

# THE CHINA FUND, INC.

## ANNUAL REPORT

October 31, 2017

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**THE CHINA FUND, INC.**  
**KEY HIGHLIGHTS (unaudited)**

<b>FUND DATA</b>	
NYSE Stock Symbol	CHN
Listing Date	July 10, 1992
Shares Outstanding	15,722,675
Total Net Assets (10/31/17)	\$366,541,031
Net Asset Value Per Share (10/31/17)	\$23.31
Market Price Per Share (10/31/17)	\$21.10

<b>TOTAL RETURN<sup>(1)</sup></b>		
<b>Performance as of 10/31/17:</b>	<b>Net Asset Value</b>	<b>Market Price</b>
1-Year Cumulative	27.38%	33.83%
3-Year Cumulative	30.60%	33.49%
3-Year Annualized	9.31%	10.11%
5-Year Cumulative	72.76%	75.35%
5-Year Annualized	11.56%	11.89%
10-Year Cumulative	60.39%	70.00%
10-Year Annualized	4.84%	5.45%

<b>DIVIDEND HISTORY</b>		
<b>Record Date</b>	<b>Income</b>	<b>Capital Gains</b>
12/19/16	\$0.4678	—
12/28/15	\$0.2133	\$1.2825
12/22/14	\$0.2982	\$3.4669
12/23/13	\$0.4387	\$2.8753
12/24/12	\$0.3473	\$2.9044
12/23/11	\$0.1742	\$2.8222
12/24/10	\$0.3746	\$1.8996
12/24/09	\$0.2557	—
12/24/08	\$0.4813	\$5.3361
12/21/07	\$0.2800	\$11.8400

(1) Total investment returns reflect changes in net asset value 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 returns are not an indication of the performance of a stockholder'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. Market price returns do not reflect broker commissions in connection with the purchase or sale of Fund shares.

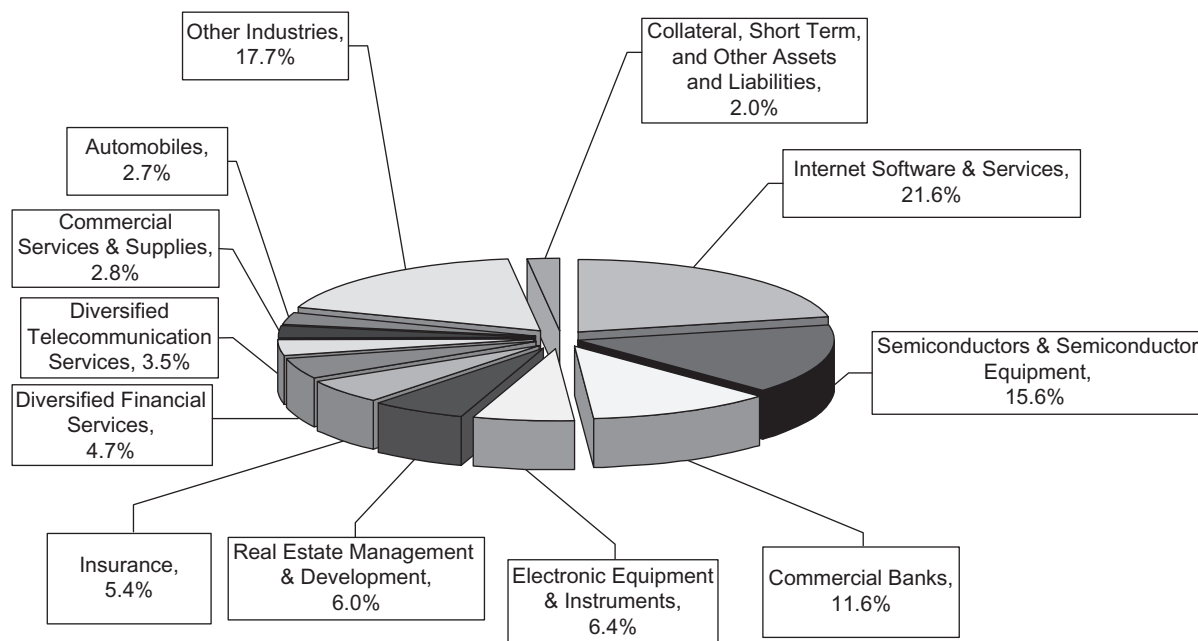
**THE CHINA FUND, INC.**  
**ASSET ALLOCATION AS OF October 31, 2017 (unaudited)**

<b>Ten Largest Listed Equity Investments *</b>	
Tencent Holdings, Ltd.	9.6%
Taiwan Semiconductor Manufacturing Co., Ltd.	9.5%
Alibaba Group Holding, Ltd.	8.9%
China Construction Bank Corp.	5.8%
Sun Hung Kai Properties, Ltd.	4.6%
Ping An Insurance (Group) Company of China, Ltd.	4.1%
China Merchants Bank Co., Ltd.	3.7%
Largan Precision Co., Ltd.	2.8%
China Everbright International, Ltd.	2.4%
Bank of China, Ltd.	2.1%

\* Percentages based on net assets.

## INDUSTRY ALLOCATION (unaudited)

### Industry Allocation (as a percentage of net assets)



Fund holdings are subject to change and percentages shown above are based on net assets at October 31, 2017. A complete list of holdings at October 31, 2017 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](http://www.chinafundinc.com). You may also obtain holdings by calling 1-888-246-2255.

## **CHINA FUND, INC.**

### **CHAIRMAN'S STATEMENT (unaudited)**

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Dear Stockholders,

Despite global geopolitical tensions and investors' concerns around China specific issues this year, investing in the Greater China equity markets has been richly rewarded. Thus far in 2017, the region has outperformed both the S&P and the Dow as well as the broader MSCI World index.

The Fund gained 27.38% during the year. Over the last three months of the year, the Fund exceeded the benchmark by .46% and by over 1% in October.

Your Fund remains well positioned to profit from the long-term structural growth of China. We believe that in the coming year, as in the long period since the establishment of the Fund, investors are well-served by the Fund's breadth across the markets of China, Taiwan and Hong Kong.

To enhance communications with stockholders, we have launched our social media presence with a Facebook page and soon will add other features. This initiative will provide you with more frequent updates on matters relating to the Fund and its investments as well as interviews with your directors, portfolio manager and the investment team. You will learn more about the companies that our portfolio manager invests in and understand the rationale behind these holdings. It also will provide insights and analyses on market developments.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe O Rogers", with a long, sweeping horizontal line extending to the right.

Joe O Rogers  
Chairman

# **THE CHINA FUND, INC.**

## **INVESTMENT MANAGER'S STATEMENT (unaudited)**

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### **Market Review**

Greater China stocks delivered strong returns in the 12 months ended October 31, 2017. Stabilization in the macro-economic environment, acceleration of corporate earnings and a move by global investors to correct an underweight position have combined provided support to the Greater China equity market.

Another feature of the market was the outperformance of many index-heavy, mega-cap stocks on the back of strong passive inflows into global emerging markets. The share price of e-commerce giant Alibaba Group Holding, Ltd. (“Alibaba”), for example, almost doubled during the period. In fact, the top three tech names, Tencent Holdings, Ltd. Alibaba and Taiwan Semiconductor Manufacturing Co., Ltd, account for more than 50% of the total return of the MSCI Golden Dragon Index so far this year<sup>1</sup>.

### **Performance**

We focus on identifying structural growth names at a reasonable valuation. Very often we are able to find such companies in areas that are temporarily ignored by market. And historically many of these names have contributed significantly to Fund performance. The past year has been a difficult year for us, as Greater China equities were dominated by super-performers within the high growth / high valuation tech space. Smaller caps typically got ignored or overly punished. For example, Digital China Holdings, Ltd. a small cap IT service provider was the top detractor over the period. The stock’s performance suffered after the spin-off of its stable IT distribution service in mid-2017. While we understand investors may have concerns about the sustainability of the company’s new business model, we believe the stock was unfairly punished. With the company’s new business initiatives building good momentum and management’s incentive more aligned with shareholders, we expect its business to turnaround and therefore we maintained our position.

Another area of performance detraction came from not owning some of high momentum stocks. For example, two China property names listed in Hong Kong, Sunac China Holdings and China Evergrande Group returned almost 500% over the past year, driven by strong buying by Mainland Chinese investors through the stock connect channels. We are cautious on these stocks given the lack of earnings sustainability, highly leveraged balance sheets and stretched valuations. In fact we have started to see these names correcting sharply since November during the market pullback.

On a positive note, our holdings in the financials sector contributed to performance. For example, China Merchants Bank Co., Ltd. was the top contributor. We believe this bank will benefit from both a sector-wide re-rating driven by asset quality stabilization and faster-than-average business growth supported by its strong retail banking business and asset management franchise. Ping An Insurance (Group) Company of China, Ltd., also contributed to the portfolio, benefiting from the encouraging premium growth in the life insurance sector and optimism over its fintech investment.

**THE CHINA FUND, INC.**  
**INVESTMENT MANAGER'S STATEMENT (continued) (unaudited)**

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**Outlook**

Fundamentally we believe the outlook for Greater China equities remains positive over the medium to longer term. Corporate earnings and cash flows continue to improve and as a result balance sheets have generally been strengthened. Given the strength of the rally year-to-date it would not be surprising to see a period of consolidation. However, because this has been primarily an earnings-led market, valuations remain in line with longer-term averages. One risk that we see is the tight correlation among mega cap tech names. This combined with their significant benchmark weight will lead to increased concentration risk. While we still believe in their structural growth potential, there needs to be a period of time for earnings to grow to support the current valuation levels.

Excluding the technology sector, we expect to see 10 — 12% earnings growth in China equities in 2018. This is primarily driven by stabilization in economic growth and change in corporate mentality to move away from the old, scale driven growth model towards a profitability focused model. In particular, in recent months we have added to our consumer sector holdings. These include China Mengniu Dairy Co., Ltd. a leading dairy producer in China, and China International Travel Services, the biggest duty-free store operator in China. We believe that their dominant market positions will allow them to benefit from the spending power of the increasingly wealthy Chinese population.



## **THE CHINA FUND, INC.**

### **ABOUT THE PORTFOLIO MANAGER (unaudited)**

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Allianz Global Investors (“AGI”) is a diversified active investment manager with a strong parent company and a culture of risk management. With 25 offices, AGI provides global investment and research capabilities with consultative local delivery. It has \$583 billion<sup>1</sup> in assets under management for individuals, families and institutions worldwide, and employs over 600 investment professionals.

Ms. Christina Chung serves as the portfolio manager for the Fund’s portfolio of listed and direct securities. She joined the group in 1998 and has been a managing director since January 2010. She heads the Greater China Team and is the lead manager of Hong Kong, China, China A-shares and Greater China equity mandates. The Hong Kong and China funds that she manages have won industry recognition and awards for consistent, strong performance. She has 28 years’ experience in managing Asian regional and single country portfolios for both institutional and retail accounts.

Before joining the group, she was a senior portfolio manager with Royal Bank of Canada Investment Management. Prior to that, she was a portfolio manager with Search International and an economist with HSBC Asset Management. Christina was educated in Canada. She attained a Bachelor of Administration from Brock University, followed by an M.A. in Economics from the University of Alberta. She became a Certified Management Accountant in 1992 and qualified as a chartered financial analyst, AIMR, in 1995.

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<sup>1</sup> Combined worldwide AUM as of September 30, 2017.

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**October 31, 2017**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK</b>		
<b>HONG KONG</b>		
<b>Automobiles — 1.3%</b>		
SAIC Motor Corp., Ltd. ....	999,407	\$ 4,750,177
<b>Commercial Services &amp; Supplies — 2.8%</b>		
China Everbright International, Ltd. <sup>(1)</sup> .....	6,146,000	8,665,436
Goldpac Group, Ltd.# .....	4,970,000	1,509,767
		<u>10,175,203</u>
<b>Construction &amp; Engineering — 1.1%</b>		
China State Construction International Holdings, Ltd. ....	2,906,000	4,082,360
<b>Diversified Financial Services — 3.5%</b>		
Hong Kong Exchanges and Clearing, Ltd. ....	262,200	7,299,577
New Oriental Education & Technology Group ADR .....	67,468	5,616,036
		<u>12,915,613</u>
<b>Diversified Telecommunication Services — 2.7%</b>		
China Unicom Hong Kong, Ltd.* .....	3,660,000	5,197,878
PCCW Ltd. ....	8,623,000	4,752,608
		<u>9,950,486</u>
<b>Electronic Equipment &amp; Instruments — 2.0%</b>		
Digital China Holdings, Ltd.* <sup>(1)</sup> .....	9,305,000	5,629,419
Zhuzhou CRRC Times Electric Co., Ltd. ....	292,000	1,708,554
		<u>7,337,973</u>
<b>Energy Equipment &amp; Services — 1.4%</b>		
China Oilfield Services, Ltd. <sup>(1)</sup> .....	5,860,000	5,190,161
<b>Food Products — 2.6%</b>		
China Mengniu Dairy Co., Ltd.* .....	1,905,000	5,274,168
WH Group, Ltd. 144A .....	4,337,500	4,392,095
		<u>9,666,263</u>
<b>Hotels, Restaurants &amp; Leisure — 1.6%</b>		
Galaxy Entertainment Group, Ltd. ....	386,000	2,627,163
Sands China, Ltd. ....	670,000	3,156,002
		<u>5,783,165</u>
<b>Household Products — 0.5%</b>		
Vinda International Holdings, Ltd. <sup>(1)</sup> .....	984,000	1,987,726

See notes to financial statements.

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**October 31, 2017**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK (continued)</b>		
<b>HONG KONG (continued)</b>		
<b>Industrial Conglomerates — 1.1%</b>		
Beijing Enterprises Holdings, Ltd. ....	653,500	\$ 3,882,402
<b>Internet Software &amp; Services — 21.6%</b>		
Alibaba Group Holding, Ltd. ADR* <sup>(1)</sup> .....	176,328	32,601,284
Baidu Inc. ADR* .....	24,101	5,879,198
JD.com, Inc. ADR* .....	152,727	5,730,317
Tencent Holdings, Ltd. ....	781,600	35,043,667
		<u>79,254,466</u>
<b>Metals &amp; Mining — 0.3%</b>		
Tiangong International Co., Ltd. ....	8,612,000	1,015,540
<b>Oil, Gas &amp; Consumable Fuels — 0.9%</b>		
China Petroleum & Chemical Corp. ....	4,552,000	3,343,198
<b>Pharmaceuticals — 1.1%</b>		
CSPC Pharmaceutical Group, Ltd. ....	2,364,000	4,108,775
<b>Real Estate Management &amp; Development — 6.0%</b>		
China Overseas Land & Investment, Ltd. ....	1,516,000	4,916,148
Sun Hung Kai Properties, Ltd. ....	1,035,000	16,927,632
		<u>21,843,780</u>
<b>Semiconductors &amp; Semiconductor Equipment — 4.7%</b>		
ASM Pacific Technology, Ltd. <sup>(1)</sup> .....	420,300	6,114,493
Chunghwa Precision Test Tech Co., Ltd. ....	74,000	2,686,716
Globalwafers Co., Ltd. ....	403,000	4,656,758
Semiconductor Manufacturing International Corp.* <sup>(1)</sup> .....	2,470,900	3,787,839
		<u>17,245,806</u>
<b>Textiles, Apparel &amp; Luxury Goods — 0.9%</b>		
Li & Fung, Ltd. <sup>(1)</sup> .....	6,520,000	3,284,319
<b>Wireless Telecommunication Services — 1.0%</b>		
China Mobile, Ltd. ....	356,500	3,580,171
<b>TOTAL HONG KONG — (Cost \$160,968,510) .....</b>		<u>57.1%</u> <u>209,397,584</u>
<b>HONG KONG — “H” SHARES</b>		
<b>Automobiles — 1.4%</b>		
Qingling Motors Co., Ltd.# .....	14,816,000	5,032,480
<b>Capital Markets — 1.1%</b>		
CITIC Securities Co., Ltd. <sup>(1)</sup> .....	1,810,000	4,018,201

See notes to financial statements.

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**October 31, 2017**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK (continued)</b>		
<b>HONG KONG — “H” SHARES (continued)</b>		
<b>Commercial Banks — 11.6%</b>		
Bank of China, Ltd. . . . .	15,500,000	\$ 7,728,345
China Construction Bank Corp. . . . .	23,898,000	21,319,449
China Merchants Bank Co., Ltd. . . . .	3,565,500	13,596,045
		<u>42,643,839</u>
<b>Independent Power Producers &amp; Energy Traders — 0.9%</b>		
China Resources Power Holdings Co., Ltd. . . . .	1,778,000	3,418,442
<b>Insurance — 4.1%</b>		
Ping An Insurance (Group) Company of China, Ltd. <sup>(1)</sup> . . . . .	1,693,500	14,868,972
<b>Transportation Infrastructure — 1.2%</b>		
Qingdao Port International Co., Ltd. 144A . . . . .	6,077,000	4,291,865
<b>TOTAL HONG KONG — “H” SHARES —</b>		
(Cost \$57,348,143) . . . . .		<u>20.3%</u> <u>74,273,799</u>
<b>TOTAL HONG KONG (INCLUDING “H” SHARES) —</b>		
(Cost \$218,316,653) . . . . .		<u>77.4%</u> <u>283,671,383</u>
<b>TAIWAN</b>		
<b>Computers &amp; Peripherals — 1.2%</b>		
Primax Electronics, Ltd. . . . .	1,779,000	4,612,736
<b>Diversified Financial Services — 1.2%</b>		
Fubon Financial Holdings Co., Ltd. . . . .	2,805,000	4,468,915
<b>Diversified Telecommunication Services — 0.8%</b>		
Chunghwa Telecom Co., Ltd. . . . .	846,000	2,889,239
<b>Electronic Equipment &amp; Instruments — 4.4%</b>		
Hon Hai Precision Industry Co., Ltd. . . . .	1,548,100	5,749,008
Largan Precision Co., Ltd. . . . .	54,000	10,232,596
		<u>15,981,604</u>
<b>Insurance — 1.3%</b>		
Cathay Financial Holding Co., Ltd. . . . .	2,880,000	4,755,517
<b>Machinery — 0.8%</b>		
King Slide Works Co., Ltd. <sup>(1)</sup> . . . . .	213,000	2,849,699

See notes to financial statements.

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**October 31, 2017**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK (continued)</b>		
<b>TAIWAN (continued)</b>		
<b>Semiconductors &amp; Semiconductor Equipment — 10.9%</b>		
MediaTek, Inc. ....	456,000	\$ 5,178,468
Taiwan Semiconductor Manufacturing Co., Ltd. ....	4,341,000	34,976,143
		<u>40,154,611</u>
<b>TOTAL TAIWAN — (Cost \$44,502,203) .....</b>	<b>20.6%</b>	<b>75,712,321</b>
<b>TOTAL COMMON STOCK — (Cost \$262,818,856) .....</b>	<b>98.0%</b>	<b>359,383,704</b>
<b>COLLATERAL FOR SECURITIES ON LOAN — 2.5%</b>		
State Street Navigator Securities Lending Government Money Market Portfolio (Cost \$9,026,545) .....	9,026,545	<u>9,026,545</u>
	<b>Face Amount</b>	
<b>SHORT TERM INVESTMENT — 1.2%</b>		
Repurchase Agreement with Fixed Income Clearing Corporation, dated 10/31/17, 0.12%, due 11/01/17, proceeds \$4,281,014; collateralized by U.S. Treasury Bond, 2.75%, due 08/15/47, valued at \$4,370,185, including interest. (Cost \$4,281,000) .....	\$4,281,000	<u>4,281,000</u>
<b>TOTAL INVESTMENTS — (Cost \$276,126,401) .....</b>	<b>101.7%</b>	<b>372,691,249</b>
<b>OTHER ASSETS AND LIABILITIES .....</b>	<b>(1.7)%</b>	<b>(6,150,218)</b>
<b>NET ASSETS .....</b>	<b>100.0%</b>	<b>\$366,541,031</b>

Notes to Schedule of Investments

\* Denotes non-income producing security.

# Illiquid security.

(1) Securities (or a portion of the security) is on loan. As of October 31, 2017, the market value of the securities loaned was \$37,048,128. The loaned securities were secured with cash collateral of \$9,026,545 and non-cash collateral with a value of \$29,847,054. The non-cash collateral received consists of short term investments and long term bonds, and is held for the benefit of the Fund at the Fund's custodian. The Fund cannot replene or resell this collateral. Collateral is calculated based on prior day's prices.

144A 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 October 31, 2017, these restricted securities amounted to \$8,683,960, which represented 2.4% of total net assets.

ADR American Depositary Receipt

See notes to financial statements.

**THE CHINA FUND, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**October 31, 2017**

**ASSETS**

Investments in securities, at value (cost \$276,126,401) (including securities on loan, at value, (\$37,048,128) (Note A) .....	\$372,691,249
Cash .....	2,198
Foreign currency, at value (cost \$4,009,848) .....	4,020,485
Receivable for securities lending income .....	45,172
Prepaid expenses .....	91,523
Other receivables .....	1,786
<b>TOTAL ASSETS</b> .....	<u>376,852,413</u>

**LIABILITIES**

Payable for investments purchased .....	741,198
Payable upon return of collateral for securities on loan .....	9,026,545
Investment management fee payable (Note B) .....	213,605
Administration and custodian fees payable (Note B) .....	78,252
Chief Compliance Officer fees payable .....	5,000
Directors' fees payable (Note B) .....	15,283
Other accrued expenses .....	231,499
<b>TOTAL LIABILITIES</b> .....	<u>10,311,382</u>
<b>TOTAL NET ASSETS</b> .....	<u>\$366,541,031</u>

**COMPOSITION OF NET ASSETS:**

Par value, 100,000,000 shares authorized, 15,722,675 shares outstanding (Note C) .....	157,227
Paid in capital in excess of par .....	292,337,833
Undistributed net investment income .....	4,544,636
Accumulated net realized loss on investments and foreign currency transactions .....	(27,074,022)
Net unrealized appreciation on investments and foreign currency translations .....	96,575,357
<b>TOTAL NET ASSETS</b> .....	<u>\$366,541,031</u>

**NET ASSET VALUE PER SHARE**

(\$366,541,031/15,722,675 shares of common stock outstanding) .....	<u>\$23.31</u>
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See notes to financial statements.

**THE CHINA FUND, INC.**  
**STATEMENT OF OPERATIONS**  
**Year Ended October 31, 2017**

**INVESTMENT INCOME:**

Dividend income — (net of tax withheld of \$785,072) .....	\$ 7,254,472
Securities lending income .....	306,915
Interest income .....	2,242
Other income .....	1,602
<b>TOTAL INVESTMENT INCOME</b> .....	<u>7,565,231</u>

**EXPENSES**

Investment Management fees (Note B) .....	2,180,920
Directors' fees and expenses (Note B) .....	605,842
Custodian fees (Note B) .....	565,607
Administration fees (Note B) .....	466,599
Shareholder service fees .....	187,931
Legal fees .....	145,524
Insurance .....	97,324
Audit and tax service fees .....	92,500
Principal Financial Officer fee .....	60,000
Chief Compliance Officer fee .....	60,000
Printing and postage .....	49,395
Transfer agent fees .....	30,558
Stock exchange listing fee .....	14,758
Stock dividend tax expense .....	12,518
Miscellaneous expenses .....	113,907
<b>TOTAL EXPENSES</b> .....	<u>4,683,383</u>

<b>NET INVESTMENT INCOME</b> .....	<u>2,881,848</u>
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**NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS**

Net realized gain on investments .....	9,838,977
Net realized gain on foreign currency transactions .....	74,497
	<u>9,913,474</u>
Net change in unrealized appreciation/depreciation on investments .....	65,838,449
Net change in unrealized appreciation/depreciation on foreign currency translations .....	10,203
	<u>65,848,652</u>

<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS</b> .....	<u>75,762,126</u>
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<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b> .....	<u>\$78,643,974</u>
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See notes to financial statements.

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

	<u>Year Ended October 31, 2017</u>	<u>Year Ended October 31, 2016</u>
<b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>		
Net investment income . . . . .	\$ 2,881,848	\$ 7,303,200
Net realized gain/(loss) on investments and foreign currency transactions . . . . .	9,913,474	(34,822,161)
Net change in unrealized appreciation/depreciation on investments and foreign currency translations . . . . .	<u>65,848,652</u>	<u>33,427,934</u>
Net increase in net assets from operations . . . . .	<u>78,643,974</u>	<u>5,908,973</u>
<b>DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income . . . . .	(7,355,081)	(3,344,977)
Net realized gains . . . . .	<u>—</u>	<u>(20,112,202)</u>
Total dividends and distributions to shareholders . . . . .	<u>(7,355,081)</u>	<u>(23,457,179)</u>
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Reinvestment of dividends and distributions (0 and 40,646 shares, respectively) . . . . .	<u>—</u>	<u>609,703</u>
Net increase in net assets from capital share transactions . . . . .	<u>—</u>	<u>609,703</u>
<b>NET INCREASE (DECREASE) IN NET ASSETS</b> . . . . .	<u>71,288,893</u>	<u>(16,938,503)</u>
<b>NET ASSETS:</b>		
Beginning of Year . . . . .	<u>295,252,138</u>	<u>312,190,641</u>
End of Year . . . . .	<u>\$366,541,031</u>	<u>\$295,252,138</u>
Undistributed net investment income, end of year . . . . .	<u>\$ 4,544,636</u>	<u>\$ 7,354,136</u>

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,				
	2017	2016	2015	2014	2013
<b>Per Share Operating Performance</b>					
Net asset value, beginning of year	\$ 18.78	\$ 19.91	\$ 24.21	\$ 25.77	\$ 24.50
Net investment income*	0.18 <sup>(1)</sup>	0.46 <sup>(1)</sup>	0.26	0.33	0.41
Net realized and unrealized gain (loss) on investments and foreign currency transactions	4.82	(0.10)	(0.79)	1.43	4.05
Total from investment operations	5.00	0.36	(0.53)	1.76	4.46
Less dividends and distributions:					
Dividends from net investment income	(0.47)	(0.21)	(0.30)	(0.44)	(0.35)
Distributions from net realized gains	—	(1.28)	(3.47)	(2.88)	(2.90)
Total dividends and distributions	(0.47)	(1.49)	(3.77)	(3.32)	(3.25)
Capital Share Transactions:					
Accretion (Dilution) to net asset value, resulting from share repurchase program, tender offer or issuance of shares in stock dividend	—	0.00 <sup>(2)</sup>	—	—	0.06
Net asset value, end of year	\$ 23.31	\$ 18.78	\$ 19.91	\$ 24.21	\$ 25.77
Market price, end of year	\$ 21.10	\$ 16.18	\$ 17.49	\$ 21.44	\$ 22.66
<b>Total Investment Return (Based on Market Price)</b>	<b>33.83%</b>	<b>1.73%</b>	<b>(1.95)%</b>	<b>9.71%</b>	<b>19.67%</b>
<b>Total Investment Return (Based on Net Asset Value)</b>	<b>27.38%</b>	<b>3.73%</b>	<b>(1.16)%</b>	<b>8.93%</b>	<b>21.38%</b>
<b>Ratios and Supplemental Data</b>					
Net assets, end of year (000's)	\$366,541	\$295,252	\$312,191	\$379,692	\$404,163
Ratio of net expenses to average net assets	1.49%	1.51%	1.34%	1.31%	1.34%
Ratio of net investment income to average net assets	0.92% <sup>(1)</sup>	2.66% <sup>(1)</sup>	1.16%	1.39%	1.73%
Portfolio turnover rate	31%	52%	64%	67%	45%

\* Per share amounts have been calculated using the average share method.

<sup>(1)</sup> Amount includes a non-recurring receipt of a refund for over-billing of prior years' custody out of pocket expense which amounted to \$0.02 per share and 0.12% of average net assets during 2016 and less than \$0.01 per share and less than 0.005% of net assets during 2017.

<sup>(2)</sup> Amount is less than \$0.01.

See notes to financial statements.

# THE CHINA FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

### October 31, 2017

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#### **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 which it seeks to achieve by investing primarily in equity securities (i) of companies for which the principal securities trading market is the People’s Republic of China (“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 and services sold or produced, or have at least 50% of their assets, in China and (iii) constituting direct equity investments in companies organized in China (“Direct Investments”). The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The Fund’s Investment Manager is Allianz Global Investors (“Investment Manager”)

The Fund is an investment company and accordingly follows the investment company accounting and reporting guidance of the Financial Accounting Standards Board Accounting Standard Codification Topic 946 “Financial Services — Investment Companies.”

The financial statements are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results could differ from those estimates. Management has evaluated the impact of all events or transactions occurring after year end through the date these financial statements were issued, and has determined that there were no subsequent events requiring recognition or disclosure. The following summarizes the significant accounting policies of the Fund:

**Security Valuation:** Portfolio securities listed on recognized United States or foreign security 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, from 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. Securities for which market quotations are not readily available or are deemed unreliable are valued at fair value 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, if any, are valued at fair value as determined by or at the direction of the Board of Directors based on financial and other information supplied by the Investment Manager regarding each Direct Investment. Forward currency contracts are valued at the current cost of offsetting the contract. Equity linked securities, if any, are valued at fair value primarily based on the value(s) of the underlying security (or securities), which normally follows the same methodology as the valuation of securities listed on recognized exchanges.

## NOTES TO FINANCIAL STATEMENTS (continued)

Factors used in determining fair value may include, but are not limited to, the type of security, the size of the holding, the initial cost of the security, the existence of any contractual restrictions on the security's disposition, the price and extent of public trading in similar securities of the issuer or of comparable companies, the availability of quotations from broker-dealers, the availability of values of third parties other than the Investment Manager, information obtained from the issuer, analysts, and/or the appropriate stock exchange (if available), an analysis of the company's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which they trade.

**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, realization of the collateral by the Fund may be delayed or limited.

	Remaining Contractual Maturity of the Agreements As of October 31, 2017				
	Overnight and Continuous	<30 days	Between 30 & 90 days	>90 days	Total
<b>Repurchase Agreements</b>					
U.S. Treasury and agency securities . . . . .	\$4,281,000	\$ —	\$ —	\$ —	\$4,281,000
<b>Total Borrowings</b> . . . . .	<b>\$4,281,000</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$4,281,000</b>

**Securities Lending:** The Fund may lend up to 33 1/3% of the Fund's total assets 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. 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 State Street Navigator Securities Lending Government Money Market Portfolio. Non-cash collateral is not disclosed in the Fund's Statement of Assets and Liabilities as it is held by the lending agent on behalf of the Fund and the Fund does not have the ability to re-hypothecate those securities. A portion of the dividends received on the collateral may be rebated to the borrower of the securities and the remainder is split between the Agent and the Fund.

## NOTES TO FINANCIAL STATEMENTS (continued)

	Remaining Contractual Maturity of the Agreements As of October 31, 2017				Total
	Overnight and Continuous	<30 days	Between 30 & 90 days	>90 days	
<b>Securities Lending Transactions</b>					
Money Market Fund .....	\$9,026,545	\$ —	\$ —	\$ —	\$9,026,545
<b>Total Borrowings</b> .....	<b>\$9,026,545</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$9,026,545</b>
Gross amount of recognized liabilities for securities lending transactions .....					\$9,026,545

As of October 31, 2017, the Fund had loaned securities which were collateralized by cash, short term investments and long term bonds. The value of the securities on loan and the value of the related collateral were as follows:

Value of Securities	Value of Cash Collateral	Value of Non-Cash Collateral*	Total Collateral
\$37,048,128	\$9,026,545	\$29,847,054	\$38,873,599

\* Fund cannot repledge or dispose of this collateral, nor does the Fund earn any income or receive dividends with respect to this collateral.

Gross Amounts Not Offset in the Statement of Assets and Liabilities			
Gross Asset Amounts Presented in Statement of Assets and Liabilities	Financial Instrument	Collateral Received	Net Amount (not less than 0)
\$9,026,545	—	\$(9,026,545)	\$0

**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. Net unrealized foreign currency gains and losses arise from changes in the value of assets and liabilities, other than investments in securities, as a result of changes in exchange rates.

**Forward Foreign Currency Contracts:** The Fund may enter into forward foreign currency contracts to hedge against foreign currency exchange rate risks. A forward currency contract is an agreement between two parties to buy or sell currency at a set price on a future date. Upon entering into these contracts, risks may arise from the potential inability of counterparties to meet the terms of their contracts and from unanticipated movements in the value of the foreign currency relative to the U.S. dollar. The U.S. dollar value of forward currency contracts is

## NOTES TO FINANCIAL STATEMENTS (continued)

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determined using forward exchange rates provided by quotation services. Daily fluctuations in the value of such contracts are recorded as unrealized gain or loss on the Statement of Assets and Liabilities. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. Such gain or loss is disclosed in the realized and unrealized gain or loss on foreign currency in the Fund's accompanying Statement of Operations. At October 31, 2017, the Fund did not hold forward foreign currency contracts.

**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 on the Statement of Assets and Liabilities 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. Such gain or loss is disclosed in the realized and unrealized gain or loss on options in the Fund's accompanying Statement of Operations. 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 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. At October 31, 2017, the Fund did not hold any option contracts.

**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 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. Equity-linked securities 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 equity-linked securities whose return corresponds to the performance of a foreign securities index or one or more foreign stocks, investing in equity-linked securities will involve risks similar to the risks of investing in foreign securities. In addition, the Fund bears the risk that the issuer of any equity-linked securities may default on its obligation under the terms of the arrangement with the counterparty. Equity-linked securities are often used for many of the same purposes as, and share many of the same risks with, derivative instruments. In addition, equity-linked securities may be considered illiquid. At October 31, 2017, the Fund did not hold equity-linked securities.

**Direct Investments:** The Fund may invest up to 25% of the net proceeds from its offering of its outstanding common stock in direct investments; however, the Board of Directors of the Fund has suspended additional investments in direct investments. Direct investments are generally restricted and do not have a readily available resale market. Because of the absence of any public trading market for these investments, the Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid by the

## NOTES TO FINANCIAL STATEMENTS (continued)

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Fund. Issuers whose securities are not publicly traded may not be subject to public disclosure and other investor protections requirements applicable to publicly traded securities. At October 31, 2017, the Fund did not hold Direct Investments.

**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 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 stockholders, at least annually, substantially all of its net investment income and any net realized capital gains. Distributions to stockholders are recorded on the ex-dividend date. Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Unless the Board of Directors elects to make distributions in shares of the Fund's common stock, the distributions will be paid in cash, except with respect to stockholders who have elected to participate in the Fund's Dividend Reinvestment and Cash Purchase Plan.

**Federal Taxes:** It is the Fund's policy to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended ("Code") and to distribute to stockholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the period ended October 31, 2017, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. For the previous three years the Fund remains subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the State of Maryland. The Fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The Fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or gains are earned.

## NOTES TO FINANCIAL STATEMENTS (continued)

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The tax character of distributions the Fund made during the year ended October 31, 2017, was \$7,355,081 from ordinary income. For the year ended October 31, 2016, the Fund distributed \$10,187,178 from ordinary income and \$13,270,001 from long-term capital gains.

Tax components of distributable earnings are determined in accordance with income tax regulations which may differ from the composition of net assets reported under GAAP. Accordingly, for the year ended October 31, 2017, the effects of certain differences were reclassified. The Fund increased undistributed net investment income by \$1,663,733 and increased accumulated net realized loss by \$1,663,733. These differences were primarily due to the differing tax treatment of foreign currency and distribution redesignations. Net assets of the Fund were unaffected by the reclassifications and the calculation of net investment income per share in the Financial Highlights excludes these adjustments.

As of October 31, 2017, the components of distributable earnings on a tax basis were \$8,635,239 of undistributed ordinary income and capital loss carryover of \$26,169,118. Capital loss carryovers are available to offset future realized net capital gains for federal income tax purposes. Future capital loss carryover utilization in any given year may be subject to Internal Revenue Code limitations. To the extent future gains are offset by capital loss carryover, such gains will not be distributed. As of October 31, 2017, the Fund had non-expiring short term capital loss carryover of \$17,641,473 and non-expiring long term capital loss carryover of \$8,527,645. On a book basis, the Fund also had \$91,579,850 of net unrealized appreciation on investments and currency, resulting in a total accumulated earnings of \$74,045,971. Permanent book/tax differences relate to foreign currency gain/losses and passive foreign investment company gains and losses.

At October 31, 2017, the cost of investments for federal income tax purposes was \$281,121,908. Gross unrealized appreciation of investments was \$147,237,878 while gross unrealized depreciation of investments was \$55,668,537, resulting in net unrealized appreciation/depreciation of investments of \$91,569,341.

### **NOTE B — ADVISORY FEE AND OTHER TRANSACTIONS**

Allianz Global Investors (“AGI” or “Investment Manager”) is the investment manager for the Fund’s listed assets (“Listed Assets”) and Direct Investments. AGI 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. For the year ended October 31, 2017, the Listed Assets investment management fee rate was equivalent to an annual effective rate of 0.69% of the Fund’s average weekly net assets. AGI receives a fee computed weekly and payable monthly, at an annual rate of 1.50% of the average weekly value of the Fund’s assets invested in Direct Investments, if any. For the year ended October 31, 2017, the Investment Manager was paid no fees for Direct Investments as the Fund held no such investments during the period.

No director, officer or employee of the 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, Audit Committee Chairman and each of the directors (who is not a director, officer or employee of the Investment Manager or any affiliate thereof) an annual fee of \$35,000, \$30,000 and \$20,000 respectively, plus



## NOTES TO FINANCIAL STATEMENTS (continued)

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\$3,000 for each Board of Directors' meeting or Audit Committee meeting or Nominating and Compensation Committee meeting attended in person or by telephone. 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 that is calculated daily and paid monthly at an annual rate based on aggregate average daily assets of the Fund. The Fund also pays State Street an annual fee for certain legal administration services, including corporate secretarial services and preparing regulatory filings.

The Fund has also contracted 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.

### **NOTE C — FUND SHARES**

At October 31, 2017, there were 100,000,000 shares of \$0.01 par value capital stock authorized, of which 15,722,675 were issued and outstanding.

### **NOTE D — INVESTMENT TRANSACTIONS**

For the year ended October 31, 2017, the Fund's cost of purchases and proceeds from sales of investment securities, other than short-term securities, were \$95,800,131 and \$97,717,664, respectively.

### **NOTE E — INVESTMENTS IN CHINA**

The Fund's investments in Chinese 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 Chinese 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 Chinese 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 — FAIR VALUE MEASUREMENT**

The Fund has adopted fair valuation accounting standards which establish a definition of fair value and set out a hierarchy for measuring fair value. These standards require additional disclosures about the various inputs and valuation techniques used to develop the measurements of fair value and a discussion of changes in valuation techniques and related inputs during the period. These inputs are summarized in the three broad levels listed below:

- Level 1 — Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Fund has the ability to access at the measurement date;



## NOTES TO FINANCIAL STATEMENTS (continued)

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- Level 2 — Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;
- Level 3 — Inputs that are unobservable.

The following is a summary of the inputs used as of October 31, 2017 in valuing the Fund's investments carried at value:

### ASSETS VALUATION INPUT

<u>Description*</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Common Stock . . . . .	\$359,383,704	\$ —	\$ —	\$359,383,704
Collateral For Securities On Loan . . . . .	9,026,545	—	—	9,026,545
Short Term Investments . . . . .	—	4,281,000	—	4,281,000
<b>TOTAL INVESTMENTS . . . . .</b>	<b>\$368,410,249</b>	<b>\$ 4,281,000</b>	<b>\$ —</b>	<b>\$372,691,249</b>

\* Please refer to the Schedule of Investments for additional security details.

The Fund's policy is to disclose transfers between levels based on valuations at the beginning of the reporting period. As of October 31, 2017, there were no transfers between Level 1, 2 or 3.

### **NOTE G — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

The Fund did not enter into any derivatives transactions or hedging activities for the year ended October 31, 2017.

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The China Fund, Inc. (the “Fund”), as of October 31, 2017 and the related statement of operations 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 five 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.

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 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 October 31, 2017, by correspondence with the custodian and brokers or by other appropriate auditing procedures where replies from brokers were not received. 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 China Fund, Inc. as of October 31, 2017, the results of its operations 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 five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

**/s/ TAIT, WELLER & BAKER LLP**

Philadelphia, Pennsylvania  
December 18, 2017

# THE CHINA FUND, INC.

## Other Information (unaudited)

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### TAX INFORMATION

**Foreign Taxes Credit:** The Fund designates \$762,834 as foreign taxes paid and \$8,027,721 as foreign source income earned for regular Federal income tax purposes.

**Qualified Dividend Income:** For the fiscal year ended October 31, 2017, 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 the individual's tax bracket. Complete information will be reported in conjunction with the Form 1099-DIV. For the year ended October 31, 2017, the Fund had \$2,075,164 in Qualified Dividend Income and 0.27% of total ordinary income dividends paid qualified for the corporate dividends received deduction.

### RESULTS OF A SPECIAL STOCKHOLDER MEETING HELD ON AUGUST 30, 2017 (unaudited)

1. The following votes were cast For, Against and Abstain with respect to the approval of the proposed Investment Advisory and Management Agreement and the proposed Direct Investment Management Agreement between the Fund and Open Door Investment Management Ltd.

	<u>No. of Shares</u>	<u>% of Outstanding</u>	<u>% of Voted</u>
For .....	7,391,769	47.01%	60.50%
Against .....	4,724,767	30.05%	38.67%
Abstain .....	102,139	0.65%	0.84%

### PRIVACY POLICY

#### Privacy Notice

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

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

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

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

## **THE CHINA FUND, INC.**

### **Other Information (continued) (unaudited)**

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#### **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 was filed as of July 31, 2017 for the third quarter of this fiscal year and is available on the Securities and Exchange Commission's website at [www.sec.gov](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 without 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 April 26, 2017, 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.

## **DIVIDENDS AND DISTRIBUTIONS: SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN**

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The Fund will distribute to stockholders, 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 stockholder will automatically be a participant (a “Participant”) in the Plan unless Computershare Trust Company, N.A., the Plan Agent, is otherwise instructed by the stockholder in writing, to have all distributions, net of any applicable U.S. withholding tax, paid in cash. Stockholders 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. Stockholders who do not wish to have distributions automatically reinvested should notify the Fund by contacting Computershare Trust Company, N.A. c/o The China Fund, Inc. at P.O. Box 505000 Louisville, Kentucky 40233-5000, by telephone at 1-800-426-5523 or via the Internet at [www.computershare.com/investor](http://www.computershare.com/investor).

Whenever the Directors of the Fund declare a capital gains distribution or an income dividend payable only in shares of the Fund’s common stock (including such a declaration that provides an option to receive cash), Participants will take such distribution or dividend entirely in shares of common stock to be issued by the Fund, and the Plan Agent shall automatically receive such shares of common stock, including fractions, for the Participant’s account.

Whenever a dividend or distribution is declared payable in cash or shares of the Fund’s common stock, the Plan will operate as follows: (i) whenever the market price per share of common stock equals or exceeds the net asset value per share at the time shares of common stock are valued for the purpose of determining the number of shares of common stock equivalent to the dividend or distribution (the “Valuation Date”), Participants will be issued shares of common stock by the Fund valued at net asset value or, if the net asset value is less than 95% of the market price on the Valuation Date, then Participants will be issued shares valued at 95% of the market price; and (ii) whenever the net asset value per share of the common stock on the Valuation Date exceeds the market price of a share of the common stock on the Valuation Date, Participants will receive shares of common stock of the Fund purchased in the open market. The Plan Agent will, as purchasing agent for the Participants, buy shares of common stock in the open market, on the New York Stock Exchange (the “Exchange”) or elsewhere, with the cash in respect of such dividend or distribution for the Participants’ accounts on, or shortly after, the payment date.

If the Fund should declare an income dividend or capital gains distribution payable only in cash, the Plan Agent will, as purchasing agent for the Participants, buy shares of common stock in the open market, on the Exchange or elsewhere, with the cash in respect of such dividend or distribution for the Participants’ accounts on, or shortly after, the payment date.

Participants in the Plan have the option of making additional payments to the Plan Agent annually, in any amount from \$100 to \$3,000 for investment in the Fund’s Common Stock. The Plan Agent 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 January 15 of each year or the next trading day if January 15th is not a trading day. Participants may make voluntary cash payments by sending a check (in U.S. dollars and drawn on a U.S. Bank) made payable to “Computershare” along with a completed transaction form which is attached to each statement a Participant receives. The Plan Agent will not accept cash, traveler’s checks, money orders or third party checks. Any voluntary

## **DIVIDENDS AND DISTRIBUTIONS: SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)**

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cash payments received more than thirty-five days prior to such date will be returned by the Plan Agent, and interest will not be paid on any such amounts. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by the Plan Agent, participants should send in voluntary cash payments to be received by the Plan Agent approximately two 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. In the event that a Participant's check for a voluntary cash payment is returned unpaid for any reason, the Plan Agent will consider the request for investment of such funds null and void, and shall immediately remove from the Participant's account those shares, if any, purchased upon the prior credit of such funds. The Plan Agent shall be entitled to sell shares to satisfy any uncollected amount plus any applicable fees. If the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, the Plan Agent shall be entitled to sell such additional shares from the Participant's account as may be necessary to satisfy the uncollected balance.

For all purposes of the Plan: (a) the market price of shares of common stock of the Fund on a particular date shall be the last sales price on the Exchange on the close of the previous trading day or, if there is no sale on the Exchange on that date, then the mean between the closing bid and asked quotations for such stock on the Exchange on such date, (b) Valuation Date shall be the dividend or distribution payment date or, if that date is not an Exchange trading day, the next preceding trading day, and (c) net asset value per share of common stock on a particular date shall be as determined by or on behalf of the Fund.

The open-market purchases provided for above may be made on any securities exchange where the shares of common stock of the Fund are traded, in the over-the-counter market or in negotiated transactions, and may be on such terms as to price, delivery and otherwise as the Plan Agent shall determine. In every case the price to the Participant shall be the weighted average purchase price obtained by the Plan Agent's broker, net of fees. Funds held by the Plan Agent will not bear interest. In addition, it is understood that the Plan Agent shall have no liability (other than as provided in the Plan) in connection with any inability to purchase shares of common stock within 30 days after the payment date of any dividend or distribution as herein provided or with the timing of any purchases effected. The Plan Agent shall have no responsibility as to the value of the shares of common stock of the Fund acquired for any Participant's account. Whenever the Plan Agent, as purchasing agent for the Participants, is to buy shares of common stock in the open market, on the Exchange or elsewhere, with the cash in respect of a dividend or distribution, to the extent the Plan Agent is able to do so and, before the Plan Agent has completed its purchases, the market price exceeds the net asset value of the common stock, the average per share purchase price paid by the Plan Agent may exceed the net asset value of the common stock, resulting in the acquisition of fewer shares of common stock than if the income dividend or capital gains distribution had been paid in common stock issued by the Fund. The Plan Agent will apply all cash received as an income dividend or capital gains distribution to purchase shares of common stock on the open market as soon as practicable after the payment date of such dividend or capital gains distributions, but in no event later than 30 days after such date, except where necessary to comply with applicable provisions of the federal securities laws.

The Plan Agent will confirm in writing, each trade for a Participant's account and each share deposit or share transfer promptly after the account activity occurs. The statement will show the number of shares held, the number

## **DIVIDENDS AND DISTRIBUTIONS: SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)**

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of shares for which dividends are being reinvested, any cash received for purchase of shares, the price per share for any purchases or sales, and any applicable fees for each transaction charged the Participant. In the event the only activity in a Participant's account is the reinvestment of dividends, this activity will be confirmed in a statement on at least a quarterly basis. If the Fund pays an annual dividend and the only activity in a Participant's account for the calendar year is the reinvestment of such dividend, the Participant will receive an annual statement. These statements are a Participant's continuing record of the cost basis of purchases and should be retained for income tax purposes.

The Plan Agent will hold shares of common stock acquired pursuant to the Plan in non-certificated form in the name of the Participant for whom such shares are being held and each Participant's proxy will include those shares of common stock held pursuant to the Plan. The Plan Agent will forward to each Participant any proxy solicitation material received by it. In the case of stockholders, such as banks, brokers or nominees, which hold shares for others who are the beneficial owners, the Plan Agent 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 name of such Participants and held for the account of beneficial owners who participate in the Plan. Upon a Participant's Internet, telephone or written request, the Plan Agent will deliver to her or him, without charge, a certificate or certificates representing all full shares of common stock held by the Plan Agent pursuant to the Plan for the benefit of such Participant.

Participants will not be charged a fee in connection with the reinvestment of dividends or capital gains distributions. The Plan Agent's transaction fees for the handling of the reinvestment of dividends and distributions will be paid by the Fund. However, Participants will be charged a per share fee (currently \$0.05) incurred with respect to the Plan Agent's open market purchases in connection with the reinvestment of dividends or capital gains distributions and with purchases from voluntary cash payments made by the Participant. A \$2.50 transaction fee and a per share fee of \$0.15 will also be charged by the Plan Agent upon any request for sale. Per share fees include any brokerage commissions the Plan Agent is required to pay.

The automatic reinvestment of dividends and distributions will not relieve participants of any income tax which may be payable on such dividends and distributions. Participants will receive tax information annually for their personal records and to help them prepare their federal income tax return. For further information as to tax consequences of participation in the Plan, Participants should consult with their own tax advisors.

These terms and conditions may be amended or supplemented by the Plan Agent or the Fund at any time or times but, except when necessary or appropriate to comply with applicable law or the rules or policies of the Securities and Exchange Commission or any other regulatory authority, only by mailing to the Stockholders appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted by the Participants unless, prior to the effective date thereof, the Plan Agent receives written notice of the termination of a Participant's account under the Plan. Any such amendment may include an appointment by the Plan Agent in its place and stead of a successor Plan Agent under these terms and conditions, with full power and authority to perform all or any of the acts to be performed by the Plan Agent under these terms and conditions. Upon any such appointment of a successor Plan Agent for the purposes of receiving dividends and distributions, the Fund

**DIVIDENDS AND DISTRIBUTIONS:**  
**SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)**

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will be authorized to pay to such successor Plan Agent, for the Participants' accounts, all dividends and distributions payable on the shares of common stock held in the Participants' name or under the Plan for retention or application by such successor Plan Agent as provided in these terms and conditions.

Requests for copies of the Plan, which sets forth all of the terms of the Plan, and all correspondence concerning the Plan should be directed to Computershare Trust Company, N.A., the Plan Agent for The China Fund, Inc., in writing at P.O. Box 505000 Louisville, Kentucky 40233-5000, by telephone at 1-800-426-5523 or via the Internet at [www.computershare.com/investor](http://www.computershare.com/investor).



## 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 holds office until the expiration of his term and until his successor is elected and qualified.

Name (Age) and Address of Directors	Position(s) Held with Fund	Director Since (Term Ends)	Principal Occupation(s) or Employment During Past Five Years	Number of Funds in the Complex <sup>(1)</sup> Overseen by the Director	Other Directorships/ Trusteeships in Publicly Held Companies
<b>CLASS I</b>					
Joe O. Rogers (69) . . . . . 2477 Foxwood Drive Chapel Hill, NC 27514	Director, Chairman of the Board	1992 (2018)	Principal, Rogers International LLC (investment consultation) (2010-present); Visiting Professor Fudan University School of Management (2010-2012).	1	None.
Richard Shore (56) . . . . . Gilbert LLP 1100 New York Avenue, NW, Suite 700 Washington, DC 20005	Director	2014 (2018)	Partner, Gilbert LLP (law firm) (2001-present); Director, Reneo, LLC (strategic consulting firm) (2014-present).	1	None.
<b>CLASS II</b>					
Michael F. Holland (72) . . . . . 375 Park Avenue New York, New York 10152	Director	1992 (2019)	Chairman, Holland & Company L.L.C. (investment adviser) (1995-present).	1	Director, The Holland Balanced Fund, Inc., Reaves Utility Income Fund and Blackstone/GSO Loan Funds; Co-Chairman and Trustee, State Street Master and Institutional Funds; and Trustee, SSgA Funds.
Li Jin (47) . . . . . 204 Moss Hill Rd Boston, MA 02130	Director	2013 (2019)	Professor, Oxford University (2012-present); Chair Professor, Peking University (2012-present); Assistant and Associate Professor, Harvard University (2001-2012).	1	None.

## Directors and Officers (continued) (unaudited)

Name (Age) and Address of Directors	Position(s) Held with Fund	Director Since (Term Ends)	Principal Occupation(s) or Employment During Past Five Years	Number of Funds in the Complex <sup>(1)</sup> Overseen by the Director	Other Directorships/ Trusteeships in Publicly Held Companies
Gary L. French (66) . . . . . 1307 61st Street NW Bradenton, FL 34209	Director	2013 (2019)	Real estate investor; Manager Member, Warners Bayou Investments I, LLC and Palma Sola Investments I, LLC (2011-present); Senior Consultant, Regulatory Fundamentals Group (development and distribution of software and related consulting services) (2011-2017); Senior Vice President and Business Head, Fund Administration Division, State Street Bank (mutual fund servicing organization) (2002-2010).	1	Independent Trustee, J.P. Morgan Exchange—Traded Fund Trust (2014-present).
<b>CLASS III</b>					
William C. Kirby (67) . . . . . Morgan Hall 147 Harvard Business School Boston, MA 02163	Director	2007 (2020)	T. M. Chang Professor of China Studies (2006-present); Spangler Family Professor of Business Administration (2006-present); Chairman, Harvard China Fund (2006-present); Harvard University Distinguished Service Professor (2006-present); Director, John K. Fairbank Center for Chinese Studies, Harvard University (2006-2014); Dean of the Faculty of Arts and Sciences Harvard University (2002-2006).	1	Chairman of the Board and Director, The Taiwan Fund, Inc. (2016-present); Cabot Corporation.
Linda C. Coughlin (65) . . . . . 10 Delia Drive Holderness, NH 03245	Director	2015 (2020)	Founder and CEO, Great Circle Associates, LLC (management consultation) (2008-present).	1	None.

(1) The term “Fund Complex” means two or more registered investment companies that share the same investment adviser or principal underwriter or hold themselves out to investors as related companies for the purposes of investment and investor services.

## Directors and Officers (continued) (unaudited)

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### Officers of the Fund

The following table provides information concerning each of the officers of the Fund.

<u>Name (Age) and Address of Officers</u>	<u>Position(s) Held with Fund</u>	<u>Officer Since</u>	<u>Principal Occupation(s) or Employment During Past Five Years</u>
Joseph Quirk (49) . . . . . Allianz Global Investors 1633 Broadway New York, NY 10019	President	2014	Managing Director and Head of Fund Operations for Allianz Global Investors (2008-present).
Patrick Keniston (53) . . . . . Foreside Three Canal Plaza, Suite 100, Portland, ME 04101	Chief Compliance Officer	2011	Managing Director, Foreside Fund Officer Services, LLC (October 2008-present).
Monique Labbe (43) . . . . . Foreside Fund Officers Services LLC 10 High Street, #302 Boston, MA 02110	Treasurer	2015	Fund Principal Financial Officer, Foreside Fund Officer Services, LLC (2014-present); Principal/Assistant Vice President, State Street Global Advisers (2012-2014); Director/Assistant Vice President, State Street Corporation (2005-2012).
Brian Link (45) . . . . . 100 Summer Street SUM0703 Boston, MA 02111	Secretary	2014	Vice President and Managing Counsel, State Street Bank and Trust Company (2004-present).









# **THE CHINA FUND, INC.**

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## **United States Address**

The China Fund, Inc.  
c/o State Street Bank and Trust Company  
1 Lincoln St.  
P.O. Box 5049  
Boston, MA 02206-5049  
1-888-CHN-CALL (246-2255)

## **Directors and Officers**

Joe O. Rogers, Chairman of the Board and Director  
Michael F. Holland, Director  
William Kirby, Chairman of the Nominating & Compensation Committee and Director  
Li Jin, Director  
Gary L. French, Chairman of the Audit Committee and Director  
Richard Shore, Director  
Linda C. Coughlin, Director  
Joseph Quirk, President  
Patrick Keniston, Chief Compliance Officer  
Monique Labbe, Treasurer  
Brian Link, Secretary

## **Investment Manager**

Allianz Global Investors U.S. LLC

## **Shareholder Servicing Agent**

AST Fund Solutions

## **Administrator, Accounting Agent 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**

Tait, Weller & Baker, LLP

## **Legal Counsel**

Clifford Chance US LLP

Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940 that from time to time the Fund may purchase shares of its common stock in the open market at prevailing market prices.