

# THE CHINA FUND, INC.

## SEMI-ANNUAL REPORT

April 30, 2010  
(Unaudited)

### The China Fund, Inc. Table of Contents

	<u>Page</u>
Key Highlights	1
Asset Allocation	2
Industry Allocation	3
Chairman's Statement	4
Investment Manager's Statement	5
About the Portfolio Manager	7
Schedule of Investments	8
Financial Statements	14
Notes to Financial Statements	19
Other Information	30
Dividends and Distributions; Dividend Reinvestment and Cash Purchase Plan	32



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

<b>FUND DATA</b>	
NYSE Stock Symbol	CHN
Listing Date	July 10, 1992
Shares Outstanding	22,781,762
Total Net Assets (04/30/10)	US\$743.2 million
Net Asset Value Per Share (04/30/10)	\$32.62
Market Price Per Share (04/30/10)	\$28.54

<b>TOTAL RETURN<sup>(1)</sup></b>		
<b>Performance as of 04/30/10:</b>	<b>Net Asset Value</b>	<b>Market Price</b>
1-Year	71.55%	63.19%
3-Year Cumulative	51.32%	57.03%
3-Year Annualized	14.81%	16.23%
5-Year Cumulative	195.80%	140.26%
5-Year Annualized	24.22%	19.16%
10-Year Cumulative	615.11%	783.57%
10-Year Annualized	21.74%	24.34%

<b>DIVIDEND HISTORY</b>		
<b>Record Date</b>	<b>Income</b>	<b>Capital Gains</b>
12/24/09	\$0.2557	—
12/24/08	\$0.4813	\$5.3361
12/21/07	\$0.2800	\$11.8400
12/21/06	\$0.2996	\$3.7121
12/21/05	\$0.2172	\$2.2947
12/22/04	\$0.1963	\$3.3738
12/31/03	\$0.0700	\$1.7100
12/26/02	\$0.0640	\$0.1504
12/31/01	\$0.1321	—
12/31/00	—	—
12/31/99	\$0.1110	—
12/31/98	\$0.0780	—
12/31/97	—	\$0.5003
12/31/96	\$0.0834	—
12/29/95	\$0.0910	—
12/30/94	\$0.0093	\$0.6006
12/31/93	\$0.0853	\$0.8250
12/31/92	\$0.0434	\$0.0116

(1) Total investment returns reflect changes in net asset value per share or market price, as the case may be, during each period and assumes that dividends and capital gains distributions, if any, were reinvested in accordance with the dividend reinvestment plan. The net asset value per share percentages are not an indication of the performance of a shareholder's investment in the Fund, which is based on market price. Total investment returns do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. Total investment returns are historical and do no guarantee future results.

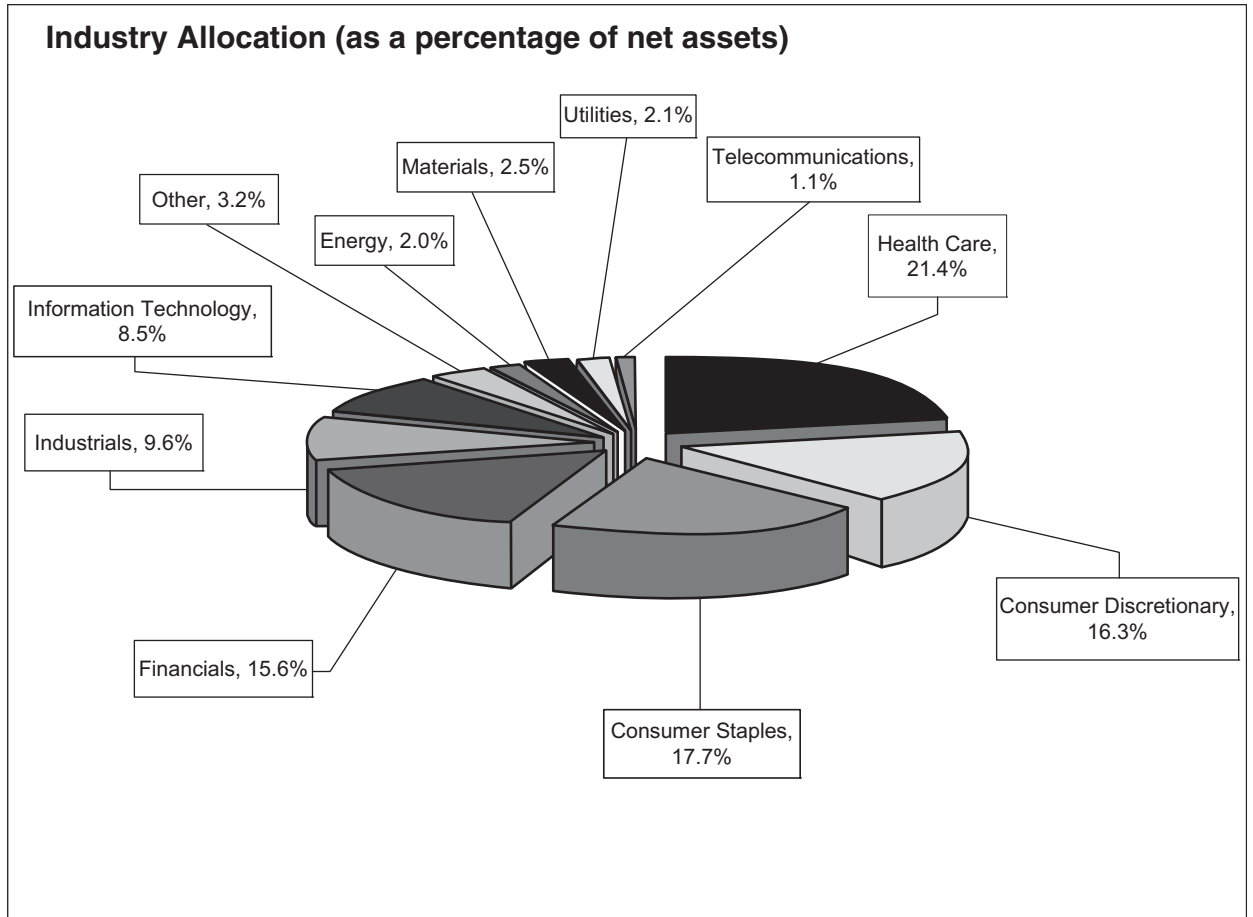
**THE CHINA FUND, INC.**  
**ASSET ALLOCATION AS OF APRIL 30, 2010 (Unaudited)**

<b>Ten Largest Listed Equity Investments *</b>	
1. Huiyin Household Appliances Holdings Co., Ltd.	7.31%
2. Sinopharm Medicine Holding Co., Ltd.	4.82%
3. China Medical System Holdings, Ltd.	4.76%
4. Wumart Stores, Inc.	4.33%
5. Ping An Insurance (Group) Company of China, Ltd.	4.21%
6. China Shineway Pharmaceutical Group, Ltd.	3.07%
7. Shandong Weigao Group Medical Polymer Co., Ltd.	2.94%
8. China Fishery Group, Ltd.	2.88%
9. Ruentex Development Co., Ltd.	2.82%
10. Far Eastern Department Stores, Ltd.	2.32%

<b>Direct Investments *</b>	
1. Ugent Holdings, Ltd.	3.07%
2. HAND Enterprise Solutions, Ltd. Preferred	1.71%
3. Qingdao Bright Moon Seaweed Group Co., Ltd.	1.24%
4. China Silicon Corp., Series A Preferred	0.00%
5. China Silicon Corp., Common Stock	0.00%
6. China Silicon Corp., Warrants	0.00%
7. HAND Enterprise Solutions, Ltd., Common Stock	0.00%

\* Percentages based on net assets at April 30, 2010.

## INDUSTRY ALLOCATION (Unaudited)



Fund holdings are subject to change and percentages shown above are based on total net assets as of April 30, 2010. A complete list of holdings as of April 30, 2010 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.

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

### **CHAIRMAN'S STATEMENTS (Unaudited)**

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Dear Stockholders,

After the very strong recovery of the preceding period, the past six months were a more muted period for the Greater China markets. I am pleased to report, however, that the Fund's performance was in no way muted. With a return of 21.2%, the Fund outperformed the MSCI Golden Dragon by almost 18 percentage points on an arithmetic basis.

The Fund's strong performance owed a great deal to its focus on healthcare and domestic consumption — two themes for which your manager has repeatedly made the case in his reports. As the Chinese government's healthcare reforms advance, your Fund's early investments in this sector are bearing abundant fruit. So too with the domestic theme: the rising domestic consumption that is accompanying China's growing urbanization and expanding middle class is benefiting a broad range of the fund's consumer-oriented holdings. The Chinese government is continuing to support consumers through various subsidy programs; and we believe that the portfolio is positioned to benefit.

Another particularly gratifying element in the Fund's success was the contribution from the direct-investment segment of the portfolio. During the period, Huiyin Household Appliances completed its listing on the Hong Kong Stock Exchange. Its performance since the listing made it one of the Fund's best performers over the past six months. Unfortunately the portfolio's worst performer was also an unlisted company, China Silicon, which we have decided to mark to zero, after evidence emerged of gross mismanagement by local partners. A new management has been introduced, and the company is re-organizing under the Chinese equivalent of chapter 11. Your manager is confident that the Fund's remaining unlisted holdings are progressing well.

Since the start of this year, Chinese markets have been prone to fits of anxiety over the first signs of monetary tightening and the various measures taken by the government to cool the housing market in the biggest cities. Your manager expects confidence to return when it becomes apparent that inflation is not likely to run out of control and thus that harsh tightening measures will not be required. I therefore look forward to the rest of the year with considerable confidence. I hope to be reporting on another strong period of absolute and relative returns in six months' time.

Yours sincerely,

James Lightburn  
Chairman

# THE CHINA FUND, INC.

## INVESTMENT MANAGERS' STATEMENTS (Unaudited)

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### REVIEW OF LISTED AND DIRECT INVESTMENTS

#### Review

The six months to the end of April constituted a volatile period for Chinese markets, which produced a small positive return. Happily, though, this was a very strong period for the Fund, in both relative and absolute terms. A positive return of 21.2% represented considerable outperformance of the Fund's benchmark.

Chinese markets rallied hard into the end of 2009, before falling sharply in January. The ostensible cause of the decline was the first sign of monetary tightening, when the authorities raised the banks' reserve-requirement ratio by 50 basis points in both January and February. But these measures were mild, and profit-taking ahead of the Chinese New Year holiday appears to have been the main factor. Thereafter, a revival on thin volumes allowed the index to eke out a modestly positive return by the end of the period, despite further losses in April. Overall, the MSCI Golden Dragon rose by 3.9%.

The domestic A-share market was significantly weaker, falling by 7.1%. The Shanghai 180 is now down by 17.5% from its peak last August, since when the S&P 500 is up 18%. This poor performance seems at odds with strong earnings growth (total profits for all A-share listed stocks in the first quarter of 2010 increased by 67% year on year), and a buoyant economy (first-quarter GDP up 11.9% and retail sales up 17.9% year on year) with limited inflation (March CPI +2.4%).

With a rise of 11.4% over the six months, the Taiwanese market outperformed the rest of the Greater China region. The island's economic data was stronger than expected. Earnings for all of Taiwan's listed companies bounced back to NT\$330 billion in the first quarter of 2010, up some 17 times from the same period in 2009 (a bleak time, admittedly). More surprisingly, profits also grew by 9% quarter on quarter, thanks to buoyant demand from mainland China over the Chinese New Year, as well as a recovery in orders from developed countries. Exports in the first quarter grew by 50% year on year, but exports to China grew by 62%, helped by preferential treatment from Beijing, which is keen to improve cross-strait ties. Although the ruling Kuomintang Party has encountered some difficulties over the past six months, progress in the rapprochement with the mainland continued, with the signing of a cross-strait memorandum of understanding for the financial industry and progress towards a free-trade agreement, which may be signed as early as the summer.

In the portfolio, healthcare remains one of the main themes. The Fund's top performer was traditional-medicine group China Shineway, which continues to reap the benefits of having some of its products included in the government's 'essential drug list' for hospitals and clinics. Another portfolio stalwart, Shandong Weigao, which makes medical consumables, has also been profiting from the government's increased spending on healthcare, as have drug distributors Sinopharm and China Medical System.

Domestic consumption was another successful theme over the period. Huiyin Household Appliances completed its listing and made a strong debut on the Hong Kong market; government subsidies for the purchase of home appliances are continuing to benefit companies that sell them. Our H-shares in Wuhan retailer Wumart Stores also performed well, as did two Singapore-listed stocks, confectioner Hsu Fu Chi and China Fishery. Abalone farmer Zhangzidao Fishery

# **THE CHINA FUND, INC.**

## **INVESTMENT MANAGERS' STATEMENTS (continued) (Unaudited)**

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### **REVIEW OF LISTED AND DIRECT INVESTMENTS**

did well too. In Taiwan, the pick of our holdings was Ruentex Development, which is a beneficiary of the island's booming property market.

Negatives included Taiwan's Far Eastern Department Store. The shares performed poorly because of an outstanding court case — which we expect to be soon resolved. We continue to hold the stock. Otherwise, many of the main detractors from relative performance were strong stocks that we didn't hold over the period.

#### **Outlook**

There have been some interesting economic developments recently. China's export performance in March (up 24% year on year) was rather flattered by comparison with the dark period at the start of 2009. More notable was the 66% year-on-year growth in imports, which resulted in China's first trade deficit since May 2004. Economists were quick to dismiss this as a temporary aberration, but, with Western demand likely to remain constrained, Chinese costs rising and the government keen to boost domestic consumption, it seems to me to be a sign of things to come.

Overall, the first-quarter trade surplus collapsed by 77% year on year to US\$14.5 billion. Such a trend, if it continued, would reframe the debate on renminbi appreciation. But for now, the government continues to be fixated with holding down the yuan, which will lead to lower-than-required interest rates. And with negative real rates, money will find its way into asset markets, administrative measures against property speculation notwithstanding.

The Fund is now 97% invested with holdings in 59 companies. After the successful listing of Huiyin Appliances, our direct investments now make up just 6% of the portfolio. Some substantial new private-equity investments are in the pipeline, mostly in the food & beverage sector, but none seem likely to conclude before the third quarter.



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

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

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#### **Listed and Direct Investment Manager**

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

Mr. Shifeng Ke serves as the portfolio manager for the Fund's portfolio of listed and direct securities. Mr. Ke joined Martin Currie's Asia team in 1997 and, until 2002, co-managed the China Heartland Fund, which at that time was the only offshore fund to access China's A-share market. In 2006, Martin Currie, Chris Ruffle and Shifeng established MC China Limited: a joint venture dedicated to running our range of specialist China strategies. He is co-manager of the Fund, Martin Currie's A-share products, Martin Currie's China hedge fund and the micro-cap China Development Capital Partnership. Shifeng practiced law before moving to China's ministry of labour and social security in 1990, where he worked to develop an investment policy for pension funds.

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**April 30, 2010 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK AND OTHER EQUITY INTERESTS</b>		
<b>HONG KONG</b>		
<b>Consumer Discretionary — (11.5%)</b>		
FU JI Food & Catering Services <sup>^*#(2)</sup> . . . . .	5,462,000	\$ —
Huiyin Household Appliances Holdings Co., Ltd.*† . . . . .	160,413,750	54,338,322
Intime Department Store Group Co., Ltd.(1) . . . . .	12,568,629	12,141,100
Ports Design, Ltd.(1) . . . . .	4,549,500	11,344,305
Shangri-La Asia, Ltd.(1) . . . . .	3,061,555	5,993,694
Yorkey Optical International Cayman, Ltd.# . . . . .	7,758,926	1,648,900
		<u>85,466,321</u>
<b>Consumer Staples — (2.8%)</b>		
Chaoda Modern Agriculture (Holdings), Ltd.(1) . . . . .	10,507,357	12,179,932
Natural Beauty Bio-Technology, Ltd.# . . . . .	47,710,000	8,602,929
		<u>20,782,861</u>
<b>Energy — (1.1%)</b>		
Fushan International Energy Group, Ltd.(1) . . . . .	12,018,000	8,606,288
<b>Health Care — (5.5%)</b>		
China Pharmaceutical Group, Ltd.(1) . . . . .	12,918,000	9,533,641
China Shineway Pharmaceutical Group, Ltd. . . . .	7,372,000	22,787,960
Golden Meditech Co., Ltd.*#(1) . . . . .	35,040,000	8,349,197
		<u>40,670,798</u>
<b>Utilities — (2.1%)</b>		
Xinao Gas Holdings, Ltd.(1) . . . . .	5,084,000	15,649,927
<b>TOTAL HONG KONG — (Cost \$91,985,641)</b>		<u>23.0%</u> <u>171,176,195</u>
<b>HONG KONG — “H” SHARES</b>		
<b>Consumer Staples — (4.3%)</b>		
Wumart Stores, Inc.# . . . . .	14,888,000	32,214,732
<b>Financials — (0.8%)</b>		
China Pacific Insurance Group Co., Ltd.* . . . . .	1,463,442	6,116,445
<b>Health Care — (7.8%)</b>		
Shandong Weigao Group Medical Polymer Co., Ltd.#(1) . . . . .	4,588,000	21,864,221
Sinopharm Medicine Holding Co., Ltd.*(1) . . . . .	7,786,000	35,800,698
		<u>57,664,919</u>
<b>Industrials — (0.4%)</b>		
Anhui Expressway Co., Ltd.(1) . . . . .	5,226,300	3,379,146

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**April 30, 2010 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK AND OTHER EQUITY INTERESTS (continued)</b>		
<b>HONG KONG — “H” SHARES (continued)</b>		
<b>Materials — (0.7%)</b>		
Zijin Mining Group Co., Ltd.(1) . . . . .	6,402,000	\$ 5,095,808
<b>Telecommunications — (1.1%)</b>		
ZTE Corp.(1) . . . . .	2,192,889	8,007,162
<b>TOTAL HONG KONG — “H” SHARES —</b> (Cost \$51,791,534)		<u>15.1%</u> <u>112,478,212</u>
<b>TOTAL HONG KONG (INCLUDING “H” SHARES) —</b> (Cost \$143,777,175)		<u>38.1%</u> <u>283,654,407</u>
<b>SINGAPORE</b>		
<b>Consumer Staples — (5.2%)</b>		
China Fishery Group, Ltd.#(1) . . . . .	13,255,000	21,377,472
Hsu Fu Chi International, Ltd.#. . . . .	9,484,000	17,095,147
		<u>38,472,619</u>
<b>Financials — (0.5%)</b>		
Financial One Corp.* . . . . .	12,030,000	4,170,072
<b>Information Technology — (0.5%)</b>		
CDW Holding, Ltd.# † . . . . .	53,208,000	3,494,651
<b>TOTAL SINGAPORE — (Cost \$22,801,778)</b>		<u>6.2%</u> <u>46,137,342</u>
<b>TAIWAN</b>		
<b>Consumer Discretionary — (4.5%)</b>		
FamilyMart Co., Ltd.# . . . . .	4,501,652	9,696,264
Far Eastern Department Stores, Ltd. . . . .	19,066,931	17,218,526
Synnex Technology International Corp. . . . .	2,809,240	6,750,136
		<u>33,664,926</u>
<b>Consumer Staples — (2.6%)</b>		
Lien Hwa Industrial Corp. . . . .	16,476,881	9,464,033
Uni-President Enterprises Corp. . . . .	9,112,638	10,192,034
		<u>19,656,067</u>
<b>Financials — (7.0%)</b>		
Cathay Financial Holding Co., Ltd.* . . . . .	6,454,000	10,400,377
Fubon Financial Holdings Co., Ltd.* . . . . .	4,948,000	6,078,818
KGI Securities Co., Ltd. . . . .	16,984,780	7,858,807
Ruentex Development Co., Ltd. . . . .	12,694,000	20,941,981

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**April 30, 2010 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK AND OTHER EQUITY INTERESTS (continued)</b>		
<b>TAIWAN (continued)</b>		
Yuanta Financial Holdings Co., Ltd. ....	10,520,593	\$ 6,328,201
		<u>51,608,184</u>
	<u>Face Amount</u>	
<b>Financials — (1.0%)</b>		
Taiwan Life Insurance Co., Ltd. 4.0% 12/28/14†@ .....	\$200,000,000	7,639,288
	<u>Shares</u>	
<b>Information Technology — (4.4%)</b>		
HTC Corp. ....	1,027,900	13,890,984
Taiwan Secom Co., Ltd.# .....	3,673,000	5,977,503
WPG Holdings Co., Ltd. ....	6,320,000	13,108,686
		<u>32,977,173</u>
<b>Materials — (1.8%)</b>		
China Metal Products Co., Ltd.# .....	9,200,278	13,049,728
<b>TOTAL TAIWAN — (Cost \$105,258,670)</b>		<u>21.3% 158,595,366</u>
<b>UNITED KINGDOM</b>		
<b>Health Care — (4.8%)</b>		
China Medical System Holdings, Ltd.#† .....	3,623,188	35,356,968
<b>TOTAL UNITED KINGDOM — (Cost \$9,940,990)</b>		<u>4.8% 35,356,968</u>
<b>UNITED STATES</b>		
<b>Consumer Discretionary — (0.3%)</b>		
The9, Ltd., ADR*#(1) .....	358,900	2,314,905
<b>Energy — (0.9%)</b>		
Far East Energy Corp.*#† .....	14,565,477	6,335,983
<b>Health Care — (3.3%)</b>		
Mindray Medical International, Ltd., ADR(1) .....	191,700	7,322,940
WuXi PharmaTech Cayman, Inc., ADR*(1) .....	883,490	16,963,008
		<u>24,285,948</u>
<b>Information Technology — (1.9%)</b>		
Hollysys Automation Technologies, Ltd.*(1) .....	808,200	8,381,034

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**April 30, 2010 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>COMMON STOCK AND OTHER EQUITY INTERESTS (continued)</b>		
<b>UNITED STATES (continued)</b>		
Sina Corp.*(1) .....	\$ 162,700	\$ 5,971,090
		<u>14,352,124</u>
<b>TOTAL UNITED STATES — (Cost \$45,613,027)</b>		<u>6.4% 47,288,960</u>
<b>TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS — (Cost \$327,391,640)</b>		<u>76.8% 571,033,043</u>
 <b>EQUITY LINKED SECURITIES</b>		
<b>Consumer Staples — (2.8%)</b>		
Shenzhen Agricultural Products Co., Ltd. Access Product (expiration 01/17/12) 144A,(3) .....	6,800,000	14,924,688
Wuliangye Yibin Co., Ltd. Access Product (expiration 01/20/15) 144A,(3) .....	1,403,507	<u>5,404,905</u>
		<u>20,329,593</u>
 <b>Financials — (6.3%)</b>		
Ping An Insurance (Group) Company of China, Ltd. Access Product (expiration 01/17/12) 144A,(3) .....	1,665,600	12,055,418
Ping An Insurance (Group) Company of China, Ltd. Access Product (expiration 04/01/13) 144A,(4) .....	2,661,500	19,263,625
Shanghai Yuyuan Tourist Mart Co., Ltd. Access Product (expiration 03/26/14) 144A,(4) .....	238,502,000	9,606,195
Zhejiang Guyuelongshan Access Product (expiration 10/07/13) 144A,*(4) .....	3,658,900	<u>6,030,976</u>
		<u>46,956,214</u>
 <b>Industrials — (4.9%)</b>		
Daqin Railway Co., Ltd. Access Product (expiration 11/02/11) 144A,(4) .....	4,807,000	6,402,102
Shanghai International Airport Co., Ltd. Access Product (expiration 01/20/15) 144A,*(3) .....	2,526,700	5,937,745
Shanghai International Airport Co., Ltd. Access Product (expiration 10/26/10) 144A,(4) .....	1,800,000	4,230,205
Shanghai Qiangsheng Holding Co., Ltd. Access Product (expiration 11/13/14) 144A,(4) .....	4,800,000	6,160,699
Suning Appliance Co., Ltd. Access Product (expiration 01/20/15) 144A,*(3) .....	4,311,020	7,074,384

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**April 30, 2010 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
<b>EQUITY LINKED SECURITIES (continued)</b>		
<b>Industrials — (4.9%) (continued)</b>		
Xinjiang Tebian Electric Apparatus Stock Co., Ltd. Access Product (expiration 10/26/10) 144A,(4) .....	2,335,140	\$ 6,555,308
		<u>36,360,443</u>
<b>TOTAL EQUITY LINKED SECURITIES —</b> (Cost \$85,324,399)	<u>14.0%</u>	<u>103,646,250</u>
<b>DIRECT INVESTMENTS</b>		
<b>Industrials — (1.2%)</b>		
Qingdao Bright Moon Seaweed Group Co., Ltd., (acquired 02/28/08)*#†(2)(5)(6) .....	31,827,172	9,198,053
		<u>9,198,053</u>
<b>Information Technology — (1.7%)</b>		
China Silicon Corp. Common Stock, (acquired 01/08-01/10)*#†(2)(5) .....	1,234,405	—
China Silicon Corp. Warrants (expiration 11/30/10), (acquired 11/30/07)*#†(2)(5) .....	685,450	—
China Silicon Corp., Series A Preferred (acquired 11/30/07)#†(2)(5) .....	27,418	—
HAND Enterprise Solutions, Ltd., Preferred (acquired 02/11/10)#†(2)(5) .....	8,027,241	12,734,977
HAND Enterprise Solutions, Ltd., Common Stock (acquired 02/01/07)*#†(2)(5) .....	500,000	—
		<u>12,734,977</u>
	<u>Face Amount</u>	
<b>Industrials — (3.1%)</b>		
Ugent Holdings, Ltd., 12.0% 06/04/12 (acquired 04/06/09)*#†@ (2)(5) .....	\$177,000,000	22,797,233
<b>TOTAL DIRECT INVESTMENTS —</b> (Cost \$40,794,341)	<u>6.0%</u>	<u>44,730,263</u>
	<u>Shares</u>	
<b>COLLATERAL FOR SECURITIES ON LOAN — (8.4%)</b>		
State Street Navigator Prime Portfolio .....	62,474,628	62,474,628
<b>TOTAL COLLATERAL FOR SECURITIES ON LOAN —</b> (Cost \$62,474,628)	<u>8.4%</u>	<u>62,474,628</u>

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**April 30, 2010 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Face Amount</u>	<u>Value (Note A)</u>
<b>SHORT TERM INVESTMENTS</b>		
<b>UNITED STATES</b>		
Repurchase Agreement with State Street Bank and Trust, 0.01%, 04/30/10(7).....	\$ 21,866,000	<u>\$ 21,866,000</u>
<b>TOTAL UNITED STATES</b> — (Cost \$21,866,000)		<u>2.9%</u> <u>21,866,000</u>
<b>TOTAL INVESTMENTS</b> — (Cost \$537,851,008)		<u>108.1%</u> <u>803,750,184</u>
<b>OTHER ASSETS AND LIABILITIES</b>		<u>(8.1)%</u> <u>(60,539,114)</u>
<b>NET ASSETS</b>		<u>100.0%</u> <u>\$743,211,070</u>

Notes to Schedule of Investments

- ^ Security is deemed worthless.
  - \* Denotes non-income producing security.
  - # Illiquid security.
  - † Affiliated issuer (see Note F).
  - @ The bond contains a feature or option to be converted into common stock.
- (1) A portion or all of the security was held on loan. As of April 30, 2010, the market value of the securities loaned was \$56,933,214.
  - (2) Security valued at fair value using methods determined in good faith by or at the direction of the Board of Directors.
  - (3) Equity linked securities issued by Citigroup Global Markets Holdings.
  - (4) Equity linked securities issued by Credit Lyonnais (CLSA).
  - (5) Direct investments are generally restricted as to resale and do not have a readily available resale market. On the date of acquisition of each direct investment, there were no market quotations on similar securities, and such investments were therefore valued in good faith by the Board of Directors at fair market value. The securities continue to be valued in good faith by Board of Directors at fair market value as of April 30, 2010.
  - (6) The Fund holds a put option which allows the Fund to sell the investment for a value at least equal to the purchase price under certain circumstances.
  - (7) Repurchase agreement, dated 04/30/10, due 05/03/10 with repurchase proceeds of \$21,866,018 is collateralized by US Treasury Bill 0.01% due 09/09/10 with a market value of \$22,305,604.
- 144A Securities restricted for resale to Qualified Institutional Buyers. At April 30, 2010, these restricted securities amounted to \$103,646,250, which represented 14.00% of total net assets.
- ADR American Depositary Receipt.

**Forward Foreign Currency Contracts:**

<u>Currency</u>	<u>Settlement Date</u>	<u>Local Amount</u>	<u>Base Amount</u>	<u>Market Value</u>	<u>Unrealized (Depreciation)</u>
CNY (Buy)	05/26/2010	222,608,981	\$32,841,200	\$32,652,412	\$(188,788)

CNY — Chinese Yuan

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

**THE CHINA FUND, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**April 30, 2010 (Unaudited)**

**ASSETS**

Investments in securities, at value (cost \$430,110,826) (securities on loan \$56,933,214) (Note A) . . . . .	\$651,854,709
Investments in affiliated investments, at value (cost \$107,740,182 ) (Notes A and F) . . . . .	<u>151,895,475</u>
Total Investments . . . . .	803,750,184
Cash . . . . .	925
Foreign currency, at value (cost \$1,925,503). . . . .	1,930,371
Receivable for investments sold . . . . .	143,965
Receivable for fund shares sold . . . . .	632
Receivable for securities lending income . . . . .	70,501
Dividends and interest receivable . . . . .	1,524,401
Prepaid expenses . . . . .	<u>21,548</u>
<b>TOTAL ASSETS</b> . . . . .	<u><u>807,442,527</u></u>

**LIABILITIES**

Payable upon return of collateral for securities loaned . . . . .	62,474,628
Payable for open forward currency contracts . . . . .	188,788
Investment management fee payable (Note B) . . . . .	466,367
Administration and custodian fees payable (Note B) . . . . .	218,754
Contingent liability (Note A) . . . . .	717,795
Accrued expenses and other liabilities . . . . .	<u>165,125</u>
<b>TOTAL LIABILITIES</b> . . . . .	<u>64,231,457</u>
<b>TOTAL NET ASSETS</b> . . . . .	<u><u>\$743,211,070</u></u>

**COMPOSITION OF NET ASSETS:**

Paid in capital (Note C) . . . . .	454,105,882
Undistributed net investment income . . . . .	1,198,831
Accumulated net realized gain on investments and foreign currency transactions . . . . .	22,189,594
Net unrealized appreciation on investment and foreign currency translations . . . . .	<u>265,716,763</u>
<b>TOTAL NET ASSETS</b> . . . . .	<u><u>\$743,211,070</u></u>

**NET ASSET VALUE PER SHARE**

(\$743,211,070/22,781,762 shares of common stock outstanding) . . . . .	<u><u>\$32.62</u></u>
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See notes to financial statements.



**THE CHINA FUND, INC.**  
**STATEMENT OF OPERATIONS**  
**For Six Months Ended April 30, 2010 (Unaudited)**

**INVESTMENT INCOME:**

Dividend income — (including dividends of \$1,735,007 from non-controlled affiliates, net of tax withheld of \$92,366) (Note F) . . . . .	\$ 3,007,442
Interest income . . . . .	1,462,846
Securities lending income . . . . .	506,233
<b>TOTAL INVESTMENT INCOME</b> . . . . .	<u>4,976,521</u>

**EXPENSES**

Investment Management fees (Note B) . . . . .	2,610,599
Custodian fees (Note B) . . . . .	503,485
Administration fees (Note B) . . . . .	292,022
Directors' fees and expenses (Note B) . . . . .	173,010
Stock dividend tax expense . . . . .	611
Legal fees . . . . .	83,458
Printing and postage . . . . .	45,462
Shareholder service fees . . . . .	15,726
Insurance . . . . .	26,578
Audit and tax service fees . . . . .	70,069
Stock exchange listing fee . . . . .	20,959
Transfer agent fees . . . . .	21,292
Chief Compliance Officer fee . . . . .	26,818
Miscellaneous expenses . . . . .	43,384
<b>TOTAL EXPENSES</b> . . . . .	<u>3,933,473</u>

<b>NET INVESTMENT INCOME</b> . . . . .	<u>1,043,048</u>
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**REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS**

Net realized gain on investments . . . . .	34,759,056
Net realized gain on non-controlled affiliate transactions (Note F) . . . . .	64,802
Net realized loss on foreign currency transactions . . . . .	(765,851)
	<u>34,058,007</u>
Net change in unrealized appreciation/(depreciation) on investments . . . . .	92,912,082
Net change in unrealized appreciation/(depreciation) on foreign currency transactions . . . . .	556,235
	<u>93,468,317</u>

<b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS</b> . . . . .	<u>127,526,324</u>
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<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b> . . . . .	<u>\$128,569,372</u>
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See notes to financial statements.

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

	<u>Six Months Ended April 30, 2010</u> (Unaudited)	<u>Year Ended October 31, 2009</u>
<b>INCREASE IN NET ASSETS FROM OPERATIONS</b>		
Net investment income . . . . .	\$ 1,043,048	\$ 6,205,278
Net realized gain/(loss) on investments and foreign currency transactions . . . . .	34,058,007	(10,213,191)
Net increase in unrealized appreciation/(depreciation) on investments and foreign currency transactions . . . . .	<u>93,468,317</u>	<u>261,815,537</u>
Net increase/(decrease) in net assets from operations . . . . .	<u>128,569,372</u>	<u>257,807,624</u>
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income . . . . .	(5,825,297)	(8,737,395)
Capital gains . . . . .	<u>—</u>	<u>(96,870,178)</u>
Total distributions to shareholders . . . . .	<u>(5,825,297)</u>	<u>(105,607,573)</u>
<b>CAPITAL SHARE TRANSACTIONS: (Note C)</b>		
Reinvestment of dividends and distributions (0 and 4,628,021 shares, respectively) . . . . .	<u>—</u>	<u>73,909,497</u>
Net increase in net assets from capital share transactions . . . . .	<u>—</u>	<u>73,909,497</u>
<b>NET INCREASE IN NET ASSETS</b> . . . . .	<u>122,744,075</u>	<u>226,109,548</u>
<b>NET ASSETS:</b>		
Beginning of year . . . . .	620,466,995	394,357,447
End of period . . . . .	<u>\$743,211,070</u>	<u>\$ 620,466,995</u>
Undistributed net investment income, end of period . . . . .	<u>\$ 1,198,831</u>	<u>\$ 5,981,080</u>

See notes to financial statements.

**THE CHINA FUND, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Period Ended April 30, 2010 (Unaudited)**

Increase (decrease) in cash -

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net increase in net assets resulting from operations . . . . .	\$ 128,569,372
Adjustments to reconcile net increase in net assets from operations to net cash provided from operating activities:	
Purchases of investment securities . . . . .	(128,755,411)
Proceeds from disposition of investment securities . . . . .	117,847,907
Net purchases of short-term investments . . . . .	11,335,000
Proceeds from foreign cash transactions . . . . .	(668,698)
Decrease in collateral for securities loaned . . . . .	(32,180,582)
Increase in dividends and interest receivable . . . . .	(563,000)
Decrease in receivable for securities lending income . . . . .	(51,199)
Increase in receivable for investments sold . . . . .	(144,597)
Decrease in prepaid expenses and miscellaneous assets . . . . .	26,578
Decrease in payable for securities purchased . . . . .	(169,302)
Decrease upon return of collateral for securities loaned . . . . .	32,180,582
Decrease in accrued expenses and other liabilities . . . . .	(95,552)
Net change in unrealized (appreciation)/depreciation on foreign currency contracts . . . . .	(642,260)
Net change in unrealized (appreciation)/depreciation on investments . . . . .	(92,912,082)
Net realized loss from investments . . . . .	<u>(34,824,660)</u>
Net cash provided by operating activities . . . . .	<u>(1,047,904)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Cash distributions paid . . . . .	<u>(5,825,297)</u>
Net cash used for financing activities . . . . .	<u>(5,825,297)</u>

**NET DECREASE IN CASH . . . . .** (6,873,201)

**CASH AT BEGINNING OF PERIOD . . . . .** 8,804,497

**CASH AT END OF PERIOD . . . . .** \$ 1,931,296

Noncash financing activities not included herein consist of:

Reinvestment of distributions . . . . .	\$ 0
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**THE CHINA FUND, INC.**  
**FINANCIAL HIGHLIGHTS**

**Selected data for a share of common stock outstanding for the period(s) indicated**

	Six Months Ended April 30, 2010  (Unaudited)	Year Ended October 31,				
		2009(1)	2008	2007(2)	2006	2005
<b>Per Share Operation Performance*</b>						
Net asset value, beginning of period . . . . .	\$ 27.24	\$ 21.72	\$ 60.50	\$ 31.40	\$ 23.25	\$ 26.27
Net investment income . . . . .	0.05	0.29	0.49	0.28	0.30	0.21
Net realized and unrealized gain (loss) on investments and foreign currency transactions . .	5.59	11.24	(25.66)	32.83	10.36	0.34
Total income (loss) from investment operations . .	5.64	11.53	(25.17)	33.11	10.66	0.55
Less dividends and distributions:						
Dividend from net investment income . . . . .	(0.26)	(0.48)	(0.28)	(0.30)	(0.22)	(0.20)
Distributions from net realized capital gains . .	0.00	(5.34)	(11.84)	(3.71)	(2.29)	(3.37)
Total dividends and distributions . . . . .	(0.26)	(5.82)	(12.12)	(4.01)	(2.51)	(3.57)
Capital Share Transactions:						
(Dilution) to net asset value, resulting from issuance of shares in stock dividend . . . . .	0.00	(0.19)	(1.49)	0.00	0.00	0.00
Net asset value, end of period . . . . .	\$ 32.62	\$ 27.24	\$ 21.72	\$ 60.50	\$ 31.40	\$ 23.25
Per share market price, end of period . . . . .	\$ 28.54	\$ 25.25	\$ 19.87	\$ 51.67	\$ 30.40	\$ 24.55
<b>Total Investment Return</b> <b>(Based on Market Price)</b> . . . . .	14.07%(3)	73.37%	(48.06)%	90.97%	37.20%	(5.50)%
<b>Ratios and Supplemental Data</b>						
Net assets, end of period (000's) . . . . .	\$743,211	\$620,467	\$394,357	\$881,856	\$455,206	\$334,496
Ratio of net expenses to average net assets . . . . .	1.16%(4)	1.44%	1.20%	1.08%	1.26%	1.44%
Ratio of gross expenses to average net assets . . . .	1.16%(4)	1.44%	1.23%	1.08%	1.26%	1.44%
Ratio of net expenses to average net assets, excluding stock dividend tax expense . . . . .	1.16%(4)	1.42%	1.11%	1.04%	1.23%	1.38%
Ratio of net investment income to average net assets . . . . .	0.31%(4)	1.36%	1.28%	0.67%	1.09%	1.04%
Portfolio turnover rate . . . . .	18%(3)	34%	49%	46%	50%	26%

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

(1) The fund was audited by Ernst & Young LLP for the year ended October 31, 2009. The previous periods were audited by another independent registered public accounting firm.

(2) The Fund's Direct Investment Advisor changed as of June 2007.

(3) Not Annualized.

(4) Annualized.

See notes to financial statements.

# THE CHINA FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

### April 30, 2010 (Unaudited)

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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 through investments in the equity securities of companies engaged in a substantial amount of business in the People’s Republic of China. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from these estimates. The significant estimates made as of, and for the six months ended, April 30, 2010 relate to Direct Investments and to the contingent liability resulting from the sale of Captive Finance in March 2007. A reserve of 10% of the net sale proceeds was established to cover any potential liabilities from the representation and warranties provided by the Fund in the transaction.

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

Factors used in determining 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 or Direct 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

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

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of the repurchase transaction, including accrued interest, at all times. If the seller defaults, and the fair value of the collateral declines, realization of the collateral by the Fund may be delayed or limited.

**Securities lending:** The Fund may lend up to 33⅓% 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 Prime Portfolio. A portion of the dividends received on the collateral is rebated to the borrower of the securities and the remainder is split between the Agent and the Fund.

As of April 30, 2010, the Fund had loaned securities which were collateralized by cash and short term investments. The value of the securities on loan and the value of the related collateral were as follows:

<u>Value of Securities</u>	<u>Value of Cash Collateral</u>	<u>Total Collateral</u>
\$56,933,214	\$62,474,628	\$62,474,628

**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:** 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 determined using

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

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forward exchange rates provided by quotation services. Daily fluctuations in the value of such contracts are recorded as unrealized gain or loss. 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.

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

The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counter parties to meet the terms of the contract.

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

At April 30, 2010, the Fund held equity-linked Access Product warrants through Credit Lyonnais ("CLSA") and Citigroup Global Markets Holdings, the issuers. Under the terms of the agreements, each warrant entitles the Fund to receive from the issuers an amount in U.S. dollars linked to the performance of specific equity shares.

**Direct investments:** The Fund may invest up to 25% of the net proceeds from its offering of its outstanding common stock in direct investments. Direct investments are generally restricted and do not have a readily available resale market. The value of these securities at April 30, 2010 was \$44,730,263 or 6.00% of the Fund's net asset value. The

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

table below details the acquisition date, cost, and value of the Fund's direct investments as determined by the Board of Directors of the Fund. The Fund does not have the right to demand that such securities be registered.

<u>Security</u>	<u>Acquisition Date</u>	<u>Cost</u>	<u>Value</u>
China Silicon Corp., Series A Preferred* . . . . .	11/30/2007	\$ 6,552,874	\$ —
China Silicon Corp. Common Stock . . . . .	01/08 - 01/10	1,110,784	—
HAND Enterprise Solutions, Ltd. Common Stock . . . . .	02/01/2007	—	—
HAND Enterprise Solutions, Ltd. Preferred . . . . .	02/11/2010	3,164,275	12,734,977
Qingdao Bright Moon Seaweed Group Co., Ltd. . . . .	02/28/2008	7,121,480	9,198,053
Ugent Holdings, Ltd. . . . .	04/06/2009	<u>22,844,928</u>	<u>22,797,233</u>
		<u>\$40,794,341</u>	<u>\$44,730,263</u>

\* The purchase of China Silicon Corp., Series A Preferred resulted in the Fund receiving 748,283 shares of China Silicon Corp. common stock warrants. Each warrant entitles the Fund to purchase twenty five shares of common stock at an exercise price of USD\$2.98 per share, subject to adjustment.

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

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

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

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

The Fund made distributions of \$5,825,297 from Ordinary Income during the six months ended April 30, 2010. For the year ended October 31, 2009 the Fund made distributions of \$8,737,395 from Ordinary Income and \$96,870,178 from Long-Term Capital Gains.

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



## **NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)**

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

Martin Currie Inc. is the investment manager for the Fund's listed assets (the "Listed Assets"). Martin Currie Inc. receives a fee, computed weekly and payable monthly, at the following annual rates: 0.70% of the first US\$315 million of the Fund's average weekly net assets invested in Listed Assets; and 0.50% of the Fund's average weekly net assets invested in Listed Assets in excess of US\$315 million. Martin Currie Inc. is also the investment manager for the Fund's direct investments. Martin Currie Inc. receives a fee computed weekly and payable monthly, at an annual rate of 2.00% of the average weekly value of the Fund's assets invested in direct investments.

No director, officer or employee of the Investment Manager or Direct Investment Manager or any affiliates of those entities will receive any compensation from the Fund for serving as an officer or director of the Fund. The Fund pays the Chairman of the Board and each of the directors (who is not a director, officer or employee of the Investment Manager or Direct Investment Manager or any affiliate thereof) an annual fee of \$35,000 and \$15,000 respectively, plus \$3,000 for each Board of Directors' meeting or Audit and Nominating Committee meeting attended, \$2,000 for each telephonic meeting attended and \$2,000 for each Valuation Committee teleconference. In addition, the Fund will reimburse each of the directors for travel and out-of-pocket expenses incurred in connection with attending Board of Directors' meetings.

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

The Fund 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 — CAPITAL STOCK**

The Board of Directors of the Fund has approved a share repurchase plan. Under the program, the Fund will repurchase shares at management's discretion at times when it considers the repurchase to be consistent with the objectives of the program. For the six months ended April 30, 2010, the Fund did not participate in this program. At April 30, 2010, 100,000,000 shares of \$.01 par value common stock were authorized.

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

For the six months ended April 30, 2010, the Fund's cost of purchases and proceeds from sales of investment securities, other than short-term securities, were \$128,755,411 and \$117,224,973, respectively. At April 30, 2010, the cost of investments for federal income tax purposes was \$537,851,008. Gross unrealized appreciation of investments was \$293,751,196 while gross unrealized depreciation of investments was \$27,852,020, resulting in net unrealized appreciation of investments of \$265,899,176.

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

### NOTE E — INVESTMENTS IN CHINA

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

### NOTE F — INVESTMENTS IN NON-CONTROLLED AFFILIATES\*:

Name of Issuer	Balance of Shares Held October 31, 2009	Gross Purchases and Additions	Gross Sales and Reductions	Balance of Shares Held April 30, 2010	Value April 30, 2010	Income From Non-Controlled Affiliates	Gain Realized on Sale of Shares as of April 30, 2010
CDW Holding, Ltd. . . . .	54,708,000	—	1,500,000	53,208,000	\$ 3,494,651	\$ —	\$64,802
China Medical System Holdings, Ltd. . . . .	3,623,188	—	—	3,623,188	35,356,968	840,580	—
China Silicon Corp. Common Stock . . . . .	1,171,572	62,833	—	1,234,405	—	—	—
China Silicon Corp., Series A Preferred . . . . .	27,418	—	—	27,418	—	149,542	—
China Silicon Corp. Warrants . . . . .	685,450	—	—	685,450	—	—	—
Far East Energy Corp. . . . .	14,565,477	—	—	14,565,477	6,335,983	—	—
HAND Enterprise Solutions, Ltd. Common Stock . . . . .	500,000	—	—	500,000	—	—	—
HAND Enterprise Solutions, Ltd. Preferred . . . . .	—	8,027,241	—	8,027,241	12,734,977	—	—
Highlight Tech. Corp.† . . . . .	2,525,170	—	2,525,170	—	—	60,164	—
Huiyin Household Appliances Holdings Co., Ltd.** . . . . .	450	160,413,300	—	160,413,750	54,338,322	—	—
Qingdao Bright Moon . . . . .	31,827,172	—	—	31,827,172	9,198,053	—	—
Taiwan Life Insurance Co., Ltd. . . . .	—	200,000,000	—	200,000,000	7,639,288	—	—
teco Optronics Corp† . . . . .	1,861,710	—	1,861,710	—	—	—	—
Ugent Holdings, Ltd. . . . .	177,000,000	—	—	177,000,000	22,797,233	684,721	—

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

\*\* Resulting security of a corporate action from Queensbury Investments, Ltd. (Huiyin).

† No Longer Affiliate

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

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### NOTE G — NEW ACCOUNTING PRONOUNCEMENTS

Beginning with the 2009 annual financial statements, the Fund adopted the authoritative guidance for uncertainty in income taxes included in FASB ASC 740, *Income Taxes* (formerly Financial Accounting Standards Board (“FASB”) Interpretation No. 48), as amended by Accounting Standards Update (“ASU”) 2009-06, *Implementation Guidance on Accounting for Uncertainty in Taxes and Disclosures Amendments for Nonpublic Entities*. This guidance requires the Fund to recognize a tax benefit from an uncertain position only if it is more likely than not that the position is sustainable, based solely on its technical merits and consideration of the relevant taxing authority’s widely understood administrative practices and precedents. If this threshold is met, the Fund should measure the tax benefit as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. As of April 30, 2010, the Fund had no uncertain tax positions that would require financial statement recognition or disclosure. The Fund’s federal tax returns filed for the fiscal years ended October 31 2007, October 31, 2008 and October 31, 2009 remain subject to examination by the Internal Revenue Service.

The Fund adopted the FASB amendments to general standards, *Subsequent Events*, on accounting for and disclosures of events that occur after balance sheet date but before financial statements are issued or are available to be issued. Management has evaluated events and has determined that there are no material events that would require disclosure in the Fund’s financial statement through June 25, 2010, the date the financial statements were issued.

### NOTE H — FAIR VALUE MEASUREMENT

In accordance with FASB ASC 820-10, *Fair Value Measurements and Disclosures*, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to valuations based upon unobservable inputs that are significant to the valuation (level 3 measurements). FASB ASC 820-10-35-39 to 55 provides three levels of the fair value hierarchy as follows:

- 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;
- 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.

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

The following is a summary of the inputs used as of April 30, 2010 in valuing the Fund's investments carried at value:

### ASSETS VALUATION INPUT

Description	Level 1	Level 2	Level 3	Total
<b>COMMON STOCK AND OTHER EQUITY</b>				
<b>INTERESTS</b>				
Hong Kong				
Consumer Discretionary . . . . .	\$ 31,127,999	\$ —	\$ 54,338,322	\$ 85,466,321
Consumer Staples . . . . .	20,782,861	—	—	20,782,861
Energy . . . . .	8,606,288	—	—	8,606,288
Health Care . . . . .	40,670,798	—	—	40,670,798
Utilities . . . . .	15,649,927	—	—	15,649,927
Total Hong Kong . . . . .	<u>116,837,873</u>	<u>—</u>	<u>54,338,322</u>	<u>171,176,195</u>
Hong Kong — "H" Shares				
Consumer Staples . . . . .	32,214,732	—	—	32,214,732
Financials . . . . .	6,116,445	—	—	6,116,445
Health Care . . . . .	57,664,919	—	—	57,664,919
Industrials . . . . .	3,379,146	—	—	3,379,146
Materials . . . . .	5,095,808	—	—	5,095,808
Telecommunications . . . . .	8,007,162	—	—	8,007,162
Total Hong Kong — "H" Shares . . . . .	<u>112,478,212</u>	<u>—</u>	<u>—</u>	<u>112,478,212</u>
Singapore				
Consumer Staples . . . . .	38,472,619	—	—	38,472,619
Financials . . . . .	4,170,072	—	—	4,170,072
Information Technology . . . . .	3,494,651	—	—	3,494,651
Total Singapore . . . . .	<u>46,137,342</u>	<u>—</u>	<u>—</u>	<u>46,137,342</u>
Taiwan				
Consumer Discretionary . . . . .	33,664,926	—	—	33,664,926
Consumer Staples . . . . .	19,656,067	—	—	19,656,067
Financials . . . . .	51,608,184	—	7,639,288	59,247,472
Information Technology . . . . .	32,977,173	—	—	32,977,173
Materials . . . . .	13,049,728	—	—	13,049,728
Total Taiwan . . . . .	<u>150,956,078</u>	<u>—</u>	<u>7,639,288</u>	<u>158,595,366</u>
United Kingdom				
Health Care . . . . .	35,356,968	—	—	35,356,968
Total United Kingdom . . . . .	<u>35,356,968</u>	<u>—</u>	<u>—</u>	<u>35,356,968</u>

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

### ASSETS VALUATION INPUT

Description	Level 1	Level 2	Level 3	Total
United States				
Consumer Discretionary . . . . .	\$ 2,314,905	\$ —	\$ —	\$ 2,314,905
Energy . . . . .	6,335,983	—	—	6,335,983
Health Care . . . . .	24,285,948	—	—	24,285,948
Information Technology . . . . .	14,352,124	—	—	14,352,124
Total United States . . . . .	<u>47,288,960</u>	<u>—</u>	<u>—</u>	<u>47,288,960</u>
TOTAL COMMON STOCK AND OTHER				
EQUITY INTERESTS . . . . .	<u>509,055,433</u>	<u>—</u>	<u>61,977,610</u>	<u>571,033,043</u>
EQUITY LINKED SECURITIES				
Consumer Staples . . . . .	20,329,593	—	—	20,329,593
Financials . . . . .	46,956,214	—	—	46,956,214
Industrials . . . . .	<u>36,360,443</u>	<u>—</u>	<u>—</u>	<u>36,360,443</u>
TOTAL EQUITY LINKED SECURITIES . . . . .	<u>103,646,250</u>	<u>—</u>	<u>—</u>	<u>103,646,250</u>
DIRECT INVESTMENTS				
Consumer Discretionary . . . . .	—	—	—	—
Industrials . . . . .	—	—	31,995,286	31,995,286
Information Technology . . . . .	—	—	<u>12,734,977</u>	<u>12,734,977</u>
TOTAL DIRECT INVESTMENTS . . . . .	<u>—</u>	<u>—</u>	<u>44,730,263</u>	<u>44,730,263</u>
COLLATERAL FOR SECURITIES ON				
LOAN . . . . .	—	62,474,628	—	62,474,628
SHORT TERM INVESTMENTS				
UNITED STATES . . . . .	—	<u>21,866,000</u>	—	<u>21,866,000</u>
TOTAL INVESTMENTS . . . . .	<u>\$612,701,683</u>	<u>\$84,340,628</u>	<u>\$106,707,873</u>	<u>\$803,750,184</u>
LIABILITIES				
FORWARD FOREIGN CURRENCY				
CONTRACTS . . . . .	<u>188,788</u>	<u>—</u>	<u>—</u>	<u>188,788</u>

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the fund during the period ending April 30, 2010:

Investments in Securities	Balance as of October 31, 2009	Net Purchases (Sales)	Accrued Discounts (Premiums)	Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Net Transfers in and/or out to Level 3	Balance as of April 30, 2010	Change in Unrealized Appreciation (Depreciation) from Investments Held at April 30, 2010
<b>COMMON STOCK AND OTHER EQUITY INTERESTS</b>								
Consumer								
Discretionary . . . . .	\$ —	\$ 38,458,859	\$—	\$ —	\$15,879,463	\$ —	\$ 54,338,322	\$15,879,463
Financials . . . . .	—	6,178,274	—	—	1,461,014	—	7,639,288	1,461,014
Health Care . . . . .	27,918,189	(15,300)	—	—	7,897,809	(35,800,698)	—	—
	<u>27,918,189</u>	<u>44,621,833</u>	<u>—</u>	<u>—</u>	<u>25,238,286</u>	<u>(35,800,698)</u>	<u>61,977,610</u>	<u>17,340,477</u>
<b>DIRECT INVESTMENTS</b>								
Consumer								
Discretionary . . . . .	47,108,700	(38,515,190)	—	—	(8,593,510)	—	—	—
Industrials . . . . .	34,180,814	(4,489,023)	—	(19,421)	2,322,916	—	31,995,286	2,303,495
Information								
Technology . . . . .	13,437,401	149,543	—	(567,320)	(284,647)	—	12,734,977	9,570,703
	<u>94,726,915</u>	<u>(42,854,670)</u>	<u>—</u>	<u>(586,741)</u>	<u>(6,555,241)</u>	<u>—</u>	<u>44,730,263</u>	<u>11,874,198</u>
	<u>\$122,645,104</u>	<u>\$ 1,767,163</u>	<u>\$—</u>	<u>\$(586,741)</u>	<u>\$18,683,045</u>	<u>\$(35,800,698)</u>	<u>\$106,707,873</u>	<u>\$29,214,675</u>

### NOTE I — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Effective January 1, 2009, the Fund adopted amendments to authoritative guidance related to *Derivatives and Hedging*, which require enhanced disclosures addressing: a) how and why an entity uses derivative instruments, b) how derivative instruments and related hedged items are accounted for and c) how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The adoption of the additional disclosure requirements did not materially impact the Fund's financial statements. The following table, grouped into

## NOTES TO FINANCIAL STATEMENTS (Unaudited) (continued)

appropriate risk categories, discloses the amounts related to the Funds use of derivative instruments and hedging activities at April 30, 2010:

<u>Derivatives not accounted for as hedging instruments</u>	<u>Foreign Exchange Contracts Risk</u>	<u>Total</u>
<b>Liability Derivatives(1)</b>		
Forward Contracts . . . . .	\$188,788	\$188,788

(1) Statements of Assets and Liabilities location: Payable for open forward currency contracts.

Transactions in derivative instruments during the six months ended April 30, 2010, were as follows:

<u>Derivatives not accounted for as hedging instruments</u>	<u>Foreign Exchange Contracts Risk</u>	<u>Total</u>
<b>Realized Gain (Loss)(1)</b>		
Forward Contracts . . . . .	\$(765,851)	\$(765,851)
<b>Change in Appreciation (Depreciation)(2)</b>		
Forward Contracts . . . . .	(187,280)	(187,280)

(1) Statements of Operations location: Net realized loss on foreign currency transactions.

(2) Statements of Operations location: Net change in unrealized depreciation on foreign currency transactions.

All open derivative positions for the period ended April 30, 2010 are reflected on the Fund's Schedule of Investments and the volume of these open positions relative to the net assets of the Fund is generally representative of open positions throughout the Fund's reporting period.

## THE CHINA FUND, INC.

### Other Information (Unaudited)

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#### Results of Annual Stockholder Meeting held on March 4, 2010

- 1.) Election of Directors — The stockholders of the Fund elected Michael F. Holland as a Class II director to serve for a term expiring on the date on which the annual meeting of stockholders is held in 2013.

	<u>For</u>	<u>Withheld</u>
Michael F. Holland	16,933,637	276,129

#### PRIVACY POLICY

##### Privacy Notice

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

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

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

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



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

### **Other Information (Unaudited) (continued)**

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#### **PROXY VOTING POLICIES AND PROCEDURES**

A description of the policies and procedures that are used by the Fund's investment advisers to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling 1-888-CHN-CALL (246-2255); and (2) as an exhibit to the Fund's annual report on Form N-CSR which is available on the website of the Securities and Exchange Commission (the "Commission") at <http://www.sec.gov>. Information regarding how the investment advisers vote these proxies is now available by calling the same number and on the Commission's website. The Fund has filed its report on Form N-PX covering the Fund's proxy voting record for the 12 month period ending June 30, 2009.

#### **QUARTERLY PORTFOLIO OF INVESTMENTS**

A Portfolio of Investments will be filed as of the end of the first and third quarter of each fiscal year on Form N-Q and will be available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Form N-Q has been filed as of January 31, 2010 for the first quarter of this fiscal year and is available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Additionally, the Portfolio of Investments may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The quarterly Portfolio of Investments will be made available with out charge, upon request, by calling 1-888-246-2255.

#### **CERTIFICATIONS**

The Fund's chief executive officer has certified to the New York Stock Exchange that, as of April 7, 2010, 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 shareholders, at least annually, substantially all of its net investment income from dividends and interest earnings and expects to distribute any net realized capital gains annually. Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the “Plan”), adopted by the Fund, each shareholder will automatically be a participant (a “Participant”) in the Plan unless Computershare Trust Company, N.A., the Plan Agent, is otherwise instructed by the shareholder in writing, to have all distributions, net of any applicable U.S. withholding tax, paid in cash. Shareholders who do not participate in the Plan will receive all distributions in cash paid by check in U.S. dollars mailed directly to the shareholder by Computershare Trust Company, N.A., as paying agent. Shareholders who do not wish to have distributions automatically reinvested should notify the Fund by contacting Computershare Trust Company, N.A. c/o The China Fund, Inc. at P.O. Box 43078, Providence, Rhode Island 02940-3078, by telephone at 1-800-426-5523 or via the Internet at [www.computershare.com/investor](http://www.computershare.com/investor).

The Plan will operate whenever a dividend or distribution is declared payable only in cash or in cash or shares of the Fund’s common stock, but it will not operate with respect to a dividend or distribution declared payable only in shares of the Fund’s common stock (including such a declaration that provides an option to receive cash).

Computershare Trust Company, N.A (“Computershare” or the “Plan Agent”) act as Plan Agent. If the Directors of the Fund declare an income dividend or a capital gains distribution payable either in the Fund’s Common Stock or in cash, non-participants in the Plan will receive cash and participants in the Plan will receive Common Stock. The shares of common stock issued by the Fund will be valued at net asset value or, if the net asset value is less than 95% of the market price on the valuation date, then shares will be valued at 95% of the market price. If the net asset value per share of the common stock on the valuation date exceeds the market price, participants will be issued shares at market price. The valuation date will be the dividend or distribution payment date or, if that date is not a trading day on the exchange on which the Fund’s shares are then listed, the next preceding trading day. If the Fund should declare a 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 New York Stock Exchange or elsewhere, with the cash in respect of such dividend or distribution, for the participant’s 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 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

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

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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.

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 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 shareholders, 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 shareholder 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 Shareholders appropriate written notice at least 30 days prior to the effective date thereof. The amendment or supplement shall be deemed to be accepted

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

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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 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 43078, Providence, Rhode Island, 02940-3078, 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 shall hold office until the expiration of his term and until his successor shall have been elected and qualified.

Name (Age) and Address of Directors or Nominees for Director	Position(s) Held with Fund	Director Since (Term Ends)	Principal Occupation(s) or Employment During Past Five Years	Number of Funds in the Complex(1) Overseen by the Director or Nominee	Other Directorships/ Trusteeships in Publicly Held Companies
James J. Lightburn (66) . . . 13, Rue Alphonse de Neuville 75017 Paris, France	Chairman of the Board and Director	1992 (2012)	Attorney, Nomos (law firm) (2004-2006); Attorney, member of Hughes Hubbard & Reed (law firm) (1993-2004).	1	Fromageries Bel S.A.
Michael F. Holland (65) . . 375 Park Avenue New York, New York 10152	Director	1992 (2013)	Chairman, Holland & Company L.L.C. (investment adviser) (1995-present).	1	The Holland Balanced Fund, Inc.; Reaves Utility Income Fund; The Taiwan Fund, Inc.; State Street Master Funds and State Street Institutional Investment Trust
William C. Kirby (59) . . . . Harvard University CGIS South Building 1730 Cambridge Street Cambridge, MA 02138	Director	2007 (2011)	Director, John K. Fairbank Center for Chinese Studies, Harvard University (2006-present); Chairman, Harvard China Fund (2006-present); Harvard University Distinguished Service Professor (2006-present); Dean of the Faculty of Arts and Sciences Harvard University (2002-2006).	1	
Joe O. Rogers (61) . . . . . 2477 Foxwood Drive Chapel Hill, NC 27514	Director	1992 (2010)	The Rogers Team LLC (real estate), organizing member (July 2001-present); Manager, The J-Squared Team LLC (real estate) (April 2003-May 2004).	1	The Taiwan Fund, Inc. (1986-present)
Nigel S. Tulloch (64) . . . . 7 Circe Circle Dalkeith WA6009 Australia	Director	1992 (2011)	Director, The HSBC China Fund Limited (1992-2005).	1	

(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 (Unaudited) (continued)

### 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>
Jamie Skinner (48) . . . . . Martin Currie Investment Management Saltire Court 20 Castle Terrace Edinburgh EH1 2ES Scotland United Kingdom	President	September 2009	Director, Head of Client Services, Martin Currie Investment Management Limited (October 2004-present).
Chris Ruffle (51) . . . . . Martin Currie Investment Advisers Saltire Court 20 Castle Terrace Edinburgh, EH12ES Scotland	Vice President	December 2008	Director, MC China Limited (2006-present); Director, Heartland Capital Management Limited, (2006-present); Director, Martin Currie Investment Management Limited (1995-2006).
Shifeng Ke (44) . . . . . Martin Currie Investment Advisers Saltire Court 20 Castle Terrace Edinburgh, EH12ES Scotland	Vice President	December 2008	Director, MC China Limited, (2006-present); Director, Heartland Capital Management Limited, (2006-present); Director, Martin Currie Investment Management Limited (2004-2006).
Bill Royer (44) . . . . . Foreside Compliance Services, LLC Three Canal Plaza, Suite 100, Portland, ME 04101	Chief Compliance Officer	January 2010	Managing Director, Alternative Investments and Chief Compliance Officer Services, Foreside Compliance Services, LLC (November 2009-present); Acting General Counsel, Baring Asset Management, Inc. (December 2007-May 2008) and General Counsel and Member, Grantham, Mayo, Van Otterloo & Co., LLC (February 1995-March 2005).
Laura F. Healy (46) . . . . . 2 Avenue de Lafayette, Boston, MA 02111	Treasurer	December 2008	Vice President, State Street Bank and Trust Company (July 2007-present); Senior Director, Investors Bank and Trust Company (January 2002-July 2007).
Brian O'Sullivan (35) . . . . . 801 Pennsylvania Ave Kansas City, MO 64105	Assistant Treasurer	March 2009	Vice President, State Street Bank and Trust Company (December 2006-present); Assistant Vice President, State Street Bank and Trust Company (March 2004-December 2006).

## Directors and Officers (Unaudited) (continued)

Name (Age) and Address of Officers	Position(s) Held with Fund	Officer Since	Principal Occupation(s) or Employment During Past Five Years
Elizabeth A. Watson (55) . . . . . 4 Copley Place, Boston, MA 02116	Secretary	December 2008	Vice President and Managing Counsel, State Street Bank and Trust Company (August 2007-present); Vice President and General Counsel (May 2004-July 2007) and Chief Compliance Officer (July 2004-October 2006), Quantitative Investment Advisors, Inc.; Clerk (July 2004-July 2007), Chief Legal Officer (January 2007-July 2007), Chief Compliance Officer (July 2004-December 2005), Quantitative Group of Funds; President and General Counsel, U.S. Boston Capital Corporation (May 2004-July 2007); Principal, Watson & Associates (2002-2004).
Tracie A. Coop (33) . . . . . 4 Copley Place, Boston, MA 02116	Assistant Secretary	June 2010	Vice President and Senior Counsel, State Street Bank and Trust Company (October 2007-present); Associate Counsel and Manager, Natixis Asset Management Advisors L.P. (2006-2007); Associate Counsel, Natixis Asset Management Advisors L.P. (2005-2006).
Francine S. Hayes (42) . . . . . 4 Copley Place, Boston, MA 02116	Assistant Secretary	June 2005	Vice President and Managing Counsel, State Street Bank and Trust Company (2004-present); Assistant Vice President and Counsel, State Street Bank and Trust Company (2001-2004).











# **THE CHINA FUND, INC.**

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## **United States Address**

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

## **Directors and Officers**

James J. Lightburn, Chairman of the Board and Director  
Michael F. Holland, Director  
William Kirby, Director  
Joe O. Rogers, Director  
Nigel S. Tulloch, Director  
Jamie Skinner, President  
Chris Ruffle, Vice President  
Shifeng Ke, Vice President  
Bill Royer, Chief Compliance Officer of the Fund  
Laura Healy, Treasurer  
Elizabeth A. Watson, Secretary  
Brian O'Sullivan, Assistant Treasurer  
Tracie A. Coop, Assistant Secretary  
Francine Hayes, Assistant Secretary

## **Investment Manager**

Martin Currie Inc.

## **Shareholder Servicing Agent**

The Altman Group

## **Administrator and Custodian**

State Street Bank and Trust Company

## **Transfer Agent, Dividend Paying Agent and Registrar**

Computershare Trust Company, N.A.

## **Independent Registered Public Accounting Firm**

Ernst & Young, LLP

## **Legal Counsel**

Clifford Chance US LLP