

# **The China Fund, Inc.**

## **AUDIT, VALUATION, AND COMPLIANCE COMMITTEE CHARTER AS ADOPTED DECEMBER 7, 2018**

This document constitutes the Charter of the Audit, Valuation, and Compliance Committee (the “Committee”) of the Board of Directors of The China Fund, Inc. (the “Fund”). The Board of Directors of the Fund (the “Board”) established the Committee to provide oversight with respect to the integrity of the Fund’s financial statements, the Fund’s compliance with legal and regulatory requirements, the qualifications and independence of the Fund’s independent registered public accounting firm and the performance of the Fund’s internal control systems and independent registered public accounting firm. Further, this Committee shall oversee the determination of the value of the portfolio securities and other assets held by the Fund and to determine or cause to be determined the fair value of such securities and assets for which market quotations are not “readily available” in accordance with the Investment Company Act of 1940 (the “1940 Act”).

It is understood that the Board and the Committee have delegated primary responsibility for the day-to-day valuation (including any fair valuation) of the Fund’s portfolio securities and other assets or investments to State Street Bank & Trust Company (the “Administrator”) with Matthews Asia (the “Manager”), which serves as investment manager to the Fund, to assist on fair valuations. The Manager and its agents and delegates, shall carry out these functions pursuant to valuation policies and procedures approved by the Committee and adopted by the full Board on behalf of the Fund, as amended and restated from time to time (the “Valuation Procedures”).

1. Organization. The Committee shall be composed of all members of the Board who are not “interested persons” of the Fund (“Independent Directors”), as defined in Section 2(a)(19) of the 1940 Act, who do not directly or indirectly receive consulting, advisory or other compensatory fees from the Fund or from the Fund’s investment adviser or its affiliates, except fees from the Fund for services as a Director, and who satisfy any independence or expertise requirements of the exchange(s) on which the Fund’s shares are traded.

One or more members of the Committee may be designated by the Board as the Committee’s chair or co-chair, as the case may be, and shall serve for such term or terms as the Board may determine. The Committee may delegate any portion of its authority or responsibilities to a sub-committee of one or more members.

The appropriate officers of the Fund shall provide or arrange to provide such information, data, and services as the Committee may request. Subject to the agreement of a majority of the Board’s members who are Independent Directors, the Committee shall have the authority to engage, at the Fund’s expense, independent counsel and other experts and consultants whose expertise the Committee considers necessary or appropriate to carry out its responsibilities.

2. Meetings. The Committee shall meet on a regular basis as necessary or appropriate, and

is empowered to hold special meetings as circumstances warrant. Any two members of the Committee shall constitute a quorum for the transaction of business at any meeting of the Committee. The action of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the action of the Committee. The Committee may also take action by written consent of all of the Committee members, or such lesser number as may be permitted by applicable law. The Committee may meet by means of a telephone conference circuit or similar communications equipment by means of which all persons participating in the meeting have two way communication with all others.

3. Committee Purposes. The purposes of the Committee are as follows:

- (a) To oversee the integrity of the Fund's financial statements, the Fund's compliance with legal and regulatory requirements, the qualifications and independence of the Fund's independent registered public accounting firm, the performance of the Fund's internal control systems and independent registered public accounting firm and, as appropriate, the internal controls of certain Fund service providers;
- (b) To oversee the quality and objectivity of the Fund's financial statements and the independent audit thereof;
- (c) To exercise direct responsibility for the appointment, compensation, retention and oversight of the work performed by the Fund's independent registered public accounting firm for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund;
- (d) To act as a liaison between the Fund's independent registered public accounting firm and the Board;
- (e) To oversee the Fund's compliance with legal and regulatory requirements, including through periodic meetings with and review of reports provided by the Fund's Chief Compliance Officer;
- (f) To prepare the audit committee report required by Item 407(d)(3)(i) of Regulation S-K, to be included in the Fund's annual proxy statement relating to the election of directors;
- (g) To review and approve the Valuation Procedures and amendments thereto, recommend their adoption by the Board, and oversee their administration on behalf of the Fund by the Manager;
- (h) To determine or cause to be determined the fair values of the Fund's portfolio securities or other assets in accordance with the Valuation Procedures and the 1940 Act;
- (i) Based on recommendations from the Administrator and/or Manager or its delegates, to review and approve or ratify methodologies to be followed by the Administrator and/or Manager to determine the fair values of portfolio securities and other assets held by the Fund without the direct involvement of the

Committee or the Board. Where such methodologies include the use of one or more independent pricing services to recommend fair value prices or adjustments, the Committee shall review and approve or ratify such pricing services and methodologies and recommend their approval or ratification by the full Board based on recommendations from the Administrator and/or Manager;

- (j) To meet periodically with representatives of the Manager to review and assess the quality of fair valuation and other pricing determinations made pursuant to the Valuation Procedures, and to ratify such determinations, in each case based on its review of reports and related information provided by the Manager or its delegates. In addition, based on information provided by the Administrator and/or Manager, to periodically review and assess the Valuation Procedures themselves, including by reference to reports from the Administrator and/or Manager or its delegates as to the effectiveness of fair value and other pricing methodologies used thereunder, and to recommend to the full Board any appropriate changes based on recommendations from the Manager;
- (k) To report to the full Board periodically as to the Committee's activities and oversight of the administration of the Valuation Procedures by the Administrator and/or Manager; and
- (l) To discharge any other duties or responsibilities delegated to the Committee by the Board or the Valuation Procedures from time to time.

The function of the Committee is oversight; it is management's responsibility to maintain or arrange for the maintenance of appropriate systems for accounting and internal controls (including disclosure controls and procedures) and the auditor's responsibility to plan and carry out a proper audit.

4. Duties and Powers. To carry out the purposes specified in Paragraph 3 above, the Committee shall have the following duties and powers:

- (a) To approve the selection, retention, compensation and termination of the Fund's independent registered public accounting firm, and, in connection therewith, to evaluate and determine the terms of any engagement of the independent registered public accounting firm (including fees) by or on behalf of the Fund;
- (b) To ensure receipt from the independent registered public accounting firm of a formal written statement delineating relationships between the independent registered public accounting firm and the Fund consistent with PCAOB Rule 3526;
- (c) To consider whether the provision of non-audit services rendered by the independent registered public accounting firm to the Fund and the Fund's investment adviser, administrator or their respective affiliates, or any other circumstances which may arise, impair the independence of the independent registered public accounting firm;

- (d) To: (i) at least annually, obtain and review a report by the independent registered public accounting firm describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; (ii) discuss the annual audited financial statements with management and the independent registered public accounting firm, including (A) Management's Discussion of Fund Performance ("MDFP"), if any, to be included in the Fund's Form N-CSR, (B) any audit problems or difficulties and management's response thereto, and (C) any uncorrected misstatements whose effects management believes are immaterial, both individually and in the aggregate, to the financial statements as a whole; (iii) discuss the semi-annual financial statements with management, including MDFP, if any, to be included in the Fund's Form N-CSR; (iv) discuss with management and the independent registered public accounting firm the representativeness of securities valuations provided by external pricing sources, particularly where such valuations are not based on prices last quoted in organized markets; (v) discuss the Fund's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies; (vi) discuss policies with respect to risk assessment and risk management; and (vii) inquire of management, the independent registered public accounting firm and the Fund's investment advisor about significant risks and exposures and what steps have been taken to minimize such risks;
- (e) To meet with the Fund's independent registered public accounting firm, including private meetings as necessary or appropriate: (i) to review the arrangements for and scope of the Fund's annual audit and any special audits; (ii) to discuss any matters of concern relating to the Fund's financial statements, including any adjustments to such statements recommended by the independent registered public accounting firm, regulatory and tax compliance matters considered in the preparation of the financial statements, or other results of said audit(s); (iii) to consider the independent registered public accounting firm's comments with respect to the Fund's financial policies and procedures, internal accounting controls and disclosure controls and procedures, and management's responses thereto; (iv) to consider the independent registered public accounting firm's conclusions with respect to the reasonableness of the Fund's "fair value" procedures, management's adherence to such procedures, and the adequacy of supporting documentation for such analyses; (v) to review the form of the opinion the independent registered public accounting firm proposes to render to the Board and Fund stockholders; and (vi) to review any other reports, representations or communications from the independent registered public accounting firm regarding matters within the Committee's scope of responsibilities under this Charter;
- (f) To meet regularly with the Fund's chief financial and accounting officers and the Fund's treasurer, in each case to discuss any matters the Committee or such parties believe necessary or appropriate to raise, and to review and consider any reports or communications from any such parties relating to the operations of the Fund;

- (g) To review such other matters or information that the Committee believes may be relevant to the independent registered public accounting firm, the audit engagement, or the Fund's financial policies and procedures, internal accounting controls or disclosure controls and procedures;
- (h) To review major issues regarding accounting principles and financial statement presentations, including, to the extent applicable: (i) any significant changes in management's selection or application of accounting principles for the Fund, and major issues as to the adequacy of the Fund's internal controls and any special audit steps adopted in light of material control deficiencies; (ii) analyses prepared by management and/or the independent registered public accounting firm setting forth significant reporting issues and judgments made in connection with the preparation of the Fund's financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Fund's financial statements.
- (i) To establish procedures for the receipt, retention and treatment of complaints that the Fund receives regarding Fund accounting, internal accounting controls or auditing matters, and for the confidential, anonymous submissions by Fund officers or employees of Fund service providers of concerns regarding suspected fraud of any type related to the Fund, including without limitation questionable accounting or auditing matters;
- (j) To establish procedures for the prospective approval of the engagement of the independent registered public accounting firm to provide: (i) audit or permissible non-audit services to the Fund, and (ii) non-audit services to the Fund's investment adviser or administrator (or any entity controlling, controlled by or under common control with a Fund investment adviser or administrator that provides ongoing services to the Fund) that relate directly to the Fund's operations and financial reporting;
- (k) To review reports from the independent registered public accounting firm regarding any new relationships between the independent registered public accounting firm and the Fund's investment adviser and administrator (and their affiliates);
- (l) To review reports from the Fund's Chief Compliance Officer regarding the Fund's and/or advisers' investment allocation, brokerage and soft dollar practices, trade execution, portfolio liquidity, pricing policies and procedures and custody relationships;
- (m) To review matters relating to the Fund's code of ethics;
- (n) To review compliance matters identified by the Committee or the Fund's Chief Compliance Officer;
- (o) To report its activities to the Board on a regular basis and to make such recommendations with respect to the above and other matters as the Committee

may deem necessary or appropriate; and

(p) To assess the Committee's performance at least annually.

5. Role of Independent Registered Public Accounting Firm. The Fund's independent registered public accounting firm is ultimately accountable to the Committee, and must report directly to the Committee.

6. Periodic Review of Charter. The Committee shall review this Charter at least annually and recommend any changes to the Board.