ADR	39,400	1,182,000
Huaneng Power International, Inc. H Shares	506,000	382,745
Shandong International Power Development Co., Ltd. H Shares	4,050,000	919,040

Total Utilities		3,402,569

TOTAL INVESTMENTS: 98.81%		33,278,571

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(Cost \$36,995,847***)

CASH AND OTHER ASSETS,
LESS LIABILITIES: 1.19% **396,702**

NET ASSETS: 100.00% **\$33,675,273**

* As a percentage of net assets as of August 31, 2002
 ** Non - income producing security.
 ADR American Depositary Receipt
 *** Cost for Federal income tax purposes is \$37,279,516 and net unrealized depreciation consists of:

Gross unrealized appreciation	\$2,231,875
Gross unrealized depreciation	(6,232,820)

Net unrealized depreciation	\$ (4,000,945)
	=====

See accompanying notes to financial statements

26 Matthews Asian Funds

MATTHEWS JAPAN FUND

	SHARES	VALUE
EQUITIES-JAPAN: 99.93%*		
CONSUMER DISCRETIONARY: 50.93%		
Automobiles: 5.48%		
Honda Motor Co., Ltd. ADR	24,300	\$515,160

Bicycle Manufacturing: 4.40%		
Shimano, Inc.	29,700	413,318

Household Durables: 14.40%		
Arc Land Sakamoto Co., Ltd.	28,300	372,353
Nintendo Co., Ltd.	3,965	479,552
Sony Corp.	4,100	178,780
Sony Corp. ADR	7,410	322,409

		1,353,094

Internet & Catalog Retail: 5.20%		
Belluna Co., Ltd.	12,124	488,784

Media: 3.64%		
Fuji Television Network, Inc.	71	341,931

Retail: 17.81%		
Don Quijote Co., Ltd.	5,300	534,180

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Fast Retailing Co., Ltd.	14,300	413,689
Kyoto Kimono Yuzen Co., Ltd.	107	324,885
USS Co., Ltd.	9,200	401,940

		1,674,694

Total Consumer Discretionary		4,786,981

FINANCIALS: 25.16%

Banks: 7.49%

Mizuho Holdings, Inc.	232	497,010
The Joyo Bank, Ltd.	34,000	94,632
The Sumitomo Trust and Banking Co., Ltd.	26,000	112,276

		703,918

Diversified Financials: 13.60%

Japan Securities Finance Co., Ltd.	63,000	222,637
Monex, Inc. **	1,702	286,239
Nikko Cordial Corp.	39,000	162,822
Nomura Holdings, Inc.	32,000	421,845
UFJ Tsubasa Securities Co., Ltd.	72,000	184,608

		1,278,151

Insurance: 4.07%

AFLAC, Inc.	12,500	382,625

Total Financials 2,364,694

INFORMATION TECHNOLOGY: 10.79%

Electronic Equipment & Instruments: 6.18%

Canon, Inc.	12,500	\$428,035
Kyocera Corp.	2,200	152,709

		580,744

Semiconductor Equipment: 2.47%

Rohm Co., Ltd.	1,700	231,991

Software: 2.14%

Access Co., Ltd. **	15	201,155

Total Information Technology 1,013,890

MANUFACTURING: 4.32%

Agricultural: 1.07%

Hokuto Corp.	3,800	100,316
--------------	-------	---------

Electronics: 3.25%

Murata Manufacturing Co., Ltd.	5,400	306,060

Total Manufacturing 406,376

SERVICES: 4.57%

Business Services: 4.57%

The Goodwill Group, Inc.	135	429,257
--------------------------	-----	---------

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Total Services 429,257

TELECOMMUNICATION SERVICES: 4.16%

Diversified Telecommunication Services: 4.16%

Nippon Telegraph & Telephone Corp.	36	141,491
Nippon Telegraph & Telephone Corp. ADR	12,525	249,374

Total Telecommunication Services 390,865

TOTAL INVESTMENTS: 99.93% 9,392,063

(Cost \$9,419,135***)

**CASH AND OTHER ASSETS,
LESS LIABILITIES: 0.07%** 6,532

NET ASSETS: 100.00% \$9,398,595

* As a percentage of net assets as of August 31, 2002

** Non - income producing security.

ADR American Depositary Receipt

*** Cost for Federal income tax purposes is \$10,216,662 and net unrealized depreciation consists of:

Gross unrealized appreciation	\$558,931	
Gross unrealized depreciation	(1,383,530)	

Net unrealized depreciation	\$(824,599)	=====

See accompanying notes to financial statements

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August 31, 2002

MATTHEWS ASIAN TECHNOLOGY FUND

	SHARES	VALUE
EQUITIES: 100.44%*		
China/Hong Kong: 22.21%		
Asia Satellite Telecommuni- cations Holdings Ltd.	82,900	\$123,287
AsiaInfo Holdings, Inc. **	63,300	289,598
China Mobile HK Ltd. **	69,000	190,635
China Mobile HK Ltd. ADR **	6,900	95,565
China Unicom Ltd. **	180,000	132,693
Legend Group Ltd.	889,000	333,376
TPV Technology Ltd.	442,000	147,334
VTech Holdings Ltd. **	212,000	216,077

Total China/Hong Kong		1,528,565

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India: 2.05%		
Wipro Ltd.	5,400	140,940
Japan: 18.96%		
Access Co., Ltd. **	12	160,924
Advantest Corp.	2,900	139,906
Canon, Inc.	7,500	256,821
Nintendo Co., Ltd.	2,235	270,315
Rohm Co., Ltd.	1,000	136,465
Sony Corp.	4,500	196,223
Sony Corp. ADR	3,300	143,583
Total Japan		1,304,237
Singapore: 6.02%		
CSE Systems & Engineering Ltd. **	389,000	86,697
Venture Corp., Ltd.	44,400	327,314
Total Singapore		414,011
South Korea: 28.79%		
Intelligent Digital Integrated Security Co., Ltd.	9,571	170,406
Internet Auction Co., Ltd. **	14,986	277,415
KT Corp.	6,010	273,511
KT Corp. ADR	6,400	145,344
KT Freetel **	4,241	121,731
NCsoft Corp. **	3,023	333,248
Samsung Electronics Co., Ltd.	1,348	371,220
SK Telecom Co., Ltd.	1,019	200,502
SK Telecom Co., Ltd. ADR	4,000	\$87,040
Total South Korea		1,980,417
Taiwan: 16.98%		
Asustek Computer, Inc.	39,000	93,955
Hon Hai Precision Industry Co., Ltd.	66,140	251,079
LITE-ON IT Corp.	46,000	257,906
Realtek Semiconductor Corp.	40,750	116,616
Sunplus Technology Co., Ltd.	107,500	200,905
Taiwan Semiconductor Manufacturing Co., Ltd. **	169,990	247,700
Total Taiwan		1,168,161
Thailand: 5.43%		
Advanced Info Service Public Co., Ltd.	358,000	246,077
Shin Satellite Public Co., Ltd. **	266,000	127,357
Total Thailand		373,434
TOTAL INVESTMENTS: 100.44%		6,909,765

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(Cost \$8,285,166***)

LIABILITIES, LESS CASH
AND OTHER ASSETS: (0.44%) **(30,598)**

NET ASSETS: 100.00% **\$6,879,167**
=====

* As a percentage of net assets as of August 31, 2002
** Non - income producing security.
ADR American Depositary Receipt
*** Cost for Federal income tax purposes is \$9,381,559 and net
unrealized depreciation consists of:
Gross unrealized appreciation \$210,952
Gross unrealized depreciation (2,682,746)

Net unrealized depreciation \$(2,471,794)
=====

See accompanying notes to financial statements

28 Matthews Asian Funds

MARKET SECTOR DIVERSIFICATION
As a Percentage of Total Value of
Investment in Securities

Consumer Discretionary	12.85%
Internet & Catalog Retail	4.02%
Leisure Equipment & Products	8.83%
Industrials	7.20%
Commercial Services & Supplies	7.20%
Information Technology	54.71%
Computers & Peripherals	21.04%
Electronic Equipment & Instruments	5.15%
Internet Software & Services	13.38%
IT Consulting & Services	1.26%
Office Electronics	3.72%
Semiconductor Equipment & Products	10.16%
Telecommunication Services	25.24%
Diversified Telecommunication Services	13.85%
Wireless Telecommunication Services	11.39%
TOTAL INVESTMENTS	100.00%

See accompanying notes to financial statements

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August 31, 2002

	Matthews Pacific Tiger Fund	Matt Asian Gr and Income
Assets:		
Investments at value (A)	\$114,403,129	\$148,293
Cash	--	3,796
Foreign currency at value (B)	--	500
Dividends and interest receivable	272,703	710
Receivable for securities sold	1,108,474	397
Receivable for capital shares sold	475,887	673
Deferred organization costs (Note 1-F)	--	
Other assets	2,240	
Total assets	116,262,433	154,373
Liabilities:		
Payable for securities purchased	--	1,042
Payable for capital shares redeemed	204,646	402
Cash overdraft	1,030,298	
Due to Advisor (Note 2)	99,078	124
Payable for shareholder service fee	14,861	18
Accrued expenses	114,879	104
Other liabilities	590	
Total liabilities	1,464,352	1,692
Net Assets:	\$114,798,081	\$152,681
Shares Outstanding:		
(shares of beneficial interest issued and outstanding, respectively, unlimited number of shares authorized with a \$0.001 par value)	13,444,075	14,258
Net asset value, offering price and redemption price	\$8.54	\$1
Net Assets Consist of:		
Capital paid-in	\$125,092,818	\$150,150
Accumulated undistributed net investment income (loss)	(77,025)	17
Accumulated net realized gain (loss) on investments	(6,129,228)	2,378
Net unrealized appreciation (depreciation) on investments and foreign currency related transactions	(4,088,484)	133
Net Assets:	\$114,798,081	\$152,681
(A) Investments at cost	\$118,491,564	\$148,159
(B) Foreign currency at cost	\$0	\$500

See accompanying notes to financial statements

30 Matthews Asian Funds

Matthews Korea Fund	Matthews China Fund	Matthews Japan Fund	Matthews Asian Technology Fund
\$252,835,362	\$33,278,571	\$9,392,063	\$6,909,765
815,014	530,087	--	--
--	--	--	--
2,680	40,539	8,564	--
--	--	261,179	25,057
67,187	53,798	7,450	13,600
--	1,452	--	--
11,501	1,961	181	319
253,731,744	33,906,408	9,669,437	6,948,741
--	--	--	--
213,511	158,417	28,203	27,202
--	--	217,517	18,231
210,007	28,167	12,861	3,776
31,501	4,327	1,243	898
272,122	40,224	10,049	17,490
1,140	--	969	1,977
728,281	231,135	270,842	69,574
\$253,003,463	\$33,675,273	\$9,398,595	\$6,879,167
57,286,221	3,758,476	979,016	2,198,076
\$4.42	\$8.96	\$9.60	\$3.13
\$169,854,027	\$38,899,130	\$17,889,579	\$26,089,582
(372,722)	439,725	(28,232)	(8,487)
14,778,027	(1,946,306)	(8,435,766)	(17,826,527)
68,744,131	(3,717,276)	(26,986)	(1,375,401)
\$253,003,463	\$33,675,273	\$9,398,595	\$6,879,167
\$184,091,231	\$36,995,847	\$9,419,135	\$8,285,166

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\$0

\$0

\$0

\$0

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For the Year Ended August 31, 2002

	Matthews Pacific Tiger Fund	Matt Asian Gr and Income
Investment Income:		
Dividends	\$1,797,548	\$1,549
Interest	148	981
Foreign withholding tax	(92,922)	(71,

Total investment income	1,704,774	2,459

Expenses		
Investment advisory fees (Note 2)	1,002,556	630
Transfer agent fees	247,123	123
Administration and accounting fees	168,544	107
Professional fees	18,557	14
Custodian fees	121,258	79
Directors fees (Note 2)	6,407	2
Shareholder service fee (Note 2)	151,034	96
Insurance expense	10,449	3
Amortization of organization costs (Note 1-F)	--	
Printing expense	33,392	15
Registration expenses	28,244	38
Other expenses	2,843	1

Total expenses	1,790,407	1,112
Expenses waived, reimbursed or recaptured (Note 2)	85,156	17

Net expenses	1,875,563	1,130

Net Investment Income (Loss)	(170,789)	1,329

Realized and Unrealized Gain (Loss) on Investments and Foreign Currency Related Transactions:		
Net realized gain (loss) on investments	(3,689,958)	3,326
Net realized gain (loss) on foreign currency related transactions	(78,838)	(23,
Net change in unrealized appreciation (depreciation) on investments and foreign currency related transactions	5,883,551	(280,

Net realized and unrealized gain (loss) on investments and foreign currency related transactions	2,114,755	3,022

Net Increase (Decrease) in Net Assets from Operations	\$1,943,966	\$4,351
=====		

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32 Matthews Asian Funds

Matthews Korea Fund	Matthews China Fund	Matthews Japan Fund	Matthews Asian Technology Fund
\$2,979,283	\$861,417	\$74,323	\$64,299
4,601	--	--	--
(517,313)	--	(11,110)	(13,601)
-----	-----	-----	-----
2,466,571	861,417	63,213	50,698
-----	-----	-----	-----
2,221,793	291,484	96,012	111,646
488,608	73,176	22,124	26,937
372,633	49,666	15,216	18,298
65,679	10,547	703	1,356
282,902	60,137	14,176	24,424
15,052	1,254	658	972
318,593	40,744	13,501	14,426
18,836	2,312	1,246	1,589
--	3,088	--	--
42,902	14,560	3,740	4,875
55,922	25,359	16,223	18,637
4,775	2,299	--	899
-----	-----	-----	-----
3,887,695	574,626	183,599	224,059
--	8,342	8,426	(767)
-----	-----	-----	-----
3,887,695	582,968	192,025	223,292
-----	-----	-----	-----
(1,421,124)	278,449	(128,812)	(172,594)
-----	-----	-----	-----
34,491,076	(841,030)	(4,235,766)	(2,202,645)
(400,383)	(24)	2,217	(9,567)
-----	-----	-----	-----
57,069,545	(1,608,943)	3,160,981	1,639,640
-----	-----	-----	-----
91,160,238	(2,449,997)	(1,072,568)	(572,572)
-----	-----	-----	-----
\$89,739,114	(\$2,171,548)	(\$1,201,380)	(\$745,166)
=====	=====	=====	=====

August 31, 2002

	Matthews Pacific Tiger Fund	
	Year Ended	Year E
	August 31, 2002	August 31,
Operations:		
Net investment income (loss)	(\$170,789)	\$574
Net realized gain (loss) on investments and foreign currency related transactions	(3,768,796)	(2,037,
Net change in unrealized appreciation (depreciation) on investments and foreign currency related transactions	5,883,551	(27,835,

Net increase (decrease) in net assets from operations	1,943,966	(29,298,

Dividends and Distributions to Shareholders from:		
Net investment income:		
Class I	(104,784)	(2,614,
Class A	N/A	(34,
Realized gains on investments:		
Class I	(274,572)	(7,093,
Class A	N/A	(107,

Net decrease in net assets resulting from distributions	(379,356)	(9,850,

Capital Share Transactions (net): (Note 1-L)		
Class I	36,730,362	3,667
Class A	N/A	(1,187,

Increase in net assets derived from capital share transactions	36,730,362	2,479

Total increase (decrease) in net assets	38,294,972	(36,669,

Net Assets:		
Beginning of year	76,503,109	113,172

End of year (including undistributed net investment income (loss) of \$(77,025), \$42,401, \$17,691, \$280,057, \$(372,722) and \$121,474 respectively)	\$114,798,081	\$76,503
=====		

N/A Not Applicable

See accompanying notes to financial statements

34 Matthews Asian Funds

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Matthews Asian Growth and Income Fund		Matthews Korea Fund	
Year Ended August 31, 2002	Year Ended August 31, 2001	Year Ended August 31, 2002	Year Ended August 31, 2001
\$1,329,018	\$1,268,721	\$ (1,421,124)	\$830,403
3,303,008	(825,263)	34,090,693	(13,729,542)
(280,755)	(240,759)	57,069,545	(1,209,908)

4,351,271	202,699	89,739,114	(14,109,047)

(1,362,799)	(1,065,963)	(467,505)	--
N/A	N/A	N/A	--
--	(1,037,531)	(3,455,469)	(29,963,931)
N/A	N/A	N/A	(12,702,421)

(1,362,799)	(2,103,494)	(3,922,974)	(42,666,352)

125,246,184	14,878,373	50,055,031	52,883,977
N/A	N/A	N/A	(5,884,513)

125,246,184	14,878,373	50,055,031	46,999,464

128,234,656	12,977,578	135,871,171	(9,775,935)

24,446,545	11,468,967	117,132,292	126,908,227

\$152,681,201	\$24,446,545	\$253,003,463	\$117,132,292
=====			

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August 31, 2002

	Matthews China Fund	
	Year Ended	Year E
	August 31, 2002	August 31,
Operations:		
Net investment income (loss)	\$278,449	\$376
Net realized loss on investments and foreign currency related transactions	(841,054)	(981,
Net change in unrealized appreciation (depreciation) on investments and foreign currency related transactions	(1,608,943)	(2,331,

Net decrease in net assets from operations	(2,171,548)	(2,936,

Dividends and Distributions to Shareholders from:		
Net investment income:		
Class I	(381,550)	(135,
Class A	N/A	
Realized gains on investments:		
Class I		(259,
Class A	N/A	

Net decrease in net assets resulting from distributions	(381,550)	(394,

Capital Share Transactions (net): (Note 1-L)		
Class I	16,385,313	13,942
Class A	N/A	

Increase (decrease) in net assets derived from capital share transactions	16,385,313	13,942

Total increase (decrease) in net assets	13,832,215	10,610

Net Assets:		
Beginning of year	19,843,058	9,232

End of year (including undistributed net investment income (loss) of \$439,725, \$358,736, \$(28,232), \$62,709, \$(8,487) and \$78,879 respectively	\$33,675,273	\$19,843
=====		

N/A - Not Applicable

See accompanying notes to financial statements.

36 Matthews Asian Funds

Matthews Japan Fund

Matthews Asian Technology Fund

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Year Ended August 31, 2002	Year Ended August 31, 2001	Year Ended August 31, 2002	Year Ended August 31, 2001
(\$128,812)	(\$102,884)	(\$172,594)	\$244,064
(4,233,549)	(3,446,164)	(2,212,212)	(12,868,227)
3,160,981	(4,135,528)	1,639,640	2,014,453

(1,201,380)	(7,684,576)	(745,166)	(10,609,710)

(182,412)	(360,020)	(142,101)	(615,326)
N/A	N/A	N/A	N/A
	(910,401)		
N/A	N/A	N/A	N/A

(182,412)	(1,270,421)	(142,101)	(615,326)

3,024,383	(7,155,774)	(1,840,654)	(3,737,856)
N/A	N/A	N/A	N/A

3,024,383	(7,155,774)	(1,840,654)	(3,737,856)

1,640,591	(16,110,771)	(2,727,921)	(14,962,892)

7,758,004	23,868,775	9,607,088	24,569,980

\$9,398,595	\$7,758,004	\$6,879,167	\$9,607,088
=====			

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MATTHEWS PACIFIC TIGER FUND

The table below sets forth financial data for a share of beneficial interest outstanding throughout each year presented.

	Year Ended August 31	2002	2001 (1)	2000
Net Asset Value, beginning of year		\$7.91	\$12.35	\$10

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Income (loss) from Investment Operations			
Net investment income (loss)	(0.01)	0.02	0.
Net realized gain (loss) and unrealized appreciation (depreciation) on investments and foreign currency	0.66	(3.37)	2.

Total from investment operations	0.65	(3.35)	2.

Less Distributions from:			
Net investment income	(0.01)	(0.31)	(0.
Net realized gains on investments	(0.03)	(0.84)	

Total distributions	(0.04)	(1.15)	(0.

Paid-in Capital from Redemption Fees (Note 1L)	0.02	0.06	0.

Net Asset Value, end of year	\$8.54	\$7.91	\$12.
=====			
Total Return	8.44%	(27.46%)	21.
Ratios/Supplemental Data			
Net assets, end of year (in 000's)	\$114,798	\$76,503	\$111,
Ratio of expenses to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	1.79%	1.90%	1.
Ratio of expenses to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 2)	1.87%	1.90%	1.
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	(0.17%)	0.67%	1.
Ratio of net investment income (loss) to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator	(0.09%)	0.67%	1.
Portfolio turnover	57.00%	63.59%	52.

(1) Net investment income (loss) has been restated to separate Paid-in Capital for redemption fees. See accompanying notes to financial statements.

38 Matthews Asian Funds

MATTHEWS ASIAN GROWTH AND INCOME FUND

The table below sets forth financial data for a share of beneficial interest outstanding throughout each year presented.

Matthews Asian Growth & Income continues to stand out and to stand tall.

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	Year Ended August 31	2002	2001 (1)	2000
Net Asset Value, beginning of year		\$9.08	\$10.50	\$9.08
Income (loss) from Investment Operations				
Net investment income		0.18	0.54	0.18
Net realized gain (loss) and unrealized appreciation (depreciation) on investments and foreign currency		1.70	(0.49)	1.70
Total from investment operations		1.88	0.05	1.88
Less Distributions from:				
Net investment income		(0.27)	(0.60)	(0.27)
Net realized gains on investments			(0.88)	
Total distributions		(0.27)	(1.48)	(0.27)
Paid-in Capital from Redemption Fees (Note 1L)		0.02	0.01	0.02
Net Asset Value, end of year		\$10.71	\$9.08	\$10.71
Total Return		21.11%	1.15%	18.18%
Ratios/Supplemental Data				
Net assets, end of year (in 000's)		\$152,681	\$24,447	\$11,700
Ratio of expenses to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		1.77%	1.90%	1.77%
Ratio of expenses to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 2)		1.79%	1.90%	1.79%
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		2.13%	7.71%	6.13%
Ratio of net investment income (loss) to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator		2.11%	7.71%	6.11%
Portfolio turnover		32.37%	33.94%	62.37%

(1) Net investment income (loss) has been restated to separate Paid-in Capital for redemption fees. See accompanying notes to financial statements.

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MATTHEWS KOREA FUND

The table below sets forth financial data for a share of beneficial interest outstanding throughout each year presented.

	Year Ended August 31	2002 (1)	2001 (1)	2000
Net Asset Value, beginning of year		\$2.68	\$5.19	\$7
Income (loss) from Investment Operations				
Net investment income (loss)		(0.02)	(0.01)	(0.
Net realized gain (loss) and unrealized appreciation (depreciation) on investments and foreign currency		1.81	(0.90)	(1.
Total from investment operations		1.79	(0.91)	(1.
Less Distributions from:				
Net investment income		(0.01)		
Net realized gains on investments		(0.07)	(1.63)	(0.
Total distributions		(0.08)	(1.63)	(0.
Paid-in Capital from Redemption Fees (Note 1L)		0.03	0.03	0
Net Asset Value, end of year		\$4.42	\$2.68	\$5
Total Return		68.49%	(13.09%)	(22.9
Ratios/Supplemental Data				
Net assets, end of year (in 000's)		\$253,003	\$117,138	\$115,
Ratio of expenses to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		1.75%	1.78%	1.
Ratio of expenses to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 2)		1.75%	1.78%	1.
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		(0.64%)	0.75%	0.
Ratio of net investment income (loss) to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator		(0.64%)	0.75%	0.
Portfolio turnover		46.52%	81.96%	47.

(1) Net investment income (loss) has been restated to separate Paid-in Capital for redemption fees. See accompanying notes to financial statements.

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MATTHEWS CHINA FUND

The table below sets forth financial data for a share of beneficial interest outstanding throughout each period presented.

	Year Ended August 31	2002	2001 (1)	2000
Net Asset Value, beginning of period		\$9.21	\$9.93	\$8.93
<hr/>				
Income (loss) from Investment Operations				
Net investment income		0.05	0.24	0.15
Net realized gain (loss) and unrealized appreciation (depreciation) on investments and foreign currency		(0.20)	(0.61)	1.00
<hr/>				
Total from investment operations		(0.15)	(0.37)	1.15
<hr/>				
Less Distributions from:				
Net investment income		(0.15)	(0.15)	(0.15)
Net realized gains on investments			(0.28)	
<hr/>				
Total distributions		(0.15)	(0.43)	(0.15)
<hr/>				
Paid-in Capital from Redemption Fees (Note 1L)		0.05	0.08	0.00
<hr/>				
Net Asset Value, end of period		\$8.96	\$9.21	\$9.93
<hr/>				
Total Return		(1.16%)	(2.23%)	18.18%
<hr/>				
Ratios/Supplemental Data				
Net assets, end of period (in 000's)		\$33,675	\$19,843	\$9,930
Ratio of expenses to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		1.97%	2.00%	2.00%
Ratio of expenses to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 2)		2.00%	2.00%	2.00%
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		0.99%	2.62%	1.15%
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator		0.96%	2.62%	1.15%
Portfolio turnover		43.84%	61.07%	80.00%

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(1) Net investment income (loss) has been restated to separate Paid-in Capital for redemption fees. (2) The China Fund commenced operations on February 19, 1998. (3) Annualized. (4) Not annualized.

See accompanying notes to financial statements.

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MATTHEWS JAPAN FUND

The table below sets forth financial data for a share of beneficial interest outstanding throughout each period presented.

	Year Ended August 31, 2002	Year Ended August 31, 2001 (1)	August 31, 2000 (2)
Net Asset Value, beginning of period	\$11.22	\$20.76	
Income (loss) from Investment Operations			
Net investment income (loss)	(0.07)	(0.26)	
Net realized gain (loss) and unrealized appreciation (depreciation) on investments and foreign currency	(1.39)	(7.99)	
Total from investment operations	(1.46)	(8.25)	
Less Distributions from:			
Net investment income	(0.27)	(0.37)	
Net realized gains on investments		(1.03)	
Total distributions	(0.27)	(1.40)	
Paid-in Capital from Redemption Fees (Note 1L)	0.11	0.11	
Net Asset Value, end of period	\$9.60	\$11.22	
Total Return	(12.20%)	(40.92%)	
Ratios/Supplemental Data			
Net assets, end of period (in 000's)	\$9,399	\$7,758	
Ratio of expenses to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	1.91%	2.08%	
Ratio of expenses to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 2)	2.00%	2.00%	
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	(1.25%)	(0.90%)	

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Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	(1.34%)	(0.82%)
Portfolio turnover	113.23%	71.09%

(1) Net investment income (loss) has been restated to separate Paid-in Capital for redemption fees. (2) The Japan Fund commenced operations on December 31, 1998. (3) Annualized. (4) Not annualized.

See accompanying notes to financial statements.

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MATTHEWS ASIAN TECHNOLOGY FUND

The table below sets forth financial data for a share of beneficial interest outstanding throughout each period presented.

	Year Ended August 31, 2002	Year Ended August 31, 2001 (1)
Net Asset Value, beginning of period	\$3.53	\$7.61
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Income (loss) from Investment Operations		
Net investment income (loss)	(0.10)	0.05
Net realized gain (loss) and unrealized appreciation (depreciation) on investments and foreign currency	(0.31)	(3.97)
<hr style="border-top: 1px dashed black;"/>		
Total from investment operations	(0.41)	(4.02)
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Less Distributions from:		
Net investment income	(0.04)	(0.22)
Net realized gains on investments		
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Total distributions	(0.04)	(0.22)
<hr style="border-top: 1px dashed black;"/>		
Paid-in Capital from Redemption Fees (Note 1L)	0.05	0.16
<hr style="border-top: 1px dashed black;"/>		
Net Asset Value, end of period	\$3.13	\$3.53
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Total Return	(10.40%)	(51.54%)
<hr style="border-top: 1px dashed black;"/>		
Ratios/Supplemental Data		
Net assets, end of period (in 000's)	\$6,879	\$9,607
Ratio of expenses to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	2.01%	2.69%
Ratio of expenses to average net assets after reimbursement, waiver or recapture of expenses by Advisor and Administrator (Note 2)	2.00%	2.00%

Matthews Asian Growth & Income continues to stand out and to stand tall.

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Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	(1.56%)	1.14%
Ratio of net investment income (loss) to average net assets before reimbursement, waiver or recapture of expenses by Advisor and Administrator	(1.55%)	1.83%
Portfolio turnover	103.60%	181.24%

(1) Net investment income (loss) has been restated to separate Paid-in Capital for redemption fees. (2) The Asian Technology Fund commenced operations on December 27, 1999. (3) Annualized. (4) Not annualized.
See accompanying notes to financial statements.

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1. SIGNIFICANT ACCOUNTING POLICIES Matthews Asian Funds (the Company) is an open-end investment management company registered under the Investment Company Act of 1940, as amended (the Act). The Company currently issues six separate series of shares (each Fund and collectively, the Funds): Matthews Pacific Tiger Fund, Matthews Asian Growth and Income Fund, Matthews Korea Fund, Matthews China Fund, Matthews Japan Fund and Matthews Asian Technology Fund. Matthews Pacific Tiger, Matthews Korea Fund and Matthews China Fund are authorized to offer two classes of shares: Class I shares and Class A shares. Currently, only Class I shares are offered. Matthews Pacific Tiger Fund, Matthews Korea Fund, Matthews China Fund, Matthews Japan Fund and Matthews Asian Technology Fund seek to maximize capital appreciation by investing, under normal circumstances, at least 80% of their total assets in equity securities of Pacific Tiger economies, South Korean companies, Chinese companies and Japanese companies, respectively. Pacific Tiger economies include Hong Kong, Singapore, South Korea, Taiwan, Indonesia, Malaysia, Philippines, Thailand and China. Matthews Asian Growth and Income Fund seeks capital appreciation and current income by investing, under normal circumstances, at least 80% of its total assets in the convertible bonds and dividend-paying equity securities of Asian economies. Asian economies include Hong Kong, Japan, Singapore, South Korea, Taiwan, Indonesia, Malaysia, Philippines, Thailand, China and India. The following is a summary of significant accounting policies consistently followed by the Funds in the preparation of their financial statements.

A. Security Valuation: Securities listed on any national securities exchange are valued at their last sale price on the exchange where the securities are principally traded or, if there has been no sale on that date, at the mean between the last reported bid and asked prices. Securities traded over-the-counter are priced at the mean of the last bid and asked prices. All other 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 procedures established by the Board of Trustees.

The books and records of the Funds are maintained in U.S. Dollars. Transactions denominated in foreign currencies are recorded at the current prevailing exchange rates. All assets and liabilities denominated in foreign currencies are translated into U.S. Dollars at the current exchange rate. Translation gains or losses resulting from changes in the exchange rate during the reporting period and realized gains and losses on the settlement of foreign currency transactions are reported in the results of operations for the current period. The Funds do not isolate that portion of gains and losses on investment in equity securities which is due to changes in the foreign exchange rate from that which is due to changes in market prices of equity securities. International dollar bonds are issued offshore, pay interest and principal in U.S. Dollars, and are denominated in U.S. Dollars.

Portfolio securities traded on a foreign exchange are generally valued at the respective current prevailing exchange rates. The securities values are translated into U.S. Dollars using these rates. If subsequent to the time a rate as been established and it has been determined to have materially changed, the fair value of those securities, (considering the changing conditions) will be determined by (or under the direction of) the Funds Board of Trustees.

B. Forward Foreign Exchange Contracts: The Funds may engage in forward foreign exchange contracts for hedging a specific transaction in which the currency is denominated as deemed appropriate by

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Matthews International Capital Management, LLC (the Advisor). Forward foreign exchange contracts are valued at the forward rate and are marked-to-market daily. The change in market value is recorded by the Funds as an unrealized gain or loss. When the contract is closed, the Funds record a realized gain or loss equal to the difference between the value of the contract at the time it was opened and the value at the time it was closed.

The use of forward foreign exchange contracts does not eliminate fluctuations in the underlying prices of the Funds' portfolio securities, but it does establish a rate of exchange that can be achieved in the future. Although forward foreign exchange contracts limit the risk of loss due to a decline in the value of the hedged currency, they also limit any potential gain that might result should the value of the currency increase. In addition, the Funds could be exposed to risks if the counterparties to the contract are unable to meet the terms of their contracts.

C. Risks Associated with Foreign Securities: Investments by the Funds in the securities of foreign issuers may involve investment risks different from those of U.S. issuers including possible political or economical instability of the country of the issuer, the difficulty in predicting international trade patterns, the possibility of currency exchange controls, the possible imposition of foreign withholding tax on the interest income payable on such instruments, the possible establishment of foreign controls, the possible seizure or nationalization of foreign deposits or assets, or the adoption of other foreign government restrictions that might adversely affect the foreign securities held by the Funds. Foreign securities may also be subject to greater fluctuations in price than securities of domestic corporations or the U.S. Government.

D. Federal Income Taxes: It is the policy of the Funds to comply with all requirements of the Internal Revenue Code of 1986, as amended (the Code) applicable to regulated investment companies and to distribute substantially all of their taxable income to their shareholders. The Funds have met the requirements of the Code applicable to regulated investment companies for the year ended August 31, 2002. Therefore, no federal income tax provision is required. Income and capital gains of the Funds are determined in accordance with both tax regulations and accounting principles generally accepted in the United States of America. Such may result in temporary and permanent differences between tax basis earnings and earnings reported for financial statement purposes. These reclassifications, which have no impact on the net asset value of the Funds, are primarily attributable to certain differences in computation of distributable income and capital gains under federal tax rules versus accounting principles generally accepted in the United States of America and the use of the tax accounting practice known as equalization.

E. Determination of Gains or Losses on Sales of Securities: Gains or losses on the sale of securities are determined on the identified cost basis.

F. Organization Costs: Organization costs are amortized on a straight-line basis over five years from each Fund's respective commencement of operations with the exception of the Matthews Japan Fund and Matthews Asian Technology Fund which were amortized on a straight-line basis over one year from the Fund's commencement of operations. In the event that any of the initial shares are redeemed during the period of amortization of the Fund's organization costs, the redemption proceeds will be reduced by any such unamortized organization costs in the same proportion as the number of shares being redeemed bears to the number of those shares outstanding at the time of redemption.

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G. Distribution to Shareholders: It is the policy of Matthews Asian Growth and Income Fund to distribute net investment income on a semi-annual basis and capital gains, if any, annually. Matthews Pacific Tiger Fund, Matthews Korea Fund, Matthews China Fund, Matthews Japan Fund, and Matthews Asian Technology Fund distribute net investment income and capital gains, if any, annually. Distributions to shareholders are recorded on the ex-dividend date. Income and capital gain distributions are determined in accordance with income tax regulations which may differ from accounting principles generally accepted in the United States of America. Net investment losses may not be utilized to offset net investment income in future periods for tax purposes.

The tax character of distributions paid for the fiscal years ended August 31, 2001 and August 31, 2002 were as follows:

2001 Taxable Distributions	Ordinary Income	Net Long Term Capital Gains	Tot Dis
Matthews Pacific Tiger Fund	\$1,606,098	\$8,244,168	
Matthews Asian Growth and Income Fund	1,212,984	890,510	
Matthews Korea Fund	12,702,526	29,963,826	
Matthews China Fund	140,220	254,757	
Matthews Japan Fund	1,199,344	71,077	
Matthew Asian Technology Fund	615,326		

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2002 Taxable Distributions	Ordinary Income	Net Long Term Capital Gains	Tot Dis
Matthews Pacific Tiger Fund	\$238,674	\$140,682	
Matthews Asian Growth and Income Fund	1,362,799		
Matthews Korea Fund	468,712	3,454,262	
Matthews China Fund	381,550		
Matthews Japan Fund	182,412		
Matthew Asian Technology Fund	142,101		

As of August 31, 2002, the components of distributable earnings/(deficit) on a tax basis were as follows:

	Matthews Pacific Tiger Fund	Matthews Asian Growth and Income Fund
Undistributed Ordinary Income	\$	\$2,059,795
Undistributed Long Term Capital Gains		368,598
Capital Loss Carryforwards	(3,234,939)	
Post October Capital Losses *	(2,361,191)	
Post October Currency Losses **	(77,025)	(23,897)
PFIC Mark to Market		
Unrealized Appreciation/(Depreciation)**	(4,621,582)	125,877
Total Accumulated Earnings/(Deficit)	\$(10,294,737)	\$2,530,373

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As of August 31, 2002, the components of distributable earnings/(deficit) on a tax basis were as follows (continued):

	Matthews China Fund	Matthews Japan Fund	Mat Tech
Undistributed Ordinary Income	\$ 439,725	\$	
Undistributed Long Term Capital Gains			
Capital Loss Carryforwards	(1,131,447)	(4,541,158)	
Post October Capital Losses *	(531,190)	(3,097,081)	
Post October Currency Losses *			
PFIC Mark to Market		(28,232)	
Unrealized Appreciation/(Depreciation)**	(4,000,945)	(824,513)	
Total Accumulated Earnings/(Deficit)	\$(5,223,857)	\$(8,490,984)	\$(

* Under the current tax law, capital losses realized after October 31 and prior to the Fund's fiscal year end may be deferred as occurring on the first day of the following fiscal year.

** The differences between book-basis and tax-basis unrealized appreciation/(depreciation) are attributable primarily to the tax deferral of losses on wash sales and the realization for tax purposes of unrealized gains/losses on investments in passive foreign investment companies (PFICs).

For Federal income tax purposes, the Funds indicated below have capital loss carryforwards, which expire in the year indicated, as of August 31, 2002, which are available to offset future capital gains, if any:

Losses Deferred Expiring in:	2008	2009
Matthews Pacific Tiger Fund	\$	\$

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Matthews Asian Growth and Income Fund		
Matthews Korea Fund		
Matthews China Fund		
Matthews Japan Fund		35,094
Matthew Asian Technology Fund	2,390,436	5,375,361

H. Reclassifications: Accounting principles generally accepted in the United States of America require that certain components of net assets be reclassified between financial and tax reporting. These reclassifications have no effect on net assets or net asset value per share. For the year ended August 31, 2002, permanent differences in book and tax accounting have been reclassified to paid-in capital, undistributed net investment income/(loss) and accumulated realized gain/(loss) as follows:

	Increase/ (Decrease) Paid-in Capital	Increase/ (Decrease) Undistributed Net Investment Income (Loss)	Increase/ (Decrease) Accumulated Realized Gain (Loss)
Matthews Pacific Tiger Fund	\$ (272,425)	\$192,753	
Matthews Asian Growth and Income Fund	204,632	(228,585)	
Matthews Korea Fund	(387,089)	1,565,208	
Matthews China Fund	(184,114)	184,090	
Matthews Japan Fund	(212,162)	220,283	
Matthew Asian Technology Fund	(236,896)	227,329	

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I. Fund Expense Allocations: The Funds account separately for the assets, liabilities and operations of each Fund. Direct expenses of each Fund are charged to the Fund while general expenses are allocated pro-rata among the Funds based on net assets.

J. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

K. Other: Securities transactions are accounted for on the date the securities are purchased or sold. Interest income is recorded on the accrual basis and dividend income on the ex-dividend date.

L. Capital Share Transactions: Each Fund is authorized to issue an unlimited number of shares of beneficial interest with a par value of \$0.001 per share. Class A shares were sold with a front-end sales charge of 4.95%.

MATTHEWS PACIFIC TIGER FUND CLASS I

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold	11,728,059	\$106,314,158	9,483,405
Shares issued through reinvestment of dividends	40,762	366,041	1,053,742
Shares redeemed	(7,999,842)	(69,949,837)	(9,891,330)
Net increase (decrease)	3,768,979	\$36,730,362	645,817

MATTHEWS PACIFIC TIGER FUND CLASS A*

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold		\$	64,314

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Shares issued through reinvestment of dividends			15,913	
Shares redeemed			(215,664)	
Net increase (decrease)		\$	(135,437)	\$

MATTHEWS ASIAN GROWTH AND INCOME FUND

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold	15,326,669	\$164,304,863	2,216,555
Shares issued through reinvestment of dividends	127,019	1,302,597	231,759
Shares redeemed	(3,886,595)	(40,361,276)	(849,169)
Net increase (decrease)	11,567,093	\$125,246,184	1,599,145

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MATTHEWS KOREA FUND CLASS I

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold	61,630,311	\$249,365,417	46,719,161
Shares issued through reinvestment of dividends	864,565	3,086,494	14,125,165
Shares redeemed	(48,911,935)	(202,396,880)	(39,309,187)
Net increase (decrease)	13,582,941	\$50,055,031	21,535,139

MATTHEWS KOREA FUND CLASS A*

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold		\$	436,242
Shares issued through reinvestment of dividends			1,380,958
Shares redeemed			(4,107,637)
Net increase (decrease)		\$	(2,290,437)

MATTHEWS CHINA FUND

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold	4,355,329	\$42,461,853	3,045,164

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Shares issued through reinvestment of dividends	37,306	354,407	49,078
Shares redeemed	(2,789,691)	(26,430,947)	(1,868,802)
Net increase (decrease)	1,602,944	\$16,385,313	1,225,440

MATTHEWS JAPAN FUND

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold	1,870,946	\$18,771,725	639,752
Shares issued through reinvestment of dividends	16,933	176,103	79,959
Shares redeemed	(1,600,390)	(15,923,445)	(1,177,987)
Net increase (decrease)	287,489	\$3,024,383	(458,276)

MATTHEWS ASIAN TECHNOLOGY FUND

	Year Ended August 31, 2002		Year Ended August 31, 2001
	Shares	Amount	Shares
Shares sold	4,672,505	\$17,384,394	6,956,729
Shares issued through reinvestment of dividends	33,973	138,271	125,864
Shares redeemed	(5,233,008)	(19,363,319)	(7,584,635)
Net increase (decrease)	(526,530)	\$(1,840,654)	(502,042)

* As of December 15, 2000, Class A shares of Matthews Pacific Tiger Fund and Matthew Korea Fund were closed and exchanged for Class I shares. 155,798 and 1,092,968 shares were exchanged, respectively.

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The Funds impose a redemption fee of 2.00% on shares that are redeemed within ninety days of purchase. The charge is assessed on an amount equal to the net asset value of the shares at the time of redemption. The redemption fee is deducted from the proceeds otherwise payable to the redeeming shareholder. The redemption fees were returned to the assets of the Matthews Pacific Tiger Fund, Matthews Asian Growth and Income Fund, Matthews Korea Fund, Matthews China Fund, Matthews Japan Fund, and Matthews Asian Technology Fund in the amounts of \$198,248, \$285,809, \$1,677,238, \$184,114, \$103,243, and \$107,488, respectively, for the year ended August 31, 2002 and \$562,008, \$22,074, \$1,455,637, \$170,617, \$78,555, and \$441,968, respectively, for the year ended August 31, 2001.

2. INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES The Advisor, an investment advisor registered under the Investment Advisers Act of 1940, as amended, provides the Funds with investment management services. As compensation for these services, the Advisor charges the Funds a monthly fee of 1/12th of 1% on each Fund's respective average daily net assets. Certain officers and Trustees of the Funds are also officers and directors of the Advisor. All officers serve without direct compensation from the Funds. Investment advisory fees and other transactions with affiliates, for the fiscal year ended August 31, 2002, were as follows:

	Investment Advisory Fee Rate	Voluntary Expense Limitation
Matthews Pacific Tiger Fund	1.00%	1.90%
Matthews Asian Growth and Income Fund	1.00%	1.90%

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Matthews Korea Fund	1.00%	2.00%
Matthews China Fund	1.00%	2.00%
Matthews Japan Fund	1.00%	2.00%
Matthew Asian Technology Fund	1.00%	2.00%

	Expenses Waived and Reimbursed by the Advisor		Expenses Recaptured by the Advisor		R Expense
Matthews Pacific Tiger Fund	\$--		\$85,156		
Matthews Asian Growth and Income Fund	--		17,499		
Matthews Korea Fund	--		--		
Matthews China Fund	--		8,342		
Matthews Japan Fund	--		8,426		
Matthew Asian Technology Fund	767		--		

Effective March 1, 2002 the voluntary expense limitation for Matthews Korea Fund was reduced from 2.50% to 2.00%.

The investment advisory agreements provide that any reductions made by the Advisor in its fees are subject to reimbursements by the Funds within the following three years provided that the Funds are able to effect such reimbursements and remain in compliance with applicable expense limitations.

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Effective March 1, 2002, the Funds' shareholder servicing plan was activated, pursuant to which the Funds reimburse the Advisor for shareholder servicing activities at an annual rate of 0.15% of each fund's respective average daily net assets. Under the agreement, the Funds can be charged a maximum of 0.25%. Fees charged by the Advisor under the shareholder servicing fee arrangement are as follows for the fiscal year ended August 31, 2002:

	Shareholder Servicing Fees
Matthews Pacific Tiger Fund	\$89,315
Matthews Asian Growth and Income Fund	72,836
Matthews Korea Fund	214,292
Matthews China Fund	26,887
Matthews Japan Fund	8,916
Matthew Asian Technology Fund	8,525

The Funds bear a portion of the fees paid to certain services providers (exclusive of the Funds' transfer agent) which provide transfer agency and shareholder servicing to certain shareholders. Fees accrued to pay to such service providers for the fiscal year ended August 31, 2002 are reflected in the Statement of Operations as follows:

	Transfer Agent	Shareholder Servicing	Tot
Matthews Pacific Tiger Fund	\$123,438	\$61,719	\$185,157
Matthews Asian Growth and Income Fund	46,505	23,253	69,758
Matthews Korea Fund	208,602	104,301	312,903
Matthews China Fund	27,713	13,857	41,570
Matthews Japan Fund	9,170	4,585	13,755
Matthew Asian Technology Fund	11,801	5,901	17,702

PFPC Inc. (PFPC), an indirect wholly-owned subsidiary of PNC Bank, serves as the Trust's Administrator and, in that capacity, performs various administrative and accounting services for each Fund. PFPC also serves as the Trust's Transfer Agent, dividend disbursing agent and

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registrar. An officer of PFPC serves as Assistant Treasurer to the Trust. Total fees accrued by PFPC for the year ended August 31, 2002 were \$668,024 for administrative and accounting services and \$259,929 for transfer agent services. The Bank of New York serves as custodian to the Trust.

PFPC Distributors, Inc. (The Distributor) serves as the Fund's Distributor pursuant to an Underwriting Agreement.

3. Investment Transactions Investment transactions for the fiscal year ended August 31, 2002, excluding short-term investments, were as follows:

	Purchases	Proceeds from Sales
Matthews Pacific Tiger Fund	\$92,892,005	\$56,257,576
Matthews Asian Growth and Income Fund	141,664,961	20,250,086
Matthews Korea Fund	144,464,192	100,429,618
Matthews China Fund	28,256,138	12,358,585
Matthews Japan Fund	13,204,849	10,513,460
Matthew Asian Technology Fund	11,097,959	13,244,590

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To the Shareholders and Board of Trustees of Matthews Asian Funds:

We have audited the accompanying statements of assets and liabilities of Matthews Asian Funds (comprising the Matthews Pacific Tiger Fund, Matthews Asian Growth and Income Fund, Matthews Korea Fund, Matthews China Fund, Matthews Japan Fund and Matthews Asian Technology Fund, collectively referred to as the Funds) including the schedules of investments as of August 31, 2002, and the related statements of operations for the year then ended, statements of changes in net assets for each of the two years in the period then ended and financial highlights for the periods subsequent to August 31, 1998, indicated thereon. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights of the Funds for the periods prior to September 1, 1998, were audited by other auditors whose report dated October 9, 1998, expressed an unqualified opinion on the financial highlights. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of August 31, 2002, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of the Matthews Asian Funds as of August 31, 2002, the results of their operations for the year then ended, changes in their net assets for each of the two years in the period then ended and the financial highlights for each of the periods subsequent to August 31, 1998, indicated thereon, in conformity with accounting principles generally accepted in the United States of America.

TAIT, WELLER & BAKER

Philadelphia, Pennsylvania

October 4, 2002

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The operations of each Fund are under the direction of the Board of Trustees. The Board of Trustees establishes each Fund's policies and oversees and reviews the management of each Fund. The Board meets regularly to review the activities of the officers, who are responsible for the day-to-day operations of the Funds. The Statement of Additional Information includes additional information about Fund trustees is available without charge by calling (800) 789-ASIA [2742]. The Trustees and executive officers of the Funds, their ages, business address and their principal

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occupations during the past five years are set forth below:

Name (Age), Address and Position(s) with Trust	Term of Office and Length of Time Served(1)	Principal Occupation(s) During Past 5 Years
DISINTERESTED TRUSTEES		
Richard K. Lyons (41) Haas School of Business, S545 University of California Berkeley, CA 94720-1900 Chairman of the Board of Trustees and Trustee	Since 1994	Professor, Haas School of Business University of California since 1993.
Robert K. Connolly (70) 334 Las Casitas Court Sonoma, CA 95476 Trustee	Since 1994	Retired since 8/90. Prior thereto: Institutional Sales Manager and Securities Analyst for Barrington Research Associates
Norman W. Berryessa (74) 100 Bush Street, Suite 1000 San Francisco, CA 94109 Trustee	Since 1996	Registered Investment Advisor since 1996; Independent Contractor, Emmett Larkin Co. (financial services), since 1996
INTERESTED TRUSTEES (2)		
G. Paul Matthews (46) 456 Montgomery Street, Suite 1200 San Francisco, CA 94104 Trustee	Since 2001	Chairman, Co-Chief Executive Officer and Chief Investment Officer, Matthews International Capital Management LLC, since 1991.
David FitzWilliam-Lay (71) 456 Montgomery Street, Suite 1200 San Francisco, CA 94104 Trustee	Since 1994	Retired since 1993. Prior thereto Chairman of GT Management, PLC, United Kingdom. (investment management)
John H. Dracott (74) P.O. Box 162 Tiburon, CA 94920-1866 Trustee	Since 1994	International mutual fund consultant. Emeritus since 1998.
OFFICER(S) WHO ARE NOT TRUSTEES (2)		
Mark W. Headley (43) 456 Montgomery Street, Suite 1200 San Francisco, CA 94104 Vice President	Since 1999	Co-Chief Executive Officer, President and Portfolio Manager, Matthews International Capital Management, LLC since 2001; President and Portfolio Manager, 1999-2001; Portfolio Manager and Managing Director 1996-1999.
James E. Walter (32) 456 Montgomery Street, Suite 1200 San Francisco, CA 94104 Treasurer	Since 2000	Vice President, Investment Operations, Matthews International Capital Management, LLC since 2000; Operations Manager, 1998-2000; Fund Accountant 1996-1998.
Downey L. Hebble (32)	Since 2001	Senior Vice President, Matthews International

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456 Montgomery Street, Suite 1200
San Francisco, CA 94104
Secretary

Capital Management, LLC since 2001;
Vice President, 1999-2001; Manager,
Montgomery Asset Management LLC,
1997-1999; Marketing Manager, Matthews
International Capital Management, LLC, 1995-

(1) Each Trustee serves for an indefinite term until retirement age, or until his/her successor is elected. Officers serve at the pleasure of the Board of Trustees. (2) These Trustees and officers are considered interested persons of the Trust as defined under the Act either because of an ownership interest in the Advisor or an office held with the Trust.

MATTHEWS ASIAN FUNDS

**For more information about Matthews Asian Funds
visit our Web site at www.matthewsfunds.com
or call toll-free 800-789-ASIA [2742].**

BOARD OF TRUSTEES

Richard K. Lyons, Chairman
G. Paul Matthews
Robert K. Connolly
David FitzWilliam-Lay
Norman W. Berryessa
John H. Dracott, Emeritus

OFFICERS

G. Paul Matthews
Mark W. Headley
James E. Walter
Downey L. Hebble

INVESTMENT ADVISOR

Matthews International Capital Management, LLC
456 Montgomery Street, Suite 1200
San Francisco, CA 94104
800-789-ASIA [2742]

SHAREHOLDER SERVICES

PFPC Inc.
211 South Gulph Road
King of Prussia, PA 19406
800-892-0382

CUSTODIAN

The Bank of New York
One Wall Street
New York, NY 10286

LEGAL COUNSEL

Matthews Asian Growth & Income continues to stand out and to stand tall.

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Paul, Hastings, Janofsky & Walker, LLP
55 Second Street
San Francisco, CA 94105

Matthews Asian Funds 456 Montgomery Street, Suite 1200 San Francisco, CA 94104

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