

THE CHINA FUND, INC.

ANNUAL REPORT

October 31, 2008

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THE CHINA FUND, INC.
KEY HIGHLIGHTS (Unaudited)

| FUND DATA | |
|---|--------------------------|
| NYSE Stock Symbol | CHN |
| Listing Date | July 10, 1992 |
| Shares Outstanding | 18,153,741 |
| Total Net Assets (10/31/08) | US\$394.4 million |
| Net Asset Value Per Share (10/31/08) | \$21.72 |
| Market Price Per Share (10/31/08) | \$19.87 |

| TOTAL RETURN⁽¹⁾ | | |
|------------------------------------|------------------------|---------------------|
| Performance as of 10/31/08: | Net Asset Value | Market Price |
| 1-Year | (51.51)% | (48.06)% |
| 3-Year Cumulative | 57.08% | 36.09% |
| 3-Year Annualized | 16.25% | 10.82% |
| 5-Year Cumulative | 59.29% | 12.96% |
| 5-Year Annualized | 9.76% | 2.47% |
| 10-Year Cumulative | 313.62% | 368.78% |
| 10-Year Annualized | 15.26% | 16.71% |

| DIVIDEND HISTORY | | |
|-------------------------|---------------|----------------------|
| Record Date | Income | Capital Gains |
| 12/21/07 | \$0.2800 | \$11.8400 |
| 12/21/06 | \$0.2996 | \$3.7121 |
| 12/21/05 | \$0.2172 | \$2.2947 |
| 12/22/04 | \$0.1963 | \$3.3738 |
| 12/31/03 | \$0.0700 | \$1.7100 |
| 12/26/02 | \$0.0640 | \$0.1504 |
| 12/31/01 | \$0.1321 | — |
| 12/31/00 | — | — |
| 12/31/99 | \$0.1110 | — |
| 12/31/98 | \$0.0780 | — |
| 12/31/97 | — | \$0.5003 |
| 12/31/96 | \$0.0834 | — |
| 12/29/95 | \$0.0910 | — |
| 12/30/94 | \$0.0093 | \$0.6006 |
| 12/31/93 | \$0.0853 | \$0.8250 |
| 12/31/92 | \$0.0434 | \$0.0116 |

(1) Total investment returns reflect changes in net asset value per share or market price, as the case may be, during each period and assumes that dividends and capital gains distributions, if any, were reinvested in accordance with the dividend reinvestment plan. The net asset value per share percentages are not an indication of the performance of a shareholder's investment in the Fund, which is based on market price. Total investment returns do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. Total investment returns are historical and do not guarantee future results.

THE CHINA FUND, INC.
ASSET ALLOCATION AS OF OCTOBER 31, 2008 (Unaudited)

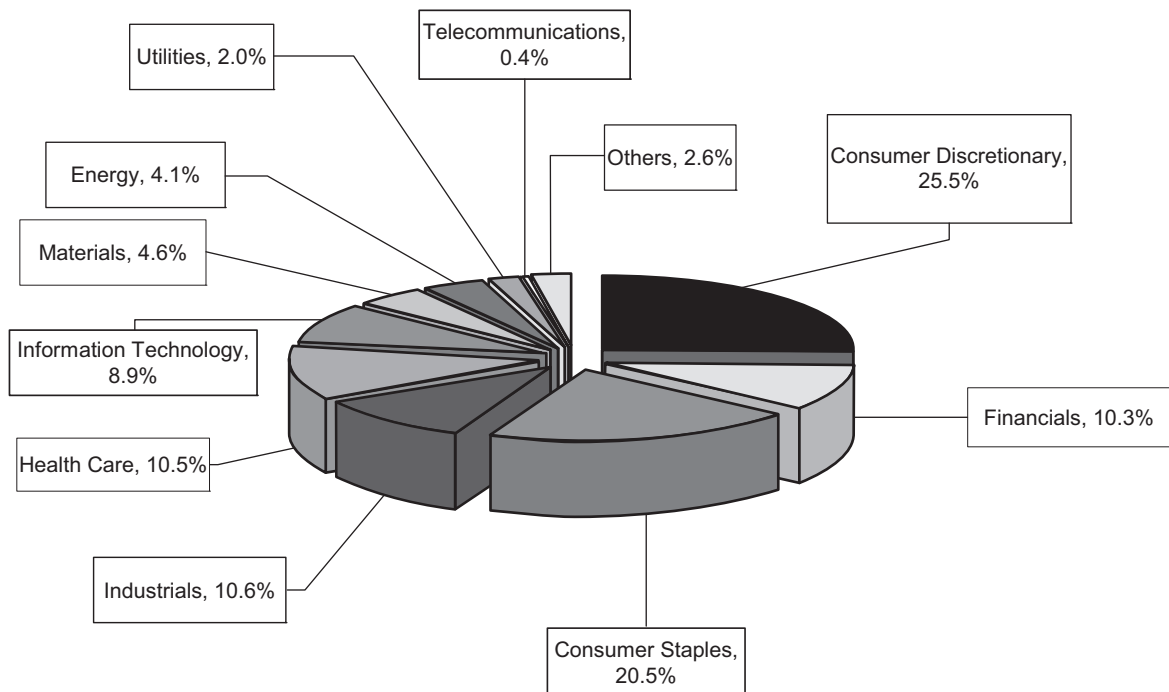
| Ten Largest Listed Equity Investments * | |
|--|-------|
| 1. China Huiyan Juice Group, Ltd. | 4.08% |
| 2. Chaoda Modern Agriculture (Holdings), Ltd. | 3.57% |
| 3. Wumart Stores, Inc. | 3.02% |
| 4. Daqin Railway Co., Ltd. Access Product | 2.98% |
| 5. Uni-President Enterprises Corp. | 2.71% |
| 6. Shandong Weigao Group Medical Polymer Co., Ltd. | 2.71% |
| 7. Yuanta Financial Holdings Co., Ltd. | 2.62% |
| 8. Far Eastern Department Stores, Ltd. | 2.10% |
| 9. Mindray Medical International, Ltd. | 2.01% |
| 10. Xinao Gas Holdings, Ltd. | 1.97% |

| Direct Investments * | |
|--|-------|
| 1. Queenbury Investments, Ltd. (Huiyan) | 9.75% |
| 2. Qingdao Bright Moon | 1.78% |
| 3. China Silicon Corp., Series A Preferred | 1.65% |
| 4. Highlight Tech Corp. | 1.52% |
| 5. Wuxi PAIHO | 0.93% |
| 6. HAND Enterprise Solutions, Ltd. | 0.77% |
| 7. China Silicon Corp., Common Stock | 0.11% |
| 8. teco Optronics Corp. | 0.00% |

* Percentages based on net assets at October 31, 2008.

INDUSTRY ALLOCATION (Unaudited)

Industry Allocation (as a percentage of net assets)



Fund holdings are subject to change and percentages shown above are based on total net assets as of October 31, 2008. A complete list holdings as of October 31, 2008 is contained in the Schedule of Investments included in this report. The most current available data regarding portfolio holdings can be found on our website, www.chinafundinc.com. You may also obtain holdings by calling 1-800-246-2255.

THE CHINA FUND, INC.

CHAIRMAN'S STATEMENT (Unaudited)

Dear Stockholders,

In a savage year for the world's stock markets, Chinese markets were among the poorest performing. Against such a background, the continued outperformance of your Fund can offer only limited consolation. Nevertheless, I am pleased to report the Fund remains well ahead of benchmark over one year and all longer periods since launch.

At a time when many funds are damaged by cash outflow through redemptions, the benefits of investing in a closed-end fund become clear. The nature of your Fund allows us to take a longer-term approach and exploit the distressed valuations at which many fine Chinese companies are now trading.

Over the past 12 months, we have developed the private equity part of the Fund (now 16.5% of the net asset value) with investments including the world's largest seaweed processor and an appliance retailer specializing in supply to rural areas of China.

During a period of heightened financial uncertainty, our monitoring of counter-party risk has led to a temporary halt in our stock-lending program, although we hope to resume it soon.

With Chinese stocks — and especially your Fund's portfolio of what we believe are financially sound companies — looking heavily oversold, we can look forward with some optimism. The massive stimulus package announced by the Chinese authorities should benefit the domestically focused companies in which your Fund invests, with infrastructure and healthcare prominent themes.

In the near future, your manager expects a rally in China's domestic A-share market. A longer-term recovery may be possible only once the extent of the global recession is clear. But while the economic fundamentals may have been disregarded during the sell-off, they will figure strongly in the recovery.

Yours truly,

James Lightburn
Chairman

THE CHINA FUND, INC.

INVESTMENT MANAGER'S STATEMENT (Unaudited)

REVIEW OF LISTED AND DIRECT INVESTMENTS

This was a grisly year for equity investors. The strength of China's economy provided no relief to its stock markets, which were among the world's weakest. As the best-performing markets of the previous year, Hong Kong and China were already vulnerable to profit-taking. With the global financial crisis escalating, that profit-taking rapidly gave way to full-scale panic. Hong Kong suffered on fears that its relatively small, open economy would be vulnerable to the slowdown in the rest of the world. The Chinese companies listed in Hong Kong — primarily banks, insurers and commodity-related groups — were also vulnerable to the global financial turmoil and, in the latter part of the year, to falling commodity prices.

On the mainland, the dominant theme in the domestic A-share market was the threat of inflation and the credit-tightening measures used to combat it. The global financial meltdown exacerbated these local concerns. But after peaking in February, the rate of inflation has been falling steadily. This has allowed policymakers to shift their focus from curbing inflation to promoting growth. And after watching the A-share market tumble for most of the year, the authorities finally took some supportive action in September. This included abolishing the stamp duty on stock purchases and encouraging state-owned companies to buy more shares in their listed subsidiaries. Meanwhile, the People's Bank of China has repeatedly cut rates and lowered the banks' reserve requirements. With real returns on bank deposits still negative, we expect investors to return to the A-share market in the near future.

In Taiwan, the political progress has been all that we had hoped for. The Kuomintang took power in landslide elections in January and March, and Ma Ying-Jeou's administration has introduced direct flights to the mainland, allowed Chinese tourists to visit Taiwan, and removed the investment restrictions on Taiwanese companies operating in China. Ma has also announced a substantial program of infrastructure projects, to begin in 2009. But, frustratingly, the market has ignored this progress. A brief rally collapsed as soon as Ma was inaugurated as president on 20 May, and the stock market has since fallen to the levels of May 2003.

With a return of -51.51% against the Fund's benchmark's (the MSCI Golden Dragon Index) -58.0%, your Fund outperformed the benchmark. Our concentration on domestically oriented stocks was helpful. The largest single contribution to our performance was **China Huiyan Juice Group**, China's largest manufacturer of orange juice, which received a takeover bid from Coca-Cola. Other positives were food stocks **Chaoda Modern Agriculture** and **Uni-President Enterprises**, which benefited from rising food prices. Meanwhile, our focus on consumer brands was rewarded with relatively resilient showings from **Wumart Stores** and Taiwan's **FamilyMart**. Healthcare was also a positive theme — this sector is set to do well whatever happens to the global economy — with **Shangdong Weigao Group Medical Polymer** and **China Medical System Holdings** among our best performers over the 12 months. Elsewhere, **Huabao International Holdings**, which makes flavors and fragrances for the tobacco and food industries, and **Taiwan Secom**, which provides security systems, also helped our relative performance.

As the prices of oil and other commodities fell steeply from July, energy-related stocks were among the principal negatives over the year. Here, **Zijin Mining**, **Far East Energy** and **China Oilfield Services** all performed poorly. Other detractors included **Tianjin Development** (port operations) and **SGP Land** (property).

Over the past year, we have increased our direct-investment portfolio to 16.5% of the Fund. The most significant development here was our purchase of **Huiyin**, a rapidly expanding retailer of home appliances. Other unlisted

THE CHINA FUND, INC.

INVESTMENT MANAGER'S STATEMENT (continued) (Unaudited)

REVIEW OF LISTED AND DIRECT INVESTMENTS

holdings include **Qingdao Bright Moon** (the world's largest processor of seaweed) and fast-growing IT group **Hand** (which specializes in enterprise resource planning).

As recession in the West makes an impact, China's growth is certainly slowing. The official GDP growth number (9.0% growth in the third quarter) lags many more worrying indicators. The 2% fall in throughput at Shenzhen port in September was the worst ever. Electricity consumption growth has stalled. China's official export figures have held up well (September recorded +21.5% year on year, with a US\$29.3 billion surplus), but these contrast sharply with gloomy news from the exporting hub of Guangdong. Taiwan's exports in September fell by 1.6% year on year, the first fall since 2002, and consumer confidence in Taiwan hit a seven-year low.

But despite all this gloom, the worst of the financial crisis seems to be over, as governments around the world show that they will do what they have to in order to support major financial institutions and protect the depositor. The effects of the recession will not be pretty, and companies that have borrowed not wisely but too well will go bust, but this is susceptible to company analysis.

We should also remember that consumers in China have a lot less debt than those in the West. The state-owned banking system is at least safe in its lack of sophistication and relative conservatism. Corporate debt levels are also low (the net gearing of all stocks in the A-share and Taiwanese stock markets averages 23% and 28%, respectively).

In November, the Chinese government announced a stimulus package to the value of some four trillion yuan (US\$584.8 billion). Although a sizeable portion of the headline figure was already on the table, this spending has been brought forward. The package focuses on infrastructure, rural development and healthcare — areas that your domestically focused Fund favors — and underline's the government's intention of keeping growth close to the 'magic' figure of 8%. The relative health of China's economy hasn't helped Chinese markets in 2008. But while economic fundamentals may matter little during an indiscriminate global sell-off, they will matter a great deal during the recovery.

THE CHINA FUND, INC.

ABOUT THE PORTFOLIO MANAGER (Unaudited)

Listed and Direct Investment Manager

Mr. Chris Ruffle serves as the portfolio manager for the Fund's portfolio of listed and direct securities. Mr. Ruffle joined Martin Currie in 1994. He is a Chinese and Taiwanese equity specialist with over 15 years investment experience in Asia. Fluent in Mandarin and Japanese, Mr. Ruffle has worked in the Far East since 1983. He worked originally in Beijing and Shanghai and then in Australia for a metal trading company. He then moved to Warburg Securities in 1987 as an analyst in Tokyo, before establishing Warburg's office in Taiwan. Mr. Ruffle also manages The Martin Currie China Hedge Fund and the China "A" Share Fund.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS
October 31, 2008

| <u>Name of Issuer and Title of Issue</u> | <u>Shares</u> | <u>Value (Note A)</u> |
|---|---------------|-----------------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS | | |
| HONG KONG | | |
| Consumer Discretionary — (8.2%) | | |
| Anta Sports Products, Ltd. | 11,072,000 | \$ 3,928,546 |
| China Travel International Investment Hong Kong, Ltd. | 10,982,000 | 1,516,137 |
| FU JI Food & Catering Services(1)# | 8,689,000 | 4,484,385 |
| Huabao International Holdings, Ltd. | 9,135,000 | 5,834,274 |
| Intime Department Store Group Co., Ltd.(1)# | 12,568,629 | 3,632,528 |
| Ports Design, Ltd.(1) | 3,933,500 | 4,440,791 |
| Shangri-La Asia, Ltd.(1) | 4,755,555 | 6,577,624 |
| Yorkey Optical International Cayman, Ltd.# | 16,424,000 | 1,960,170 |
| | | <u>32,374,455</u> |
| Consumer Staples — (7.7%) | | |
| Chaoda Modern Agriculture (Holdings), Ltd.(1) | 20,633,998 | 14,083,550 |
| China Huiyuan Juice Group, Ltd.(1). | 14,059,500 | 16,108,530 |
| | | <u>30,192,080</u> |
| Energy — (1.7%) | | |
| China Rare Earth Holdings, Ltd. | 15,064,000 | 1,379,977 |
| Fushan International Energy Group, Ltd.* | 10,740,000 | 1,953,874 |
| Honghua Group, Ltd. | 21,902,000 | 3,278,044 |
| | | <u>6,611,895</u> |
| Financials — (0.6%) | | |
| SPG Land (Holdings), Ltd.(1)# | 11,037,000 | 697,783 |
| Tianjin Development Holdings, Ltd. | 6,756,000 | 1,839,269 |
| | | <u>2,537,052</u> |
| Health Care — (3.4%) | | |
| China Shineway Pharmaceutical Group, Ltd.# | 11,184,000 | 4,184,738 |
| Golden Meditech Co., Ltd.(1)*#. | 35,040,000 | 4,973,131 |
| Natural Beauty Bio-Technology, Ltd.# | 32,780,000 | 4,440,903 |
| | | <u>13,598,772</u> |
| Industrials — (0.6%) | | |
| TPV Technology, Ltd.(1) | 12,728,000 | 2,463,341 |
| Information Technology — (0.3%) | | |
| Chinasoft International, Ltd.# | 19,230,000 | 1,054,487 |
| Materials — (0.7%) | | |
| Sinofert Hong Kong Holdings, Ltd.(1) | 4,860,000 | 2,652,465 |

See notes to financial statements and notes to schedule of investments.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (continued)
October 31, 2008

| <u>Name of Issuer and Title of Issue</u> | <u>Shares</u> | <u>Value (Note A)</u> |
|---|---------------|---------------------------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS (continued) | | |
| HONG KONG (continued) | | |
| Utilities — (2.0%) | | |
| Xinao Gas Holdings, Ltd.(1)# | 9,286,000 | \$ 7,787,806 |
| TOTAL HONG KONG — (Cost \$119,027,477) | | <u>25.2%</u> <u>99,272,353</u> |
| HONG KONG — “H” SHARES | | |
| Consumer Staples — (3.0%) | | |
| Wumart Stores, Inc.(1)# | 15,126,000 | <u>11,904,935</u> |
| Energy — (1.0%) | | |
| China Oilfield Services, Ltd.(1) | 7,132,000 | <u>3,800,445</u> |
| Health Care — (2.7%) | | |
| Shandong Weigao Group Medical Polymer Co., Ltd.# | 9,004,000 | <u>10,687,999</u> |
| Industrials — (0.0%) | | |
| China Railway Group, Ltd.* | 504 | <u>286</u> |
| Sichuan Expressway Co., Ltd. | 742,000 | <u>112,969</u> |
| | | <u>113,255</u> |
| Materials — (0.8%) | | |
| Zijin Mining Group Co., Ltd.(1) | 10,408,000 | <u>3,088,646</u> |
| Telecommunications — (0.4%) | | |
| ZTE Corp.(1) | 760,759 | <u>1,668,665</u> |
| TOTAL HONG KONG — “H” SHARES — (Cost \$40,750,977) | | <u>7.9%</u> <u>31,263,945</u> |
| TOTAL HONG KONG (INCLUDING “H” SHARES) — (Cost \$159,778,454) | | <u>33.1%</u> <u>130,536,298</u> |
| SINGAPORE | | |
| Consumer Staples — (2.9%) | | |
| China Fishery Group, Ltd.# | 12,050,000 | <u>4,222,657</u> |
| China Milk Products Group, Ltd.(1) | 11,607,000 | <u>2,463,916</u> |
| Hsu Fu Chi International, Ltd.# | 9,484,000 | <u>4,665,624</u> |
| | | <u>11,352,197</u> |
| Information Technology — (0.4%) | | |
| CDW Holding, Ltd.#†(2) | 60,000,000 | <u>1,415,190</u> |

See notes to financial statements and notes to schedule of investments.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (continued)
October 31, 2008

| <u>Name of Issuer and Title of Issue</u> | <u>Shares</u> | <u>Value (Note A)</u> |
|--|---------------|------------------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS (continued) | | |
| SINGAPORE (continued) | | |
| Materials — (0.2%) | | |
| China Energy, Ltd.(1)* | 12,199,000 | \$ 945,404 |
| TOTAL SINGAPORE — (Cost \$29,567,423) | | 3.5% 13,712,791 |
| TAIWAN | | |
| Consumer Discretionary — (6.2%) | | |
| FamilyMart Co., Ltd.# | 3,777,652 | 5,154,077 |
| Far Eastern Department Stores, Ltd. | 18,511,584 | 8,278,507 |
| Merry Electronics Co., Ltd. | 3,584,340 | 3,075,474 |
| Synnex Technology International Corp. | 5,937,855 | 7,777,316 |
| | | <u>24,285,374</u> |
| Consumer Staples — (4.0%) | | |
| Lien Hwa Industrial Corp.# | 15,919,692 | 5,261,113 |
| Uni-President Enterprises Corp. | 12,593,581 | 10,691,132 |
| | | <u>15,952,245</u> |
| Financials — (8.9%) | | |
| Cathay Financial Holding Co., Ltd. | 5,993,788 | 6,405,852 |
| China Development Financial Holding Corp. | 27,751,738 | 5,477,566 |
| Fubon Financial Holdings Co., Ltd. | 12,603,000 | 7,642,235 |
| Ruentex Development Co., Ltd. | 12,694,000 | 5,234,242 |
| Yuanta Financial Holdings Co., Ltd. | 26,635,545 | 10,336,845 |
| | | <u>35,096,740</u> |
| Industrials — (1.0%) | | |
| Wah Lee Industrial Corp.# | 4,118,821 | 3,871,248 |
| Information Technology — (5.7%) | | |
| Asustek Computer, Inc. | 248,000 | 357,911 |
| Cyberlink Corp. | 1,183,000 | 4,716,577 |
| Powertech Technology Inc. | 4,439,210 | 6,251,840 |
| Taiwan Secom Co., Ltd.# | 4,738,000 | 5,846,634 |
| Tripod Technology Corp. | 4,402,867 | 5,393,036 |
| | | <u>22,565,998</u> |

See notes to financial statements and notes to schedule of investments.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (continued)
October 31, 2008

| <u>Name of Issuer and Title of Issue</u> | <u>Shares</u> | <u>Value (Note A)</u> |
|---|---------------|---------------------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS (continued) | | |
| TAIWAN (continued) | | |
| Materials — (1.3%) | | |
| China Metal Products Co., Ltd.# | 9,019,881 | \$ 4,990,914 |
| Yieh United Steel Corp.# | 568,980 | 155,259 |
| | | <u>5,146,173</u> |
| TOTAL TAIWAN — (Cost \$136,498,134) | 27.1% | <u>106,917,778</u> |
| UNITED KINGDOM | | |
| Health Care — (1.7%) | | |
| China Medical System Holdings, Ltd.#†(2) | 3,623,188 | 6,820,099 |
| TOTAL UNITED KINGDOM — (Cost \$9,940,990) | 1.7% | <u>6,820,099</u> |
| UNITED STATES | | |
| Consumer Discretionary — (1.3%) | | |
| The9, Ltd., ADR(1)*# | 356,200 | 5,065,164 |
| Energy — (0.4%) | | |
| Far East Energy Corp.*#† | 10,478,634 | 1,467,009 |
| Health Care — (2.7%) | | |
| Mindray Medical International, Ltd., ADR(1) | 367,000 | 7,912,520 |
| WuXi PharmaTech Cayman Inc., ADR(1)* | 310,190 | 2,903,378 |
| | | <u>10,815,898</u> |
| TOTAL UNITED STATES — (Cost \$32,555,981) | 4.4% | <u>17,348,071</u> |
| TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS — (Cost \$368,340,982) | 69.8% | <u>275,335,037</u> |
| EQUITY LINKED SECURITIES | | |
| Consumer Staples — (2.9%) | | |
| Dalian Zhangzidao Fishery Group Co., Ltd. Access Product (expiration 01/17/12) 144A,(2)(3) | 2,270,000 | 4,374,290 |
| Shenzhen Agricultural Products Co., Ltd. Access Product (expiration 01/17/12)*(2)(3) | 4,000,000 | 6,918,634 |
| | | <u>11,292,924</u> |
| Energy — (1.0%) | | |
| China Yangtze Power Co., Ltd. Access Product (expiration 10/26/10) 144A,(2)(4)* | 4,169,077 | 3,888,986 |

See notes to financial statements and notes to schedule of investments.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (continued)
October 31, 2008

| <u>Name of Issuer and Title of Issue</u> | <u>Shares</u> | <u>Value (Note A)</u> |
|---|---------------|--------------------------------|
| EQUITY LINKED SECURITIES (continued) | | |
| Financials — (0.8%) | | |
| Zhejiang Guyuelongshan Access Product (expiration 10/07/13)(2)(4) . . | 3,582,000 | <u>\$ 3,095,199</u> |
| Industrials — (4.8%) | | |
| Daqin Railway Co., Ltd. Access Product (expiration 11/02/11) | | |
| 144A,(2)(4)* | 8,307,000 | 11,754,405 |
| Shanghai International Airport Co., Ltd. Access Product | | |
| (expiration 01/20/10) 144A,(2)(3) | 1,816,700 | 2,834,052 |
| Shanghai Zhenhua Port Machinery Co., Ltd. Access Product | | |
| (expiration 10/26/10) 144A,(2)(4)* | 4,462,752 | <u>4,373,497</u> |
| | | <u>18,961,954</u> |
| Materials — (1.6%) | | |
| Qinghai Salt Lake Potash Co., Ltd. Access Product | | |
| (expiration 10/26/10) 144A,(2)(4)* | 887,909 | <u>6,409,250</u> |
| TOTAL EQUITY LINKED SECURITIES — | | |
| (Cost \$39,174,452) | | <u>11.1%</u> <u>43,648,313</u> |
| DIRECT INVESTMENTS | | |
| Consumer Discretionary — (9.8%) | | |
| Queenbury Investments, Ltd., (Huiyan) (acquired 05/06/08)(2)(5)*#† . . | 450 | <u>38,459,700</u> |
| Industrials — (4.2%) | | |
| Highlight Tech Corp., (acquired 09/11/07)(2)(5)*#† | 3,366,893 | 5,993,070 |
| Qingdao Bright Moon, (acquired 02/28/08)(2)(5)*#† | 31,827,172 | 7,001,978 |
| Wuxi PAIHO, (acquired 09/17/07)(2)(5)*#† | 11,734,701 | <u>3,679,990</u> |
| | | <u>16,675,038</u> |
| Information Technology — (2.5%) | | |
| China Silicon Corp. Common Stock (acquired 09/23/08) (2)(5)*#† . . . | 183,396 | 436,482 |
| China Silicon Corp. Warrants (expiration 11/30/10) | | |
| (acquired 11/30/07)(2)(5)*#† | 685,450 | — |
| China Silicon Corp., Series A Preferred (acquired 11/30/07)(2)(5)#† . . . | 27,418 | 6,525,484 |
| HAND Enterprise Solutions, Ltd., (acquired 05/02/07)(2)(5)*# † | 500,000 | 3,050,000 |
| teco Optronics Corp., (acquired 04/26/04)(5)*#† | 1,861,710 | — |
| | | <u>10,011,966</u> |
| TOTAL DIRECT INVESTMENTS — (Cost \$66,123,383) | | <u>16.5%</u> <u>65,146,704</u> |

See notes to financial statements and notes to schedule of investments.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (continued)
October 31, 2008

| <u>Name of Issuer and Title of Issue</u> | <u>Principal Amount</u> | <u>Value (Note A)</u> |
|---|-----------------------------|------------------------------------|
| COLLATERAL FOR SECURITIES ON LOAN — (10.6%) | | |
| Securities Lending Quality Trust. | 41,715,721 | \$ <u>41,715,721</u> |
| TOTAL COLLATERAL FOR SECURITIES ON LOAN — (Cost \$41,715,721) | | <u>10.6%</u> <u>41,715,721</u> |
| TOTAL INVESTMENTS — (Cost \$515,354,538) | | <u>108.0%</u> <u>425,845,775</u> |
| OTHER ASSETS AND LIABILITIES | | <u>(8.0%)</u> <u>(31,488,328)</u> |
| NET ASSETS | | <u>100.0%</u> <u>\$394,357,447</u> |

Notes to Schedule of Investments

* Denotes non-income producing security.

Illiquid security.

† Affiliated issuer (see Note F).

(1) A portion or all of the security was held on loan. As of October 31, 2008, the market value of the securities loaned was \$38,596,614.

(2) Security valued at fair value using methods determined in good faith by or at the direction of the Board of Directors.

(3) Equity linked securities issued by Citigroup Global Markets Holdings.

(4) Equity linked securities issued by Credit Lyonnais (CLSA).

(5) Direct investments are generally restricted as to resale and do not have a readily available resale market. On the date of acquisition of each direct investment, there were no market quotations on similar securities, and such investments were therefore valued in good faith by the Board of Directors at fair market value.

144A Securities restricted for resale to Qualified Institutional Buyers.

ADR American Depositary Receipt.

See notes to financial statements and notes to schedule of investments.

THE CHINA FUND, INC.
STATEMENT OF ASSETS AND LIABILITIES
October 31, 2008

ASSETS

| | |
|---|--------------------|
| Investments in securities, at value (cost \$386,379,645) (Note A) | \$309,281,052 |
| Investments in affiliated investments, at value (cost \$87,259,172) (Notes A and F) | 74,849,002 |
| Collateral for securities loaned | 41,715,721 |
| Cash | 7,804,157 |
| Foreign currency, at value (cost \$3,199,893) | 3,141,363 |
| Receivable for securities lending income | 105,309 |
| Dividends receivable | 929,489 |
| Prepaid expenses | 46,293 |
| Miscellaneous assets | 1,555 |
| TOTAL ASSETS | <u>437,873,941</u> |

LIABILITIES

| | |
|---|-------------------|
| Payable for investments purchased | 278,713 |
| Payable upon return of collateral for securities loaned | 41,715,721 |
| Investment management fee payable (Note B) | 360,529 |
| Administration and custodian fees payable (Note B) | 136,956 |
| Directors fee payable (Note B) | 58,742 |
| Contingent liability (Note A) | 717,795 |
| Accrued expenses and other liabilities | 248,038 |
| TOTAL LIABILITIES | <u>43,516,494</u> |

| | |
|-----------------------------------|-----------------------------|
| TOTAL NET ASSETS | <u><u>\$394,357,447</u></u> |
|-----------------------------------|-----------------------------|

COMPOSITION OF NET ASSETS:

| | |
|--|-----------------------------|
| Paid in capital (Note C) | 380,196,385 |
| Undistributed net investment income | 8,736,686 |
| Accumulated net realized gain on investments and foreign currency transactions | 94,991,467 |
| Net unrealized depreciation on investment and foreign currency translations | (89,567,091) |
| TOTAL NET ASSETS | <u><u>\$394,357,447</u></u> |

NET ASSETS VALUE PER SHARE

| | |
|---|-----------------------|
| (\$394,357,447/18,153,741 shares of common stock outstanding) | <u><u>\$21.72</u></u> |
|---|-----------------------|

See notes to financial statements.

THE CHINA FUND, INC.
STATEMENT OF OPERATIONS
Year Ended October 31, 2008

INVESTMENT INCOME:

| | |
|--|-------------------|
| Dividend income — (including dividends of \$1,279,960 from non-controlled affiliates, net of tax withheld of \$1,534,605) (Note F) | \$ 14,356,086 |
| Interest income | 678,537 |
| Securities lending income | 1,373,455 |
| TOTAL INVESTMENT INCOME | <u>16,408,078</u> |

EXPENSES

| | |
|---|------------------|
| Investment Management fees (Note B) | 4,536,209 |
| Custodian fees (Note B) | 1,033,117 |
| Administration fees (Note B) | 586,137 |
| Directors' fees and expenses (Note B) | 401,386 |
| Stock dividend tax expense | 592,213 |
| Legal fees | 214,522 |
| Printing and postage | 120,815 |
| Shareholder service fees | 181,017 |
| Chief Compliance Officer fee | 56,226 |
| Insurance | 47,451 |
| Audit and tax service fees | 113,640 |
| Stock exchange listing fee | 27,518 |
| Transfer agent fees | 34,076 |
| Miscellaneous expenses | 170,056 |
| TOTAL EXPENSES | <u>8,114,383</u> |
| Expense reduction (Note B) | <u>(187,405)</u> |
| NET EXPENSES | <u>7,926,978</u> |

| | |
|--|------------------|
| NET INVESTMENT INCOME | <u>8,481,100</u> |
|--|------------------|

REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY

| | |
|---|-------------------|
| Net realized gain on investment transactions | 95,339,880 |
| Net realized loss on non-controlled affiliate transactions (Note F) | (348,413) |
| Net realized gain on foreign currency transactions | 333,105 |
| | <u>95,324,572</u> |

| | |
|--|----------------------|
| Net change in unrealized depreciation on investments and foreign currency transactions | <u>(538,291,891)</u> |
| | <u>(538,291,891)</u> |

| | |
|--|----------------------|
| NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS | <u>(442,967,319)</u> |
|--|----------------------|

| | |
|---|-------------------------------|
| NET DECREASE IN NET ASSETS FROM OPERATIONS | <u><u>\$(434,486,219)</u></u> |
|---|-------------------------------|

See notes to financial statements.

THE CHINA FUND, INC.
STATEMENTS OF CHANGES IN NET ASSETS

| | <u>Year Ended October 31, 2008</u> | <u>Year Ended October 31, 2007</u> |
|--|--|--|
| (DECREASE)/INCREASE IN NET ASSETS FROM OPERATIONS | | |
| Net investment income | \$ 8,481,100 | \$ 4,118,400 |
| Net realized gain on investments and foreign currency transactions | 95,324,572 | 172,697,839 |
| Net (decrease)/increase in unrealized appreciation on investments and foreign currency translations | <u>(538,291,891)</u> | <u>305,398,733</u> |
| Net (decrease)/increase in net assets from operations | <u>(434,486,219)</u> | <u>482,214,972</u> |
| DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM: | | |
| Net investment income | (4,080,764) | (4,343,068) |
| Capital gains | <u>(172,579,378)</u> | <u>(53,811,419)</u> |
| Total dividends and distributions to shareholders | <u>(176,660,142)</u> | <u>(58,154,487)</u> |
| CAPITAL SHARE TRANSACTIONS: | | |
| Fund shares sold (Note C) | — | — |
| Reinvestment of dividends and distributions (3,577,780 and 79,741 shares, respectively) | <u>123,648,061</u> | <u>2,589,184</u> |
| Net increase in net assets from capital share transactions | <u>123,648,061</u> | <u>2,589,184</u> |
| NET (DECREASE)/INCREASE IN NET ASSETS | (487,498,300) | 426,649,669 |
| NET ASSETS: | | |
| Beginning of year | <u>881,855,747</u> | <u>455,206,078</u> |
| End of period | <u>\$ 394,357,447</u> | <u>\$881,855,747</u> |
| Undistributed net investment income, end of period | <u>\$ 8,736,686</u> | <u>\$ 4,022,954</u> |

See notes to financial statements.

THE CHINA FUND, INC.
STATEMENT OF CASH FLOWS
For The Year Ended October 31, 2008

Increase (decrease) in cash -

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|---------------------|
| Net decrease in net assets resulting from operations | \$(434,486,219) |
| Adjustments to reconcile net decrease in net assets from operations to net cash provided from operating activities: | |
| Purchases of investment securities | (316,774,637) |
| Proceeds from disposition of investment securities | 336,191,770 |
| Proceeds from cash transactions | 147,532 |
| Decrease in collateral for securities loaned | 108,362,719 |
| Increase in dividends receivable | (386,709) |
| Decrease in receivable for securities lending income | 4,611 |
| Decrease in receivable for investments sold | 3,805,960 |
| Decrease in prepaid expenses and miscellaneous assets | 107,053 |
| Decrease in payable for securities purchased | (1,904) |
| Decrease in payable upon return of collateral for securities loaned | (108,362,719) |
| Decrease in accrued expenses and other liabilities | (564,639) |
| Unrealized appreciation/depreciation on investments and foreign currency | 538,291,891 |
| Net realized gain/loss from investments and currencies | <u>(95,324,572)</u> |
| Net cash provided from operating activities | <u>31,010,137</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|--|---------------------|
| Cash distributions paid | <u>(53,012,081)</u> |
| Net cash used for financing activities | <u>(53,012,081)</u> |

NET DECREASE IN CASH (22,001,944)

CASH AT BEGINNING OF PERIOD 32,947,464

CASH AT END OF PERIOD \$ 10,945,520

Noncash financing activities not included herein consist of:

| | |
|---|----------------|
| Reinvestment of distributions | \$ 123,648,061 |
|---|----------------|

See notes to financial statements.

THE CHINA FUND, INC.
FINANCIAL HIGHLIGHTS

Selected data for a share of common stock outstanding for the years indicated

| | Year Ended October 31, | | | | |
|---|------------------------|-----------|-----------|-----------|-----------|
| | 2008 | 2007 | 2006 | 2005 | 2004* |
| <u>Per Share Operation Performance</u> | | | | | |
| Net asset value, beginning of year | \$ 60.50 | \$ 31.40 | \$ 23.25 | \$ 26.27 | \$ 26.93 |
| Net investment income | 0.49 | 0.28 | 0.30 | 0.21 | 0.21 |
| Net realized and unrealized gain (loss) on investments and foreign currency transactions | (25.66) | 32.83 | 10.36 | 0.34 | 0.91 |
| Total income (loss) from investment operations | (25.17) | 33.11 | 10.66 | 0.55 | 1.12 |
| Less dividends and distributions: | | | | | |
| Dividend from net investment income | (0.28) | (0.30) | (0.22) | (0.20) | (0.07) |
| Distributions from net realized capital gains | (11.84) | (3.71) | (2.29) | (3.37) | (1.71) |
| Total dividends and distributions | (12.12) | (4.01) | (2.51) | (3.57) | (1.78) |
| Capital Share Transactions: | | | | | |
| (Dilution) to net asset value, resulting from issuance of shares in stock dividend | (1.49) | (0.00) | (0.00) | (0.00) | (0.00) |
| Net asset value, end of year | \$ 21.72 | \$ 60.50 | \$ 31.40 | \$ 23.25 | \$ 26.27 |
| Per share market price, end of year | \$ 19.87 | \$ 51.67 | \$ 30.40 | \$ 24.55 | \$ 29.15 |
| <u>Total Investment Return (Based on Market Price)</u> . . . | (48.06)% | 90.97% | 37.20% | (5.50)% | (12.16)% |
| <u>Ratios and Supplemental Data</u> | | | | | |
| Net assets, end of year (000's) | \$394,357 | \$881,856 | \$455,206 | \$334,496 | \$264,886 |
| Ratio of net expenses to average net assets | 1.20% | 1.08% | 1.26% | 1.44% | 1.41% |
| Ratio of gross expenses to average net assets | 1.23% | 1.08% | 1.26% | 1.44% | 1.41% |
| Ratio of net expenses to average net assets, excluding stock dividend tax expense | 1.11% | 1.04% | 1.23% | 1.38% | 1.34% |
| Ratio of net investment income to average net assets . . . | 1.28% | 0.67% | 1.09% | 1.04% | 0.78% |
| Portfolio turnover rate | 49% | 46% | 50% | 26% | 40% |

* Financial highlights were audited by a previous audit firm.

See notes to financial statements.

THE CHINA FUND, INC.
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2008

NOTE A — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The China Fund, Inc. (the “Fund”) was incorporated under the laws of the State of Maryland on April 28, 1992, and is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the “1940 Act”). The Fund’s investment objective is long-term capital appreciation through investments in the equity securities of companies engaged in a substantial amount of business in the People’s Republic of China. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from these estimates. The significant estimates made as of, and for the twelve months ended, October 31, 2008 relate to Direct Investments and to the contingent liability resulting from the sale of Captive Finance in March 2007. A reserve of 10% of the net sale proceeds was established to cover any potential liabilities from the representation and warranties provided by the Fund in the transaction.

Security valuation: Portfolio securities listed on recognized United States or foreign securities exchanges are valued at the last quoted sales price in the principal market where they are traded. Listed securities with no such sales price and unlisted securities are valued at the mean between the current bid and asked prices, if any, of two brokers. Short-term investments having maturities of sixty days or less are valued at amortized cost (original purchase cost as adjusted for amortization of premium or accretion of discount) which when combined with accrued interest approximates market value. Open end investment companies are valued at net asset value per share. Securities for which market quotations are readily available are valued at current market value. Securities for which market quotations are not readily available are valued at fair value using methods determined in good faith by or at the direction of the Board of Directors considering relevant factors, data and information including, if relevant, the market value of freely tradable securities of the same class in the principal market on which such securities are normally traded. Direct Investments not traded on an exchange are valued at fair value as determined by the Board of Directors based on financial and other information supplied by the Direct Investment Manager regarding each Direct Investment.

Repurchase Agreements: In connection with transactions in repurchase agreements, it is the Fund’s policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

Securities Lending: The Fund may lend any of its securities held by State Street Bank and Trust Company (“State Street”) as custodian to certain qualified brokers, except those securities which the Fund or the Investment Manager specifically identifies as not being available. By lending its investment securities, the Fund attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of the Fund. Risks of delay in recovery of the securities or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned.

NOTES TO FINANCIAL STATEMENTS (continued)

Upon entering into a securities lending transaction, the Fund receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by State Street, acting in its capacity as securities lending agent (the “Agent”), in the Securities Lending Quality Trust. A portion of the dividends received on the collateral is rebated to the borrower of the securities and the remainder is split between the Agent and the Fund.

As of October 31, 2008, the Fund had loaned securities which were collateralized by cash and short term investments. The value of the securities on loan and the value of the related collateral were as follows:

| <u>Value of Securities</u> | <u>Value of Cash Collateral</u> | <u>Value of Non-Cash Collateral*</u> | <u>Total Collateral</u> |
|----------------------------|---------------------------------|--------------------------------------|-------------------------|
| \$38,596,614 | \$41,715,721 | \$142,778 | \$41,858,499 |

* The Fund cannot repledge or resell this collateral. The non-cash collateral is comprised of U.S. government securities.

In light of worldwide economic conditions and related market disruptions, the board elected to temporarily curtail the fund’s securities lending program. The effects of such limitations are not anticipated to have a material impact on the fund’s NAV per share or results of operations. The Board expects to re-evaluate whether to reinstate securities lending at some point in the future, when market conditions return to what is considered a more normal state.

Foreign currency translations: The records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities and income and expenses are translated on the respective dates of such transactions. Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included in realized and unrealized gain or loss on investments.

Option Contracts: The Fund may purchase and write (sell) call options and put options provided the transactions are for hedging purposes and the initial margin and premiums do not exceed 5% of total assets. Option contracts are valued daily and unrealized gains or losses are recorded based upon the last sales price on the principal exchange on which the options are traded. The Fund will realize a gain or loss upon the expiration or closing of the option contract. When an option is exercised, the proceeds on sales of the underlying security for a written call option, the purchase cost of the security for a written put option, or the cost of the security for a purchased put or call option is adjusted by the amount of premium received or paid.

The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium

NOTES TO FINANCIAL STATEMENTS (continued)

whether or not the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counter parties to meet the terms of the contract.

Equity Linked Securities: The Fund may invest in equity-linked securities such as linked participation notes, equity swaps and zero-strike options and securities warrants. Equity-linked securities currently held by the Fund, identified as “Access Products” in the Schedule of Investments, are privately issued securities whose investment results are designed to correspond generally to the performance of a specified stock index or “basket” of stocks, or a single stock. Access Products may be used by the Fund to gain exposure to countries that place restrictions on investments by foreigners. To the extent that the Fund invests in Access Products whose return corresponds to the performance of a foreign securities index or one or more foreign stocks, investing in Access Products will involve risks similar to the risks of investing in foreign securities. In addition, the Fund bears the risk that the issuer of an Access Product may default on its obligation under the terms of the arrangement with the counterparty. Access Products are often used for many of the same purposes as, and share many of the same risks with, derivative instruments. In addition, Access Products may be considered illiquid.

At October 31, 2008, the Fund held equity-linked Access Product warrants through Credit Lyonnais (“CLSA”) and Citigroup Global Markets Holdings, the issuers. Under the terms of the agreements, each warrant entitles the Fund to receive from the issuers an amount in U.S. dollars linked to the performance of specific equity shares.

Direct investments: The Fund may invest up to 25% of the net proceeds from its offering of its outstanding common stock in direct investments. Direct investments are generally restricted and do not have a readily available resale market. The value of these securities at October 31, 2008 was \$65,146,704 or 16.5% of the Fund’s net asset value. The table below details the acquisition date, cost, and value of the Fund’s direct investments as determined by the Board of Director’s of the Fund. The Fund does not have the right to demand that such securities be registered.

| <u>Security</u> | <u>Acquisition Date</u> | <u>Cost</u> | <u>Value</u> |
|--|-------------------------|---------------------|---------------------|
| China Silicon Corp., Series A Preferred* | 11/30/2007 | \$ 6,552,874 | \$ 6,525,484 |
| China Silicon Corp. Common Stock | 09/23/2008 | \$ 436,482 | \$ 436,482 |
| HAND Enterprise Solutions, Ltd. | 05/02/2007 | \$ 3,164,274 | \$ 3,050,000 |
| Highlight Tech. Corp. | 09/11/2007 | \$ 6,025,894 | \$ 5,993,070 |
| Queenbury Investments, Ltd., (Huiyan) | 05/06/2008 | \$38,515,190 | \$38,459,700 |
| Qingdao Bright Moon | 02/28/2008 | \$ 7,116,942 | \$ 7,001,978 |
| teco Optronics Corp. | 04/26/2004 | \$ 567,320 | \$ — |
| Wuxi PAIHO | 09/17/2007 | \$ 3,744,407 | \$ 3,679,990 |
| | | <u>\$66,123,383</u> | <u>\$65,146,704</u> |

* The purchase of China Silicon Corp., Series A Preferred resulted in the Fund receiving 685,450 shares of China Silicon Corp. common stock warrants. Each warrant entitles the Fund to purchase twenty five shares of common stock at an exercise price of USD\$2.98 per share, subject to adjustment.

NOTES TO FINANCIAL STATEMENTS (continued)

Indemnification Obligations: Under the Fund's organizational documents, its Officers and Directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, in the normal course of business the Fund enters into contracts that provide general indemnifications to other parties. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred.

Security transactions and investment income: Security transactions are recorded as of the trade date. Realized gains and losses from securities sold are recorded on the identified cost basis. Dividend income is recorded on the ex-dividend date, or, in the case of dividend income on foreign securities, on the ex-dividend date or when the Fund becomes aware of its declaration. Interest income is recorded on the accrual basis. All premiums and discounts are amortized/accreted for both financial reporting and federal income tax purposes.

Dividend and interest income generated in Taiwan is subject to a 20% withholding tax. Stock dividends received (except those which have resulted from Capitalization of capital surplus) are taxable at 20% of the par value of the stock dividends received. The Fund records the taxes paid on stock dividends as an operating expense.

Dividends and distributions: The Fund intends to distribute to its shareholders, at least annually, substantially all of its net investment income and any net realized capital gains. Income and capital gains distributions are determined in accordance with U.S. income tax regulations, which may differ from generally accepted accounting principles. These differences are primarily due to differing book and tax treatments for foreign currency transactions.

The Fund made distribution of \$45,470,844 from Ordinary Income and \$131,189,298 from Long-Term Capital Gains during the year ended October 31, 2008. For the year ended October 31, 2007 the Fund made distributions of \$18,566,759 from Ordinary Income and \$39,587,728 from Long-Term Capital Gains. As of October 31, 2008 the components of distributable earnings on a tax basis were \$8,736,686 for undistributed ordinary income and \$96,868,587 for undistributed capital gains. At that date, the Fund had \$91,444,211 of net unrealized depreciation on a tax basis. Income and capital gains distributions are determined in accordance with U.S. income tax regulations, which may differ from generally accepted accounting principles. These differences are primarily due to differing book and tax treatments for foreign currency transactions.

Federal income taxes: The Fund has qualified and intends to qualify in the future as a regulated investment company by complying with the provisions of Subchapter M of the Internal Revenue Code available to certain investment companies, including making distributions of taxable income and capital gains sufficient to relieve it from all, or substantially all, federal income and excise taxes.

NOTE B — ADVISORY FEE AND OTHER TRANSACTIONS WITH AFFILIATES

Martin Currie Inc. is the investment manager for the Fund's listed assets (the "Listed Assets"). Martin Currie Inc. receives a fee, computed weekly and payable monthly, at the following annual rates: 0.70% of the first US\$315 million of the Fund's average weekly net assets invested in Listed Assets; and 0.50% of the Fund's average weekly net assets invested in Listed Assets in excess of US\$315 million. It also receives a fee computed weekly and payable monthly, at an annual rate of 2.0% of the average weekly value of the Fund's assets invested in direct investments.

NOTES TO FINANCIAL STATEMENTS (continued)

No director, officer or employee of the Investment Manager or Direct Investment Manager or any affiliates of those entities will receive any compensation from the Fund for serving as an officer or director of the Fund. The Fund pays the Chairman of the Board and each of the directors (who is not a director, officer or employee of the Investment Manager or Direct Investment Manager or any affiliate thereof) an annual fee of \$27,500 and \$15,000 respectively, plus \$3,000 for each Board of Directors', or Audit and Nominating Committee meeting attended, \$2,000 for each telephonic meeting attended and \$1,000 for each Valuation Committee teleconference attended. In addition, the Fund will reimburse each of the directors for travel and out-of-pocket expenses incurred in connection with attending Board of Directors' meetings.

State Street provides, or arranges for the provision of certain administrative services for the Fund, including preparing certain reports and other documents required by federal and/or state laws and regulations. The Fund pays State Street a fee at an annual rate of 0.13% of the Fund's average daily net assets up to \$150 million, 0.11% of the next \$150 million and 0.06% of those assets in excess of \$300 million subject to certain minimum requirements for fund administration services. On March 6, 2008 the Board approved an amendment to the fee schedule as follows: the Fund pays State Street a fee at an annual rate of 0.13% of the Fund's average daily net assets up to \$150 million, 0.11% of the next \$150 million, 0.06% of the next \$400 million and 0.05% of those in excess of \$400 million subject to certain minimum requirements for fund administration services. The Fund also pays State Street \$100,000 per year for certain legal administration services, including corporate secretarial services and preparing regulatory filings.

The Fund also has a contract with State Street to provide custody and fund accounting services to the Fund. For these services, the Fund pays State Street asset-based fees that vary according to the number of positions and transactions plus out of pocket expenses. In 2008 State Street provided the Fund with earnings credits for overnight cash balances left on account. These credits are reflected as an expense reduction in the Statement of Operations.

NOTE C — CAPITAL STOCK

The Board of Directors of the Fund has approved a share repurchase plan. Under the program, the Fund will repurchase shares at management's discretion at times when it considers the repurchase to be consistent with the objectives of the program. For the year ended October 31, 2008, the Fund did not participate in this program. At October 31, 2008, 100,000,000 shares of \$.01 par value common stock were authorized.

NOTE D — INVESTMENT TRANSACTIONS

For the year ended October 31, 2008, the Fund's cost of purchases and proceeds from sales of investment securities, other than short-term securities, were \$315,702,873 and \$336,479,915, respectively. At October 31, 2008, the cost of investments for federal income tax purposes was \$517,231,658. Gross unrealized appreciation of investments was \$43,472,203, while gross unrealized depreciation of investments was \$134,858,086, resulting in net unrealized depreciation of investments of \$91,385,883.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE E — INVESTMENTS IN CHINA

The Fund's investments in China companies involve certain risks not typically associated with investments in securities of U.S. companies or the U.S. Government, including risks relating to (1) social, economic and political uncertainty; (2) price volatility, lesser liquidity and smaller market capitalization of securities markets in which securities of China companies trade; (3) currency exchange fluctuations, currency blockage and higher rates of inflation; (4) controls on foreign investment and limitations on repatriation of invested capital and on the Fund's ability to exchange local currencies for U.S. dollars; (5) governmental involvement in and control over the economy; (6) risk of nationalization or expropriation of assets; (7) the nature of the smaller, less seasoned and newly organized China companies, particularly in China; and (8) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation.

NOTE F — INVESTMENTS IN NON-CONTROLLED AFFILIATES*:

| Name of Issuer | Balance of Shares Held October 31, 2007 | Gross Purchases and Additions | Gross Sales and Reductions | Balance of Shares Held October 31, 2008 | Value October 31, 2008 | Dividends Included in Dividend Income Non-Controlled Affiliates | Loss Realized on Sale of Shares for the Fiscal Year Ended October 31, 2008 |
|--|--|--|-------------------------------------|--|------------------------------|---|---|
| CDW Holding, Ltd. | 60,000,000 | — | — | 60,000,000 | \$ 1,415,190 | \$300,000 | \$ — |
| China Medical System Holdings, Ltd. | 3,623,188 | — | — | 3,623,188 | \$ 6,820,099 | \$543,478 | \$ — |
| China Silicon Corp. Common Stock . . | — | 183,396 | — | 183,396 | \$ 436,482 | \$ — | \$ — |
| China Silicon Corp., Series A Preferred | — | 27,418 | — | 27,418 | \$ 6,525,484 | \$436,482 | \$ — |
| China Silicon Corp. Warrants | — | 685,450 | — | 685,450 | \$ — | \$ — | \$ — |
| Far East Energy Corp. | 11,111,111 | — | 632,477 | 10,478,634 | \$ 1,467,009 | \$ — | \$(348,413) |
| HAND Enterprise Solutions, Ltd. | 500,000 | — | — | 500,000 | \$ 3,050,000 | \$ — | \$ — |
| Highlight Tech Corp. | 3,366,893 | — | — | 3,366,893 | \$ 5,993,070 | \$ — | \$ — |
| Qingdao Bright Moon | — | 31,827,172 | — | 31,827,172 | \$ 7,001,978 | \$ — | \$ — |
| Queenbury Investments, Ltd (Huiyan) | — | 450 | — | 450 | \$38,459,700 | \$ — | \$ — |
| teco Optronics Corp. | 1,861,710 | — | — | 1,861,710 | \$ — | \$ — | \$ — |
| Wuxi PAIHO | 11,734,701 | — | — | 11,734,701 | \$ 3,679,990 | \$ — | \$ — |

* Affiliated issuers, as defined in the 1940 Act as amended, include issuers in which the Fund held 5% or more of the outstanding voting securities.

NOTES TO FINANCIAL STATEMENTS (continued)

NOTE G — NEW ACCOUNTING PRONOUNCEMENTS

In June 2006, the Financial Accounting Standards Board (FASB) released FASB Interpretation No. 48 (FIN 48) “Accounting for Uncertainty in Income Taxes”. FIN 48 provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in the financial statements. FIN 48 requires the evaluation of tax positions taken in the course of preparing the Fund’s tax return to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold would be booked as a tax expense in the current year and recognized as: a liability for unrecognized tax benefits; a reduction of an income tax refund receivable; a reduction of deferred tax asset; an increase in deferred tax liability; or a combination thereof. The Fund adopted the provisions of FIN 48 on November 1, 2007 and the adoption did not have a material effect on the net asset value, financial condition or results of operations of the Fund. As of October 31, 2008, the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund’s federal tax returns filed for the fiscal years ended October 31, 2005, October 31, 2006 and October 31, 2007 remain subject to examination by the Internal Revenue Service.

NOTE H — RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“FAS 157”). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. As of October 31, 2008, management does not believe the adoption of FAS 157 will impact the amounts reported in the financial statements; however, additional disclosures may be required about the inputs used to develop the measurements of fair value and the effect of certain of the measurements on changes in net assets for the period.

In addition, in March 2008, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 161, “Disclosures about Derivative Instruments and Hedging Activities” (“SFAS 161”). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about the Fund’s derivative and hedging activities. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund’s financial statement disclosures.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of the China Fund, Inc.:

We have audited the accompanying statement of assets and liabilities of The China Fund, Inc. (the “Fund”), including the schedule of investments, as of October 31, 2008, and the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund’s management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for the year in the period ended October 31, 2004 were audited by other auditors whose report, dated December 10, 2004, expressed an unqualified opinion on those highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of October 31, 2008, by correspondence with the custodian and brokers; where replies were not received from brokers, we performed other auditing procedures. 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 China Fund, Inc. as of October 31, 2008, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the four years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Boston, Massachusetts
December 29, 2008

THE CHINA FUND, INC.

Other Information (Unaudited)

Results of Annual Stockholder Meeting Voting Held March 6, 2008

- 1.) Election of Directors — The stockholders of the Fund elected Nigel Tulloch and William Kirby as Class III directors to serve for a term expiring on the date on which the annual meeting of stockholders is held in 2011.

| | <u>For</u> | <u>Against</u> | <u>Abstain</u> |
|---------------|------------|----------------|----------------|
| Nigel Tulloch | 7,187,567 | 0 | 1,779,213 |
| William Kirby | 8,765,368 | 0 | 201,411 |

- 2.) To approve the elimination of the Fund's fundamental investment policy requiring at least 65% of the Fund's assets to be invested in the equity securities of China companies.

| | <u>For</u> | <u>Against</u> | <u>Abstain</u> |
|--|------------|----------------|----------------|
| | 6,181,086 | 236,621 | 77,023 |

TAX INFORMATION

Capital Gains Distributions: \$131,189,298 has been designated as capital gains dividends for the purpose of the dividends paid deduction, of which 100% represents 15% rate gains.

Foreign Taxes Credit: The Fund designates \$2,126,818 as foreign taxes paid and \$15,890,690 as foreign source income earned for regular Federal income tax purposes.

Qualified Dividend Income: For the fiscal year ended October 31, 2008, the Fund will designate up to the maximum amount allowable pursuant to the Internal Revenue Code, as qualified dividend income eligible for reduced tax rates. These lower rates range from 5% to 15% depending on an individual's tax bracket. Complete information will be reported in conjunction with Form 1099-DIV.

PRIVACY POLICY

Privacy Notice

The China Fund, Inc. collects nonpublic personal information about its shareholders from the following sources:

- Information it receives from shareholders on applications or other forms; and
- Information about shareholder transactions with the Fund.

The Fund's policy is to not disclose nonpublic personal information about its shareholders to nonaffiliated third parties (other than disclosures permitted by law).

The Fund restricts access to nonpublic personal information about its shareholders to those agents of the Fund who need to know that information to provide products or services to shareholders. The Fund maintains physical, electronic and procedural safeguards that comply with federal standards to guard its shareholders' nonpublic personal information.

THE CHINA FUND, INC.

Other Information (continued) (Unaudited)

PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that are used by the Fund's investment advisers to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling 1-888-CHN-CALL (246-2255); and (2) as an exhibit to the Fund's annual report on Form N-CSR which is available on the website of the Securities and Exchange Commission (the "Commission") at <http://www.sec.gov>. Information regarding how the investment advisers vote these proxies is now available by calling the same number and on the Commission's website. The Fund has filed its report on Form N-PX covering the Fund's proxy voting record for the 12 month period ending June 30, 2008.

QUARTERLY PORTFOLIO OF INVESTMENTS

A Portfolio of Investments will be filed as of the end of the first and third quarter of each fiscal year on Form N-Q and will be available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Form N-Q has been filed as of July 31, 2008 for the third quarter of this fiscal year and is available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Additionally, the Portfolio of Investments may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The quarterly Portfolio of Investments will be made available with out charge, upon request, by calling 1-888-246-2255.

CERTIFICATIONS

The Fund's chief executive officer has certified to the New York Stock Exchange that, as of June 10, 2008, he was not aware of any violation by the Fund of applicable New York Stock Exchange corporate governance listing standards. The Fund also has included the certifications of the Fund's chief executive officer and chief financial officer required by Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 in the Fund's Form N-CSR filed with the Securities and Exchange Commission, for the period of this report.

BOARD DELIBERATIONS REGARDING APPROVAL OF INVESTMENT MANAGEMENT AGREEMENTS

General Background

Martin Currie Inc. (“Martin Currie”) acts as the Fund’s investment manager, with exclusive investment discretion over the Fund’s assets pursuant to two investment management and advisory agreements with the Fund: a “Listed Management Agreement” and a “Direct Management Agreement” (as defined below). Martin Currie is a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”).

The Fund may invest up to 100% of the portion of the Fund’s assets allocated for investment in listed securities (the “Listed Investments”) pursuant to the Listed Management Agreement. The Fund pays Martin Currie a fee for its investment management of the Fund’s Listed Investments that is computed weekly and payable monthly, at an annual rate of 0.70% of the Fund’s average weekly net assets consisting of Listed Investments up to US\$315 million and 0.50% of the Fund’s average weekly net assets consisting of Listed Investments in excess of US\$315 million (the “Listed Investment Management Fee”).

The Fund may invest up to 25% of the net proceeds of its offerings of its outstanding common stock in direct equity investments (the “Direct Investments”) pursuant to the Direct Management Agreement. The Fund pays Martin Currie a fee for its investment management of the Fund’s Direct Investments that is computed weekly and payable monthly at an annual rate of 2.00% of the Fund’s average weekly value of the Fund’s assets consisting of Direct Investments (the “Direct Investment Management Fee”).

Annual Approval Process

The Fund’s Board of Directors (the “Board”) is legally required to review and re-approve the Listed Management Agreement and the Direct Management Agreement (together, the “Advisory Agreements”) once a year. Throughout the year, the Board considers a wide variety of materials and information about the Fund, including, for example, the Fund’s investment performance, adherence to stated investment objectives and strategies, assets under management, expenses, regulatory compliance and management. The Board periodically meets with senior management and portfolio managers of Martin Currie and reviews and evaluates Martin Currie’s professional experience, credentials and qualifications. This information supplements the materials the Board received in preparation for the Meeting described below.

In determining whether it was appropriate to approve the Advisory Agreements during fiscal 2008, the Board requested from Martin Currie information that the Board believed to be reasonably necessary to reach its conclusion. This information together with the information provided to the Directors throughout the course of year formed the primary basis for the Directors’ determinations.

The Board met in executive session for the purpose of considering the approval of the Advisory Agreements. During the executive session, the Directors reviewed a memorandum which detailed the duties and responsibilities of the Directors with respect to their consideration of the Advisory Agreements. The Directors reviewed the contract renewal materials provided by Martin Currie, including, but not limited to (1) an organizational overview of Martin Currie and biographies of those personnel providing services to the Fund, (2) copies of the Listed Management Agreement, Amendment No. 1 to the Listed Management Agreement and the Direct Management Agreement, (3) a profitability

BOARD DELIBERATIONS REGARDING APPROVAL OF INVESTMENT MANAGEMENT AGREEMENTS (continued)

analysis of Martin Currie, (4) financial statements of Martin Currie, (5) Form ADV of Martin Currie, and (6) performance and fee comparison data provided by Fundamental Data, an independent third party vendor of such information.

The Board, consisting entirely of “independent directors” within the meaning of the Investment Company Act of 1940, unanimously approved the Advisory Agreements at an “in person” meeting held on June 12, 2008 (the “Meeting”). In evaluating the Advisory Agreements, the Directors drew on materials provided to them by Martin Currie. In deciding whether to renew the Advisory Agreements, the Directors considered various factors, including (1) the nature, extent and quality of the services provided by Martin Currie under the Listed Management Agreement, (2) the investment performance of the Fund’s Listed Investments and Direct Investments (together, the “Fund’s Investments”), (3) the costs to Martin Currie of its services and the profits realized by Martin Currie from its relationship with the Fund, and (4) the extent to which economies of scale might be realized if and as the Fund grows and whether the fee levels in the Advisory Agreements reflect these economies of scale.

1. Nature, Extent and Quality of the Services provided by Martin Currie

In considering the nature, extent and quality of the services provided by Martin Currie, the Directors relied on their prior experience as Directors of the Fund as well as on the materials provided at the Meeting. They noted that under the Advisory Agreements Martin Currie is responsible for managing the Fund’s Investments in accordance with the Fund’s investment objective and policies, applicable legal and regulatory requirements, and any instructions of the Directors, for providing necessary and appropriate reports and information to the Directors, for maintaining all necessary books and records pertaining to the Fund’s transactions in the Fund’s Investments, and for furnishing the Fund with the assistance, cooperation, and information necessary for the Fund to meet various legal requirements regarding registration and reporting. They noted the distinctive nature of the Fund as investing primarily in equity securities (i) of companies for which the principal securities trading market is in China, (ii) of companies for which the principal securities trading market is outside of China, or constituting direct equity investments in companies organized outside of China, that in both cases derive at least 50% of their revenues from goods or services sold or produced or have at least 50% of their assets, in China or (iii) constituting direct equity investments in companies organized in China. They also noted the experience and expertise of Martin Currie as appropriate for an adviser to the Fund.

The Directors reviewed the background and experience of Martin Currie’s senior management, including those individuals responsible for the investment and compliance operations with respect to the Fund’s Investments, and the responsibilities of the investment and compliance personnel with respect to the Fund. They also considered the resources, operational structures and practices of Martin Currie in managing the Fund’s portfolio, in monitoring and securing the Fund’s compliance with its investment objective and policies and with applicable laws and regulations, and in seeking best execution of portfolio transactions. Drawing upon the materials provided and their general knowledge of the business of Martin Currie, the Directors took into account the fact that Martin Currie’s experience, resources and strength in these areas are deep, extensive and of high quality. On the basis of this review, the Directors determined that the nature and extent of the services provided by Martin Currie to the Fund were appropriate, had been of high quality, and could be expected to remain so.

BOARD DELIBERATIONS REGARDING APPROVAL OF INVESTMENT MANAGEMENT AGREEMENTS (continued)

2. Performance of the Fund's Investments

The Directors noted that, in view of the distinctive investment objective of the Fund, the Fund's investment performance was satisfactory. Of importance to the Directors was the extent to which the Fund achieved its objective. Drawing upon information provided at the Meeting and upon reports provided to the Directors by Martin Currie throughout the preceding year, the Directors determined that the Fund outperformed the MSCI Golden Dragon Index for the one-, three-, five- and ten-year periods ending April 30, 2008 (at both net asset value and market price). The Board noted that the Fund's performance was driven by the Fund's Listed Investments which had outperformed the MSCI Golden Dragon Index for the one-, three- and five- year periods ending April 30, 2008. The Board also noted that Martin Currie began managing the Fund's Direct Investments on April 16, 2007 and that the Fund's Direct Investments had underperformed the MSCI Golden Dragon Index for the one-, three- and five-year periods ending April 30, 2008. They further concluded, on the basis of the limited universe of comparable funds, that the expense ratio of the Fund was as low as, or lower than, those of the Fund's direct competitors. Accordingly, the Directors concluded that the performance of the Fund was satisfactory.

3. The Costs to Martin Currie of its Services and the Profits Realized by Martin Currie from its Relationship with the Fund

The Directors considered the profitability of the advisory arrangement with the Fund to Martin Currie. The Directors had been provided with data on the Fund's profitability to Martin Currie. They first discussed with representatives of Martin Currie the methodologies used in computing the costs that formed the bases of the profitability calculations. Concluding that these methodologies were reasonable, they turned to the data provided. After extensive discussion and analysis they concluded that, to the extent that Martin Currie's relationship with the Fund had been profitable, the profitability was in no case such as to render the advisory fee excessive.

In considering whether Martin Currie benefits in other ways from its relationship with the Fund, the Directors noted that other than the advisory fees payable to Martin Currie under the Advisory Agreements, there is no other investment advisory, brokerage, or other fee received or receivable by Martin Currie or its affiliates from the Fund. The Directors concluded that, to the extent that Martin Currie derives other benefits from its relationship with the Fund, those benefits are not so significant as to render the adviser's fees excessive.

4. The Extent to which Economies of Scale would be Realized if and as the Fund Grows and Whether the Fee Levels in the Listed Management Agreement Reflect these Economies of Scale

On the basis of their discussions with Martin Currie's management and their analysis of information provided at the Meeting, the Directors determined that the nature of the Fund and its operations is such that Martin Currie was likely to realize economies of scale in the management of the Fund as it grows in size. The Board noted that, in contemplation of these likely economies of scale, this fee structure with Martin Currie for the Fund's Listed Investments provides for breakpoints above which the fee rate declines. It was noted in the Board's discussion with representatives of Martin Currie that Martin Currie's assets under management from its China business had increased substantially and that Martin Currie had realized economies of scale from managing more China portfolios for more clients. It was noted that these economies of scale were shared with the Fund because they had enabled Martin Currie to develop centralized

BOARD DELIBERATIONS REGARDING APPROVAL OF INVESTMENT MANAGEMENT AGREEMENTS (continued)

dealing facilities that pool transactions across all of its clients. However, Martin Currie had noted in its materials provided to the Board that these economies of scale were not infinite and that managing too much money may impair performance.

In order to better evaluate the Fund's advisory fee, the Directors had requested comparative information with respect to fees paid by similar funds, *i.e.*, public funds that invest primarily in China. The Directors found that, because of the distinctive nature of the Fund, the universe of similar funds was limited; the total number of comparable funds, which included the Fund, was eighteen. They also noted that there are no other public funds with a dedicated direct investment component that provide a fee comparison. It was noted that the closest comparison were private equity funds and those funds generally charge a base fee of 2% of assets plus an incentive based fee based on gains realized on portfolio investments, and on such information, the Directors determined that the Direct Investment Management Fee compares favorably with the fees of private equity funds. It was also noted that, while the Direct Investment Management Fee is higher than the fees paid by other public funds, the Listed Investment Management Fee compared favorably with management fees of other similar public funds and the effective combined fees under the Listed Management Agreement and the Direct Management Agreement were lower than the fees for most other similar public funds. The Directors noted that the Fund's total expense ratio was lower than most of the comparable funds' total expense ratios. The Directors concluded that the limited data available provided some indirect confirmation of the reasonableness of Martin Currie's fee.

Approval of the Advisory Agreements

The Directors approved the continuance of the Fund's Advisory Agreements with Martin Currie after weighing the foregoing factors. They reasoned that, considered in themselves, the nature and extent of the services provided by Martin Currie were appropriate, that the performance of the Fund had been satisfactory, and that Martin Currie could be expected to provide services of high quality. As to Martin Currie's fees for the Fund, the Directors determined that the fees, considered in relation to the services provided, were fair and reasonable, that the Fund's relationship with Martin Currie was not so profitable as to render the fees excessive, that any additional benefits to Martin Currie were not of a magnitude materially to affect the Directors' deliberations, and that the fees adequately reflected shared economies of scale with the Fund.

DIVIDENDS AND DISTRIBUTIONS; DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund will distribute to shareholders, at least annually, substantially all of its net investment income from dividends and interest earnings and expects to distribute any net realized capital gains annually. Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the “Plan”), adopted by the Fund, each shareholder will be deemed to have elected, unless Computershare Trust Company, N.A., the Plan Administrator, is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested by the Plan Administrator in Fund shares pursuant to the Plan. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check in U.S. dollars mailed directly to the stockholder by Computershare Trust Company, N.A., as paying agent. Shareholders who do not wish to have distributions automatically reinvested should notify the Fund by contacting Computershare c/o The China Fund, Inc. at P.O. Box 43010, Providence, Rhode Island 02940-3011. Phone: 1-800-426-5523.

Computershare Trust Company, N.A. and Computershare Shareholder Services, Inc. (collectively, “Computershare” or the “Plan Administrator”), acts as Plan Administrator and Service Agent. If the Directors of the Fund declare an income dividend or a capital gains distribution payable either in the Fund’s Common Stock or in cash, as shareholders may have elected, non-participants in the Plan will receive cash and participants in the Plan will receive Common Stock, to be issued by the Fund. If the market price per share on the valuation date equals or exceeds net asset value per share on that date, the Fund will issue new shares to participants at net asset value or, if the net asset value is less than 95% of the market price on the valuation date, then at 95% of the market price. The valuation date will be the dividend or distribution payment date or, if that date is not a trading day on the exchange on which the Fund’s shares are then listed, the next preceding trading day. If net asset value exceeds the market price of Fund shares at such time, participants in the Plan will be deemed to have elected to receive shares of stock from the Fund, valued at market price on the valuation date. If the Fund should declare a dividend or capital gains distribution payable only in cash, the Plan Administrator will, as administrator for the participants, buy Fund shares in the open market, on the New York Stock Exchange or elsewhere, with the cash in respect of such dividend or distribution, for the participant’s account on, or shortly after, the payment date.

Participants in the Plan have the option of making additional payments to the Plan Administrator, annually, in any amount from \$100 to \$3,000 for investment in the Fund’s Common Stock. The Plan Administrator will use all funds received from participants (as well as any dividends and capital gains distributions received in cash) to purchase Fund shares in the open market on or about January 15 of each year. Any voluntary cash payments received more than thirty days prior to such date will be returned by the Plan Administrator, and interest will not be paid on any uninvested cash payments. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by the Plan Administrator, it is suggested that participants send in voluntary cash payments to be received by the Plan Administrator approximately ten days before January 15. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than 48 hours before such payment is to be invested.

The Plan Administrator maintains all stockholder accounts in the Plan and furnishes written confirmations of all transactions in the account, including information needed by shareholders for personal and tax records. Shares in the account of each Plan participant will be held by the Plan Administrator in non-certificated form in the name of the participant, and each stockholder’s proxy will include those shares purchased pursuant to the Plan.

DIVIDENDS AND DISTRIBUTIONS; DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

In the case of shareholders, such as banks, brokers or nominees, which hold shares for others who are the beneficial owners, the Plan Administrator will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are participating in the Plan.

There is no charge to participants for reinvesting dividends or capital gains distributions. The Plan Administrator's fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred with respect to the Plan Administrator's open market purchases in connection with the reinvestment of dividends or capital gains distributions. A participant will also pay brokerage commissions incurred in purchases from voluntary cash payments made by the participant. Brokerage charges for purchasing small amounts of stock for individual accounts through the Plan are expected to be less than the usual brokerage charges for such transactions, because the Plan Administrator will be purchasing stock for all participants in blocks and prorating the lower commission thus attainable.

The automatic reinvestment of dividends and distributions will not relieve participants of any income tax which may be payable on such dividends and distributions.

Experience under the Plan may indicate that changes are desirable. Accordingly, the Fund reserves the right to amend or terminate the Plan as applied to any voluntary cash payment made and any dividend or distribution paid subsequent to notice of the change sent to all shareholders at least 90 days before the record date for such dividend or distribution. The Plan also may be amended or terminated by the Plan Administrator by at least 90 days' written notice to all shareholders. All correspondence concerning the Plan should be directed to Computershare c/o The China Fund, Inc. at P.O. Box 43011, Providence, Rhode Island 02940-3011. Phone: 1-800-426-5523.

The plan will not apply to any dividend or capital gain distribution declared payable in the Fund's common stock, as was the case with the Fund's declaration of dividends and distributions in December 2007 and December 2008.

Directors and Officers (Unaudited)

The following table provides information concerning each of the Directors of the Fund. The Board of Directors is comprised of Directors who are not interested persons of the Fund, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended. The Directors are divided into three classes, designated as Class I, Class II and Class III. The Directors in each such class are elected for a term of three years to succeed the Directors whose term of office expires. Each Director shall hold office until the expiration of his term and until his successor shall have been elected and qualified. The Fund Complex consists of one series.

| <u>Name (Age) and Address of Director</u> | <u>Present Office With the Fund</u> | <u>Principal Occupation or Employment During Past Five Years and Directorships in Publicly Held Companies</u> | <u>Director Since</u> |
|---|-------------------------------------|--|-----------------------|
| James J. Lightburn (65) 13, Rue Alphonse de Neuville 75017 Paris, France | Chairman of the Board and Director | Chairman of the Board of the Fund; Attorney, Nomos, (2004-present); Attorney, member of Hughes Hubbard & Reed (1993-2004). | 1992 |
| Michael F. Holland (64) 375 Park Avenue New York, New York 10152 | Director | Chairman, Holland & Company L.L.C. (1995-present); Director, The Holland Balanced Fund, Inc., Reaves Utility Income Fund, Scottish Widows Investment Partnership Trust and the Taiwan Fund, Inc.; Trustee, State Street Master Funds and State Street Institutional Investment Trust. | 1992 |
| William Kirby (58). Harvard University CGIS Building 1730 Cambridge Street Cambridge MA 02138 | Director | Director, John K. Fairbank Center for Chinese Studies Harvard University (2006-present); Chairman, Harvard China Fund (2006-present); Harvard University Distinguished Service Professor (2006-present); Visiting Professor of Business Administration Harvard Business School (2006-present); Dean of the Faculty of Arts and Sciences Harvard University (2002-2006) | 2007 |
| Joe O. Rogers (59) 2477 Foxwood Drive Chapel Hill, NC 27514 | Director | The Rogers Team LLC, organizing member (July 2001-present); Manager, The J-Squared Team LLC (April 2003-May 2004); Director, The Taiwan Fund, Inc. (1986-present). | 1992 |
| Nigel S. Tulloch (62) 7, Circe Circle Dalkeith WA6009 Australia | Director | Chief Executive, HSBC Asset Management Bahamas Limited (1986-1992); Director, The HSBC China Fund Limited (1992-2005). | 1992 |
| Paul Hahesy (36) Foreside Compliance Services, LLC. Two Portland Square Portland ME 04101 | Chief Compliance Officer | Compliance Manager, Foreside Compliance Services, LLC. (2005-present); Compliance Consultant, Metlife (2002-2005). | 2007 |
| Gary L. French (57) 2 Avenue de Lafayette Boston, MA 02111 | President | Senior Vice President, State Street Bank and Trust Company (2002-present); Managing Director, Deutsche Asset Management, Inc. and Zurich Scudder Investments (acquired by Deutsche Bank in 2002) (2001-2002). | |

Directors and Officers (continued) (Unaudited)

| Name (Age) and Address of Director | Present Office With the Fund | Principal Occupation or Employment During Past Five Years and Directorships in Publicly Held Companies | Director Since |
|--|---------------------------------|--|-------------------|
| William C. Cox (42) 2 Avenue de Lafayette Boston, MA 02111 | Treasurer | Vice President, State Street Bank and Trust Company. | |
| Mary Moran Zeven (46) 2 Avenue de Lafayette Boston, MA 02111 | Secretary | Senior Vice President and Senior Counsel, State Street Bank and Trust Company. | |

Alan Tremain (70), Placido Mer 5200 North Flagler #25, West Palm Beach Florida 33408, served as Director from 1992 until his retirement on March 6, 2008.

THE CHINA FUND, INC.

United States Address

The China Fund, Inc.
c/o State Street Bank and Trust Company
2 Avenue de Lafayette, 6th Floor
P.O. Box 5049
Boston, MA 02206-5049
1-888-CHN-CALL (246-2255)

Directors and Officers

James J. Lightburn, Chairman of the Board and Director
Michael F. Holland, Director
William Kirby, Director
Joe O. Rogers, Director
Nigel S. Tulloch, Director
Paul Haahes, Chief Compliance Officer of the Fund
Gary L. French, President
William C. Cox, Treasurer
Mary Moran Zeven, Secretary

Investment Manager

Martin Currie Inc.

Shareholder Servicing Agent

The Altman Group

Administrator and Custodian

State Street Bank and Trust Company

Transfer Agent, Dividend Paying Agent and Registrar

Computershare Trust Company, N.A.

Independent Registered Public Accounting Firm

Deloitte & Touche, LLP

Legal Counsel

Clifford Chance US LLP