

CHINA FUND INC  
Form N-CSRS  
July 03, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number: 811-05749

**THE CHINA FUND, INC.**

(Exact name of registrant as specified in charter)

**C/O STATE STREET BANK & 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)

Copy to:

**Tracie A. Coop**

**Secretary**

**The China Fund, Inc.**

**4 Copley Place, 5<sup>th</sup> Floor**

**CPH-0326**

**Boston, MA 02116**

(Name and Address of Agent for Service)

**Leonard B. Mackey, Jr., Esq.**

**Clifford Chance US LLP**

**31 West 52<sup>nd</sup> Street**

**New York, New York 10019-6131**

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

Date of fiscal year end: October 31

Date of reporting period: April 30, 2013

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**Item 1. Report to Stockholders.**

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**THE CHINA FUND, INC.**

**SEMI ANNUAL REPORT**

**April 30, 2013 (Unaudited)**

**The China Fund, Inc.  
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<b>NYSE Stock Symbol</b>	<b>CHN</b>
<b>Listing Date</b>	<b>July 10, 1992</b>
<b>Shares Outstanding</b>	<b>15,682,029</b>
<b>Total Net Assets (April 30, 2013)</b>	<b>US\$370.7 million</b>
<b>Net Asset Value Per Share (April 30, 2013)</b>	<b>\$23.64</b>
<b>Market Price Per Share (April 30, 2013)</b>	<b>\$21.07</b>

**TOTAL RETURN<sup>(1)</sup>**

<b>Performance as of April 30, 2013:</b>	<b>Net Asset Value</b>	<b>Market Price</b>
6-Months	11.35%	11.28%
3-Year Cumulative	3.09%	5.02%
3-Year Annualized	1.02%	1.65%
5-Year Cumulative	14.72%	17.71%
5-Year Annualized	2.78%	3.31%
10-Year Cumulative	448.56%	410.99%
10-Year Annualized	18.56%	17.72%

**DIVIDEND HISTORY**

<b>Record Date</b>	<b>Income</b>	<b>Capital Gains</b>
12/24/12	\$0.3473	\$2.9044
12/23/11	\$0.1742	\$2.8222
12/24/10	\$0.3746	\$1.8996
12/24/09	\$0.2557	
12/24/08	\$0.4813	\$5.3361
12/21/07	\$0.2800	\$11.8400
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
12/31/02	\$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	
12/31/95	\$0.0910	
12/31/94	\$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 or market price, as the case may be, during each period and assumes that dividends and capital gains distributions, if any, were reinvested in accordance with the dividend reinvestment plan. The net asset value returns are not an indication of the performance of a shareholder's investment in the Fund, which is based on market price. Total investment returns do not reflect

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the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. Total investment returns are historical and do not guarantee future results. Market price returns do not reflect broker commissions in connection with the purchase or sale of Fund shares.

**Table of Contents****THE CHINA FUND, INC.****ASSET ALLOCATION AS OF April 30, 2013 (Unaudited)****Ten Largest Listed Equity Investments \***

1. HAND Enterprise Solutions Co., Ltd.	6.2%
2. Taiwan Semiconductor Manufacturing Co., Ltd.	6.1%
3. Industrial & Commercial Bank of China	5.7%
4. China Everbright International, Ltd.	5.6%
5. Sun Hung Kai Properties, Ltd.	5.0%
6. Enn Energy Holdings, Ltd.	3.4%
7. China Mobile, Ltd.	3.3%
8. China Medical System Holdings, Ltd.	3.1%
9. China Resources Land, Ltd.	2.6%
10. Digital China Holdings, Ltd.	2.6%

**Direct Investments \***

1. Golden Meditech Holdings, Ltd.	3.0%
2. Zong Su Foods	0.0%**

\* Percentages based on net assets at April 30, 2013

\*\* Amount less than 0.05%.

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**INDUSTRY ALLOCATION (Unaudited)**

Fund holdings are subject to change and percentages shown above are based on net assets as of April 30, 2013. A complete list of holdings as of April 30, 2013 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.

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



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**THE CHINA FUND, INC.**

**CHAIRMAN'S STATEMENT (Unaudited)**

**Dear Stockholders,**

I am pleased to inform you that the Fund posted strong positive returns in the six months to April 30 with a gain in the net asset value per share of over 11%. At current levels China still looks attractive from a valuation perspective relative to other markets in Asia.

Despite some patchy macroeconomic data, the market consensus is that China will achieve 7-8% economic growth this year. This should bode well for the equity markets. Another positive for the markets could be newly announced economic reforms if they are effectively implemented. It remains to be seen if reform will move beyond the cosmetic crackdown on government officials for excessive entertainment and corruption.

At the same time you would undoubtedly be aware of some of the negative news coming out of China over the first half of our financial year. These include the territorial dispute with Japan over the Diaoyu/Senkaku islands in the South China Sea, increasing trade tensions with the EU and the United States, high levels of pollution in major cities and pig carcasses in the Huangpu River, and the outbreak of avian flu. While each of these is quite serious, they do not appear to have had an overly adverse impact on equity markets. Investors have chosen to put more weight on China's growth prospects and prospective policy changes.

My statement in the last annual report referenced the discount management program that was put in place in June 2012. After careful consideration at our last board meeting on March 14, 2013, it was decided that the program would be discontinued as it was not shown to be of any clear benefit to stockholders.

At the March meeting we also welcomed a new member to our board. We are pleased to announce that Mr. Jin Li has agreed to join us as a Director of the Fund. Professor Jin has joint appointments as Chair Professor and Co-Chairman of the Department of Finance at Guanghua School of Management in Peking University and Professor of Finance at Oxford University's Saïd Business School. We expect that Prof. Jin's extensive experience in and knowledge of the Chinese financial system will be of great benefit to the Fund.

As always, the board and I are grateful for your support and we endeavor to continue working with our service providers to deliver to your expectations.

Yours sincerely,

Joe O. Rogers

Chairman

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**THE CHINA FUND, INC.**

**INVESTMENT MANAGER'S STATEMENT (Unaudited)**

**REVIEW OF LISTED AND DIRECT INVESTMENTS**

**Review**

Fear of a hard landing scenario and uncertainties surrounding the leadership transition in China played a role in the market sentiment of China and Hong Kong equity markets in the past two quarters. The Shanghai Composite was up 4.8% in US dollar terms for the six months to April 30, 2012 while the Hang Seng China Enterprise Index ended the period up 1.1% only in US dollar terms.

**Performance**

The Fund outperformed the benchmark over this period with the net asset value up 11.3%, while the MSCI Golden Dragons Index returned 7.4%.

In the fourth quarter of 2012, the China and Hong Kong equity markets performed strongly on the back of continued fund inflows and the sharp rally of the China onshore equity market. Led by the recovery of the housing market, dissipating effects from destocking, and accelerated infrastructure project approvals by the Chinese government since the third quarter in 2012, the Chinese economy showed some early signs of stabilization. Political and policy overhangs were removed to a certain extent by the smooth leadership transition and subsequent unveiling of policy objectives. However, in the first quarter of 2013, the China and Hong Kong equity markets consolidated after the strong performance in the fourth quarter of 2012. The market pulled back on concerns over policy tightening in China and, in particular, tightening of the property market in China and Hong Kong. On the macroeconomic front, China data continued to show signs of recovery, albeit at a moderate rate. As the market has generally built in expectations that reform measures will be initiated by the new leaders in China, the lack of news flow on reform initiatives triggered some short-term selling. Corporate earnings results were disappointing but disappointment was already, mostly, discounted by the markets.

The Taiwan market was one of the worst performers among regional markets in the fourth quarter of 2012. In the domestic market, consumption sentiment and retail sales growth remained weak in the fourth quarter. On the other hand, the export sector showed some improvement in the last quarter of 2012. Going into 2013, the Taiwan market saw mixed performance during the first quarter and ended the three months almost flat, as measured by MSCI Taiwan Index in US dollar terms. Taiwan's import and export growth surged in January, before dropping sharply in February, reflecting the continued external uncertainties on the backdrop of China recovery and European debt crisis. The equity market was also weighed down by weakening of tech momentum globally.

**Outlook**

After a period of consolidation, the market appears oversold and we feel we should see some share price recovery in the short-term. In the absence of news flow relating to reform initiatives in China, we believe the China equity market will remain in a trading range.

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**THE CHINA FUND, INC.**

**INVESTMENT MANAGER'S STATEMENT (continued) (Unaudited)**

**REVIEW OF LISTED AND DIRECT INVESTMENTS**

For the Taiwan market, as first quarter GDP came in way below expectations, we continue to be cautious on macro risks. We will focus on selective opportunities in the sectors which can benefit from rising 3G penetration in emerging markets and the increasing popularity of low-end smartphones.

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**THE CHINA FUND, INC.**

**ABOUT THE PORTFOLIO MANAGER (Unaudited)**

**Listed and Direct Investment Managers**

The Fund's investment in both listed and direct investment portfolios is managed by RCM Asia Pacific Limited (RCM). RCM is part of a global investment organization consisting of separate affiliated entities, owned by Allianz SE, that are located in key financial centers including Frankfurt, Hong Kong, London, San Francisco, Sydney, and Tokyo.

Ms. Christina Chung serves as the portfolio manager for the Fund's portfolio of listed and direct securities. She joined the Group in 1998 and has been a managing director since January 2010. She heads the Greater China Team and is the lead manager of the Hong Kong, China, China A-shares and Greater China equity mandates. The Hong Kong and China Funds that she manages have won industry recognition and awards for consistent, strong performance. She has 23 years' experience in managing Asian regional and single country portfolios for both institutional and retail accounts.

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

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April 30, 2013 (Unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
<b>COMMON STOCK AND OTHER EQUITY INTERESTS</b>		
<b>CHINA A SHARES</b>		
<b>IT Services (6.2%)</b>		
HAND Enterprise Solutions Co., Ltd.#	6,369,715	\$ 22,864,849
<b>TOTAL CHINA A SHARES (Cost \$1,793,494)</b>		<b>6.2% 22,864,849</b>
<b>HONG KONG</b>		
<b>Commercial Services &amp; Supplies (5.9%)</b>		
China Everbright International, Ltd. (2)	26,730,000	20,665,795
Fook Woo Group Holdings, Ltd.*#(1)(2)	25,314,000	1,118,811
		21,784,606
<b>Communications Equipment (1.0%)</b>		
Comba Telecom Systems Holdings, Ltd.(2)	10,958,500	3,741,958
<b>Diversified Financial Services (1.4%)</b>		
Hong Kong Exchanges and Clearing, Ltd.	306,500	5,153,982
<b>Electronic Equipment &amp; Instruments (2.5%)</b>		
Digital China Holdings, Ltd. (2)	7,256,000	9,144,038
<b>Gas Utilities (3.4%)</b>		
Enn Energy Holdings, Ltd.	2,204,000	12,765,658
<b>Health Care Equipment &amp; Supplies (1.1%)</b>		
Golden Meditech Holdings, Ltd.#	35,040,000	4,108,728
<b>Hotels, Restaurants &amp; Leisure (0.0%)</b>		
FU JI Food and Catering Services Holdings Ltd.*^(1)	5,462,000	
<b>Industrial Conglomerates (1.1%)</b>		
Hutchison Whampoa, Ltd.	366,000	3,968,598
<b>Internet Software &amp; Services (2.4%)</b>		
Tencent Holdings, Ltd.	262,100	8,983,603
<b>Metals &amp; Mining (1.2%)</b>		
Tiangong International Co., Ltd.	16,080,000	4,537,661

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<b>Oil, Gas &amp; Consumable Fuels (3.5%)</b>		
CNOOC, Ltd.	4,228,000	7,866,908
Kunlun Energy Co., Ltd.	2,666,000	5,228,495
		13,095,403
<b>Personal Products (2.1%)</b>		
Hengan International Group Co., Ltd.	375,500	3,890,164
Natural Beauty Bio-Technology, Ltd.#	47,710,000	3,873,039
		7,763,203

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

**Table of Contents****THE CHINA FUND, INC.****SCHEDULE OF INVESTMENTS (continued)**

April 30, 2013 (Unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
<b>COMMON STOCK AND OTHER EQUITY INTERESTS (continued)</b>		
<b>HONG KONG (continued)</b>		
<b>Pharmaceuticals (3.1%)</b>		
China Medical System Holdings, Ltd.	11,669,300	\$ 11,442,775
<b>Real Estate Management &amp; Development (7.5%)</b>		
China Resources Land, Ltd.(2)	3,168,000	9,572,600
Sun Hung Kai Properties, Ltd.(2)	1,269,000	18,362,985
		27,935,585
<b>Specialty Retail (1.0%)</b>		
Zhongsheng Group Holdings, Ltd.(2)	2,662,000	3,663,374
<b>Transportation Infrastructure (1.1%)</b>		
Shenzhen International Holdings, Ltd.(2)	31,992,500	4,163,624