

CHINA FUND INC
Form N-Q
March 19, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-05749

THE CHINA FUND, INC.

(Exact name of registrant as specified in charter)

c/o STATE STREET BANK AND TRUST COMPANY

2 AVENUE DE LAFAYETTE

P.O. BOX 5049

BOSTON, MA 02206-5049

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(Address of principal executive offices)(Zip code)

(Name and Address of Agent for Service)

Copy to:

Tracie A. Coop

Leonard B. Mackey, Jr., Esq.

Secretary

Clifford Chance U.S. LLP

The China Fund, Inc.

31 West 52nd Street

4 Copley Place, 5th Floor

New York, New York 10019

Boston, MA 02116

Registrant's telephone number, including area code: (888) 246-2255

Date of fiscal year end: **October 31**

Date of reporting period: **January 31, 2012**

Item 1. Schedule of Investments.

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS****January 31, 2012 (Unaudited)**

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK AND OTHER EQUITY INTERESTS		
CHINA - A SHARES		
Information Technology (4.5%)		
HAND Enterprise Solutions Co., Ltd. # (1)	11,238,137	\$ 24,512,446
TOTAL CHINA A SHARES (Cost \$3,164,274)	4.5%	24,512,446
HONG KONG		
Consumer Discretionary (6.6%)		
Ajisen China Holdings, Ltd. (2)	6,945,000	7,996,448
FU JI Food & Catering Services * ^ # (1)	5,462,000	
Huiyin Household Appliances Holdings Co., Ltd. #	160,413,750	14,064,487
Ports Design, Ltd. # (2)	4,549,500	7,449,735
Shangri-La Asia, Ltd. (2)	3,316,683	6,902,094
		36,412,764
Consumer Staples (1.8%)		
Chaoda Modern Agriculture (Holdings), Ltd. # (1) (2)	26,651,357	2,834,958
Natural Beauty Bio-Technology, Ltd. #	47,710,000	7,381,831
		10,216,789
Financials (1.4%)		
Far East Horizon, Ltd. *	7,898,000	7,535,677
Health Care (1.7%)		
China Shineway Pharmaceutical Group, Ltd. (2)	3,041,000	4,383,607
Golden Meditech Co., Ltd. * # (2)	35,040,000	4,879,342
		9,262,949
Industrials (1.9%)		
Shenzhen International Holdings, Ltd. # (2)	150,090,000	10,256,543
Information Technology (1.9%)		
China Innovationpay Group, Ltd. * #	146,000,000	3,219,010
Tencent Holdings, Ltd. (2)	291,000	7,117,603
		10,336,613
Utilities (3.9%)		
China Water Affairs Group, Ltd. # (2)	19,976,000	6,129,977
Enn Energy Holdings, Ltd. (2)	5,084,000	15,437,247
		21,567,224

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TOTAL HONG KONG	(Cost \$122,092,867)	19.2%	105,588,559
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THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****January 31, 2012 (Unaudited)**

<u>Name of Issuer and Title of Issue</u>	<u>Shares</u>	<u>Value (Note A)</u>
COMMON STOCK AND OTHER EQUITY INTERESTS (continued)		
HONG KONG H SHARES		
Consumer Discretionary (1.7%)		
Wumart Stores, Inc. (2)	4,547,750	\$ 9,358,427
Consumer Staples (0.9%)		
Asian Citrus Holdings, Ltd. (2)	8,814,000	4,795,776
Financials (2.4%)		
CITIC Securities Co., Ltd. * (2)	6,688,500	13,211,767
Health Care (15.9%)		
China Medical System Holdings, Ltd. # (2)	86,093,200	56,279,497
Shandong Weigao Group Medical Polymer Co., Ltd. (2)	18,352,000	16,800,227
Sinopharm Group Co., Ltd. (2)	6,056,800	14,369,262
		87,448,986
Industrials (0.8%)		
Fook Woo Group Holdings, Ltd. * # (1) (2)	25,314,000	4,471,516
Materials (0.5%)		
Shandong Chenming Paper Holdings, Ltd.	6,072,196	2,943,791
TOTAL HONG KONG H SHARES (Cost \$64,277,411)	22.2%	122,230,263
TOTAL HONG KONG (INCLUDING H SHARES) (Cost \$186,370,278)	41.4%	227,818,822
SINGAPORE		
Consumer Staples (2.1%)		
China Fishery Group, Ltd. # (2)	13,594,872	11,672,665
Information Technology (0.7%)		
CDW Holding, Ltd. #	47,602,000	3,708,706
TOTAL SINGAPORE (Cost \$14,757,707)	2.8%	15,381,371
TAIWAN		
Consumer Discretionary (7.6%)		
FamilyMart Co., Ltd. #	4,501,652	19,626,974
Far Eastern Department Stores, Ltd. (2)	11,922,460	16,077,944
Test-Rite International Co., Ltd. #	8,457,000	6,131,057
		41,835,975

THE CHINA FUND, INC.

SCHEDULE OF INVESTMENTS (continued)

January 31, 2012 (Unaudited)

Name of Issuer and Title of Issue	\$15,693,355 Shares	\$15,693,355 Value (Note A)
COMMON STOCK AND OTHER EQUITY INTERESTS (continued)		
TAIWAN (continued)		
Consumer Staples (2.9%)		
Uni-President Enterprises Corp. (2)	10,625,335	\$ 15,693,355
Financials (6.9%)		
KGI Securities Co., Ltd.	17,321,078	7,317,735
Ruentex Development Co., Ltd. (2)	15,636,301	19,315,819
Yuanta Financial Holdings Co., Ltd. *	19,305,680	10,896,658
		37,530,212

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****January 31, 2012 (Unaudited)**

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK AND OTHER EQUITY INTERESTS (continued)		
UNITED STATES (continued)		
Information Technology (continued)		
VanceInfo Technologies, Inc., ADR * (2)	474,800	\$ 5,968,236
		14,956,783
TOTAL UNITED STATES (Cost \$48,357,326)	8.1%	44,409,213
TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS (Cost \$328,864,717)	78.4%	430,647,105
EQUITY LINKED SECURITIES		
Consumer Discretionary (1.1%)		
Shanghai Yuyuan Tourist Mart Co., Ltd. Access Product (expiration 03/26/14)		
144A, * (3)	429,303,600	6,199,500
Consumer Staples (2.1%)		
Wuliangye Yibin Co., Ltd. Access Product (expiration 12/11/13) 144A, * (3)	931,000	4,721,041
Wuliangye Yibin Co., Ltd. Access Product (expiration 01/20/15) 144A, * (4)	1,403,507	7,114,377
		11,835,418
Financials (4.3%)		
Ping An Insurance (Group) Company of China, Ltd. Access Product (expiration 01/17/14) 144A, * (4)	1,209,059	7,348,073
Ping An Insurance (Group) Company of China, Ltd. Access Product (expiration 04/01/13) 144A, * (3)	2,661,500	16,175,304
		23,523,377
Industrials (1.9%)		
Qinghai Salt Lake Potash Co., Ltd. Access Product (expiration 01/20/15) 144A, * (4)	814,450	4,202,322
Suning Appliance Co., Ltd. Access Product (expiration 01/20/15) 144A, * (4)	4,607,872	6,349,647
		10,551,969
Information Technology (3.5%)		
Ufida Software Co., Ltd. Access Product (expiration 01/20/15) 144A, * (4)	2,318,472	6,045,631
Ufida Software Co., Ltd. Access Product (expiration 01/20/16) 144A, * (3)	1,297,600	3,383,613
ZTE Corp. Access Product (expiration 12/11/13) 144A, * (3)	1,117,200	2,620,997
ZTE Corp. Access Product (expiration 01/20/15) 144A, * (4)	2,982,299	6,996,596
		19,046,837

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****January 31, 2012 (Unaudited)**

Name of Issuer and Title of Issue	Shares	Value (Note A)
EQUITY LINKED SECURITIES (continued)		
Telecommunications (1.4%)		
China United Network Communications Ltd. Access Product (expiration 09/19/13) 144A, * (3)	5,132,800	\$ 3,970,524
China United Network Communications, Ltd. Access Product (expiration 01/20/15) 144A, * (4)	4,676,237	3,617,345
		7,587,869
TOTAL EQUITY LINKED SECURITIES (Cost \$84,717,403)	14.3%	78,744,970
DIRECT INVESTMENTS (5)		
Consumer Staples (2.9%)		
Zong Su Foods (acquired 09/21/10) * # (1)	2,677	16,000,429
Health Care (3.0%)		
China Bright (acquired 08/27/10) * # (1) (6)	14,665,617	16,526,663
Information Technology (0.0%)		
China Silicon Corp. Common Stock, (acquired 01/08-09/10) * # (1)	2,301,863	
China Silicon Corp., Series A Preferred (acquired 11/30/07) * # (1)	27,418	
TOTAL DIRECT INVESTMENTS (Cost \$36,599,297)	5.9%	32,527,092
COLLATERAL FOR SECURITIES ON LOAN		
State Street Navigator Prime Portfolio	74,584,799	74,584,799
TOTAL COLLATERAL FOR SECURITIES ON LOAN (Cost \$74,584,799)	13.6%	74,584,799
	Face	
	Amount	
SHORT TERM INVESTMENTS		
UNITED STATES		
Repurchase Agreement with State Street Bank and Trust, 0.01%, 02/01/12 (7)	4,338,000	4,338,000
TOTAL UNITED STATES (Cost \$4,338,000)	0.8%	4,338,000

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****January 31, 2012 (Unaudited)**

		Value (Note A)
TOTAL INVESTMENTS** (Cost \$529,104,216)	113.0%	620,841,966
OTHER ASSETS AND LIABILITIES	(13.0)%	(71,312,585)
NET ASSETS	100.0%	\$ 549,529,381
<u>Notes to Schedule of Investments</u>		

(A) 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, from brokers. Short-term investments having maturities of sixty days or less are valued at amortized cost (original purchase cost as adjusted for amortization of premium or accretion of discount) which when combined with accrued interest approximates market value. Securities for which market quotations are not readily available are valued at fair value in good faith by or at the direction of the Board of Directors considering relevant factors, data and information including, if relevant, the market value of freely tradable securities of the same class in the principal market on which such securities are normally traded. Direct Investments 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. Equity linked securities are valued at fair value primarily based on the value(s) of the security (or securities) underlying, which normally follows the same methodology as the valuation of securities listed on recognized exchanges.

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.

* Denotes non-income producing security.

^ Security is deemed worthless.

Illiquid security.
Affiliated issuer (see Note B).

@ The bond will be converted into common stock at maturity.

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

(2) A portion or all of the security was held on loan. As of January 31, 2012, the market value of the securities loaned was \$83,243,812.

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

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

(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 January 31, 2012.

(6) The security contains 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 01/31/12, due 02/01/12 with repurchase proceeds of \$4,338,001 is collateralized by US Treasury Note 3.125% due 05/15/21 with a market value of \$4,429,674.

THE CHINA FUND, INC.

SCHEDULE OF INVESTMENTS (continued)

January 31, 2012 (Unaudited)

144A Securities restricted for resale to Qualified Institutional Buyers in the United States or to non-US persons. At January 31, 2012, these restricted securities amounted to \$78,744,970, which represented 14.33% of total net assets.

ADR American Depositary Receipt

** At January 31, 2012, aggregate cost for federal tax purposes was \$529,104,216. Gross unrealized appreciation of investments was \$171,907,038 while gross unrealized depreciation of investments was \$80,169,288, resulting in net unrealized appreciation of investments of \$91,737,750.

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****JANUARY 31, 2012 (Unaudited)****Fair Value Measurement**

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

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

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

Level 3 Inputs that are unobservable.

The following is a summary of the inputs used as of January 31, 2012 in valuing the Fund's investments carried at value:

ASSETS VALUATION INPUT

Description	Level 1	Level 2	Level 3	Total
COMMON STOCK AND OTHER EQUITY INTERESTS				
China A Shares				
Information Technology	\$	\$ 24,512,446	\$	\$ 24,512,446
Total China A Shares		24,512,446		24,512,446
Hong Kong				
Consumer Discretionary	36,412,764			36,412,764
Consumer Staples	7,381,831	2,834,958		10,216,789
Financials	7,535,677			7,535,677
Health Care	9,262,949			9,262,949
Industrials	10,256,543			10,256,543
Information Technology	10,336,613			10,336,613
Utilities	21,567,224			21,567,224
Total Hong Kong	102,753,601	2,834,958		105,588,559
Hong Kong H Shares				
Consumer Discretionary	9,358,427			9,358,427
Consumer Staples	4,795,776			4,795,776
Financials	13,211,767			13,211,767
Health Care	87,448,986			87,448,986
Industrials		4,471,516		4,471,516
Materials	2,943,791			2,943,791
Total Hong Kong H Shares	117,758,747	4,471,516		122,230,263

Singapore

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Consumer Staples	11,672,665			11,672,665
Information Technology	3,708,706			3,708,706
Total Singapore	15,381,371			15,381,371
Taiwan				
Consumer Discretionary	41,835,975			41,835,975
Consumer Staples	15,693,355			15,693,355
Financials	37,530,212	4,512,108		42,042,320
Information Technology	10,494,945			10,494,945
Materials	8,458,658			8,458,658
Total Taiwan	114,013,145	4,512,108		118,525,253
United States				
Consumer Staples	5,424,894			5,424,894
Energy	3,348,750			3,348,750
Health Care	20,678,786			20,678,786
Information Technology	14,956,783			14,956,783
Total United States	44,409,213			44,409,213
TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS	394,316,077	31,818,920	4,512,108	430,647,105
EQUITY LINKED SECURITIES				
Consumer Discretionary		6,199,500		6,199,500
Consumer Staples		11,835,418		11,835,418
Financials		23,523,377		23,523,377
Industrials		10,551,969		10,551,969
Information Technology		19,046,837		19,046,837
Telecommunications		7,587,869		7,587,869
TOTAL EQUITY LINKED SECURITIES		78,744,970		78,744,970

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****JANUARY 31, 2012 (Unaudited)****DIRECT INVESTMENTS**

Consumer Staples	16,000,429	16,000,429
Health Care	16,526,663	16,526,663

TOTAL DIRECT INVESTMENTS	32,527,092	32,527,092
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COLLATERAL FOR SECURITIES ON LOAN	74,584,799	74,584,799
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SHORT TERM INVESTMENTS

United States	4,338,000	4,338,000
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TOTAL INVESTMENTS	\$ 394,316,077	\$ 189,486,689	\$ 37,039,200	\$ 620,841,966
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The Fund's policy is to recognize transfers between levels at the end of the reporting period.

For the period ended January 31, 2012, Fook Woo Group Holdings, Ltd. was transferred from Level 1 to Level 2 as trading of the security was suspended and was fair valued under direction of the Board of Directors.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the three months ended January 31, 2012:

	Balance as of October 31, 2011	Purchases	Sales	Realized Gain (Loss)	Change in Unrealized Appreciation (Depreciation)	Transfers in to Level 3	Transfers out of Level 3	Balance as of January 31, 2012	Change in Unrealized Appreciation (Depreciation) from Investments Held at January 31, 2012
Investments in Securities									
COMMON STOCK AND OTHER EQUITY INTERESTS									
Financials	\$ 5,446,821	\$	\$	\$	\$ (934,713)	\$	\$	\$ 4,512,108	\$ (934,713)
DIRECT INVESTMENTS									
Consumer Staples	16,000,429							16,000,429	
Health Care	16,507,082				19,581			16,526,663	19,581
	32,507,511				19,581			32,527,092	19,581
	\$ 37,954,332	\$	\$	\$	\$ (915,132)	\$	\$	\$ 37,039,200	\$ (915,132)

Direct Investments: The Fund may invest up to 25% of the net proceeds from its offering of its outstanding common stock in direct investments; however, the Board of Directors of the Fund has suspended additional investments in direct investments. Direct investments are generally restricted and do not have a readily available resale market. Because of the absence of any public trading market for these investments, the Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid by the Fund. Issuers whose securities are not publicly traded may not be subject to public disclosure and other investor protections requirements applicable to publicly traded securities. The value of these securities at January 31, 2012 was \$32,527,092 or 5.9% of the Fund's net asset value. The table below details the acquisition date,

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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.

Security	Acquisition Date	Cost	Value
China Bright	08/27/2010	\$ 14,969,436	\$ 16,526,663
China Silicon Corp., Series A Preferred	11/30/2007	5,171,016	
China Silicon Corp. Common Stock	01/08 -09/10	1,458,811	
Zong Su Foods	09/21/2010	15,000,034	16,000,429
		\$ 36,599,297	\$ 32,527,092

THE CHINA FUND, INC.**SCHEDULE OF INVESTMENTS (continued)****JANUARY 31, 2012 (Unaudited)****NOTE B Investments in Non-Controlled Affiliates*:**

Name of Issuer	Balance of Shares/Par Held October 31, 2011	Gross Purchases and Additions	Gross Sales and Reductions	Balance of Shares Held January 31, 2012	Value January 31, 2012
CDW Holding, Ltd.	48,182,000		580,000	47,602,000	\$ 3,708,706
China Bright	14,665,617			14,665,617	16,526,663
China Medical System Holdings, Ltd.	90,442,200		4,349,000	86,093,200	56,279,497
China Silicon Corp. Common Stock	2,301,863			2,301,863	
China Silicon Corp., Series A Preferred	27,418			27,418	
HAND Enterprise Solutions, Ltd. Common Stock	11,238,137			11,238,137	24,512,446
Huiyin Household Appliances Holdings Co., Ltd.	160,413,750			160,413,750	14,064,487
Taiwan Life Insurance Co., Ltd.	200,000,000			200,000,000	4,512,108
Zong Su Foods	2,677			2,677	16,000,429

* 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.

Item 2. Controls and Procedures.

- (a) The registrant's principal executive and principal financial officers have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this Form N-Q that includes the disclosure required by this paragraph based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934 (17 CFR 240.13a-15(b) or 240.15d-15(b)).
- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3. Exhibits.

The certification required by Rule 30a-2(a) of the 1940 Act (17 CFR 270.30a-2(a)) is attached as an exhibit to this filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE CHINA FUND, INC.

By: /s/ Adam Phua
Adam Phua

President and Chief Executive Officer

Date: March 13, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Adam Phua
Adam Phua

President and Chief Executive Officer

Date: March 13, 2012

By: /s/ Laura F. Dell
Laura F. Dell

Treasurer

Date: March 13, 2012