

CHINA FUND INC
Form N-CSRS
July 06, 2017
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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
ONE LINCOLN STREET
P.O. BOX 5049
BOSTON, MA 02206-5049

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(Address of principal executive offices)(Zip code)

Copy to:

Brian F. Link

Secretary

The China Fund, Inc.

100 Summer Street

SUM0703

Boston, MA 02111

(Name and Address of Agent for Service)

Leonard B. Mackey, Jr., Esq.

Clifford Chance US LLP

31 West 52nd 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, 2017

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Item 1. Report to Stockholders.

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THE CHINA FUND, INC.

SEMI-ANNUAL REPORT

April 30, 2017 (unaudited)

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NYSE Stock Symbol	CHN
Listing Date	July 10, 1992
Shares Outstanding	15,722,675
Total Net Assets (04/30/17)	\$305,216,297
Net Asset Value Per Share (04/30/17)	\$19.41
Market Price Per Share (04/30/17)	\$17.59

TOTAL RETURN⁽¹⁾

Performance as of	Net Asset Value	Market Price
04/30/17:		
1-Year Cumulative	19.21%	24.15%
3-Year Cumulative	17.33%	20.14%
3-Year Annualized	5.47%	6.31%
5-Year Cumulative	40.81%	39.85%
5-Year Annualized	7.09%	6.94%
10-Year Cumulative	101.55%	116.64%
10-Year Annualized	7.26%	8.04%

DIVIDEND HISTORY

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

(1) Total investment returns reflect changes in net asset value or market price, as the case may be, during each period and assumes that dividends and capital gains distributions, if any, were reinvested in accordance with the dividend reinvestment plan. The net asset value returns are not an indication of the performance of a stockholder's investment in the Fund, which is based on market price. Total investment returns do not reflect the deduction of taxes that a stockholder would pay on Fund distributions or the sale of Fund shares. Total investment returns are historical and do not guarantee future results. Market price returns do not reflect broker commissions in connection with the purchase or sale of Fund shares.

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THE CHINA FUND, INC.

ASSET ALLOCATION AS OF April 30, 2017 (unaudited)

Ten Largest Listed Equity Investments *

TaiwanSemiconductor Manufacturing Co., Ltd.	9.2%
TencentHoldings, Ltd.	7.8%
Sun Hung Kai Properties, Ltd.	5.6%
AlibabaGroup Holding, Ltd.	5.4%
ChinaMerchants Bank Co., Ltd.	4.9%
Ping An Insurance (Group) Company of China, Ltd.	3.5%
HongKong Exchanges and Clearing, Ltd.	3.4%
ChinaUnicom Hong Kong, Ltd.	3.2%
LarganPrecision Co., Ltd.	2.9%
ChinaConstruction Bank Corp.	2.8%

* Percentages based on net assets.

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INDUSTRY ALLOCATION (unaudited)

Industry Allocation (as a percentage of net assets)

Fund holdings are subject to change and percentages shown above are based on net assets at April 30, 2017. A complete list of holdings at April 30, 2017 is contained in the Schedule of Investments included in this report. The most current available data regarding portfolio holdings can be found on our website, www.chinafundinc.com. You may also obtain holdings by calling 1-888-246-2255.

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THE CHINA FUND, INC.

CHAIRMAN'S STATEMENT (unaudited)

Dear Stockholders,

One of the more significant events over the past few months was the first meeting between Presidents Trump and Xi in Florida. This summit was widely regarded as a generally positive encounter, albeit with little by way of substantive outcomes. The tone from both parties suggests a potentially less confrontational and more measured approach to relations between the two nations. This could help allay some fears of a trade war and continual diplomatic tensions that would be very detrimental to the capital markets.

Geopolitics aside, equity market performance continues to be driven by global fund flows. The popularity of ETFs over the past year and consequent large fund flows has had a big impact on equity markets. It has led to stocks with large index representation benefitting from passive investors who are compelled to allocate to these names. Further, the increasing likelihood of major index providers including China A shares in their emerging market benchmarks has piqued the interest of some investors. Although the initial allocation to China A in these benchmarks will be small and there has thus far been negligible movement in the market, it does raise the profile and awareness of this asset class.

On March 31, 2017, The China Fund, Inc. (the Fund) announced that the Board of Directors had selected Open Door Investment Management, Ltd. (Open Door) to become its Investment Manager, subject to stockholder approval. Open Door, with offices in Shanghai and San Francisco, will provide the Fund with a Greater China investment strategy that focuses more on smaller capitalization and entrepreneurial companies than do most other investment funds investing in the Greater China markets.

Yours sincerely,

Joe O. Rogers

Chairman

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THE CHINA FUND, INC.

INVESTMENT MANAGER'S STATEMENT (unaudited)

Market Review

Macroeconomic readings reflect stabilization in economic growth in China. In addition, the growing political risk in Europe, concerns over elevated valuations in the United States and the potential for a lower for longer interest rate environment combined have driven fund flows back into emerging market equities, including Chinese stocks. In particular, a pick-up in passive fund flows was strong enough to lift many index-heavy, mega-cap stocks in China. In contrast, small and mid-cap Chinese equity names underperformed large-caps.

Approaching the end of 2016, the Renminbi had weakened to its five-year low and Chinese equities had a temporary pull back. Coming into 2017, Chinese equities delivered a low double-digit performance in the first quarter. The Producer Price Index (PPI) stood solidly in positive territory, and the Purchasing Manager Index (PMI) continued to signal expansion. In December 2016, the Central Economic Work Conference, which laid out key tasks and economic policies for 2017, reiterated pursuing progress while maintaining stability as the overarching principle and supply-side structural reform as the main target. Growth stabilization, progress in reform, economic restructuring, social welfare improvement, and risk prevention were declared the five major focuses.

The Hong Kong equity market experienced supportive southbound buying by mainland investors through the stock connect schemes. Preferred targets include high yield banks, insurance companies and stocks that are scarce onshore, such as select technology companies. In Taiwan, the smartphone supply chain names experienced a strong rally since the beginning of 2017, driven by positive sentiment ahead of the iPhone 8 launch in Q3 2017.

Performance

The Fund underperformed the MSCI Golden Dragon Index (the Benchmark) for the six-months ended April 30, 2017. A significant part of the underperformance was attributable to our stock selection in consumer discretionary and financials. On the other hand, select companies in telecommunication services and our overweight position in information technology names contributed positively to performance.

More specifically, Hong Kong Exchanges & Clearing Ltd., the operator of Hong Kong's stock exchange, was the top detractor over the period. The market previously priced in the positive effects from the Hong Kong Shenzhen Stock Connect, yet the mutual market access program failed to generate as much hype as expected and turnover volumes were low. Although the exchange operator posted a better-than-expected profit for the first quarter of 2017, its share price did not recover to the previous peak level.

On the other hand, Largan Precision Co., Ltd., a Taiwan-based camera lens module producer, was the top contributor. This company is the dominant camera module supplier to Apple given its technology leadership. Its share price should continue to see support as the expected launch of Apple's iPhone 8 in the second half of 2017 approaches.

Outlook

With the economic and political situation in China being relatively stable this year, especially ahead of the National Congress in the third quarter, we expect the volatility of previous years unlikely to be repeated. We would not be surprised to

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THE CHINA FUND, INC.

INVESTMENT MANAGER'S STATEMENT (continued) (unaudited)

see some near-term consolidation, given the strength of the rally year-to-date. However, with China and Hong Kong equities remaining one of the most under-owned emerging markets we expect to see a buy on weakness mentality. In the medium term, other positive catalysts include encouraging reform progress and an ongoing improvement in company fundamentals.

Supporting our positioning in the internet space is our positive view on China's consumption upgrade over the next couple of years. We believe there will be significant growth opportunities in areas such as entertainment, consumer and technology. At the same time, high-end manufacturing will remain an important driver of China's global competitiveness. For example, the top three categories of export in 2016 were phone systems including smartphones, computers and integrated circuits. With China's commitment to research and development to enhance national productivity, we believe this trend is set to continue. We are positioned to capture this trend through software services, semiconductor, and automation companies in the portfolio.

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THE CHINA FUND, INC.

ABOUT THE PORTFOLIO MANAGER (unaudited)

Allianz Global Investors (AGI) is a diversified active investment manager with a strong parent company and a culture of risk management. With 25 offices, AGI provides global investment and research capabilities with consultative local delivery. It has \$524 billion¹ in assets under management for individuals, families and institutions worldwide, and employs over 600 investment professionals.

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

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

¹ Combined worldwide AUM as of March 31, 2017

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April 30, 2017 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK		
HONG KONG		
Commercial Services & Supplies 3.1%		
China Everbright International, Ltd.	5,616,000	\$ 7,595,922
Goldpac Group, Ltd.	5,021,000	1,904,363
		9,500,285
Construction & Engineering 1.7%		
China State Construction International Holdings, Ltd. ⁽¹⁾	2,906,000	5,275,553
Diversified Financial Services 3.4%		
Hong Kong Exchanges and Clearing, Ltd.	419,700	10,338,847
Diversified Telecommunication Services 5.5%		
China Unicom Hong Kong, Ltd.	7,466,000	9,637,388
Hutchison Telecommunications Hong Kong Holdings, Ltd. ⁽¹⁾	7,974,000	2,357,989
PCCW Ltd.	8,623,000	4,866,991
		16,862,368
Electronic Equipment & Instruments 3.0%		
Digital China Holdings, Ltd.* ⁽¹⁾	7,444,000	6,125,253
Zhuzhou CRRC Times Electric Co., Ltd. ⁽¹⁾	565,500	2,911,875
		9,037,128
Energy Equipment & Services 0.7%		
China Everbright Greentech, Ltd. 144A* ⁽²⁾	69,333	53,123
China Oilfield Services, Ltd.	2,338,000	2,158,274
		2,211,397
Food Products 1.0%		
China Mengniu Dairy Co., Ltd.	1,508,000	2,919,873
Hotels, Restaurants & Leisure 1.2%		
Sands China, Ltd. ⁽¹⁾	810,800	3,679,816
Household Products 0.7%		

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Vinda International Holdings, Ltd.	984,000	1,998,894
Industrial Conglomerates 3.5%		
Beijing Enterprises Holdings, Ltd.	704,500	3,441,932
CK Hutchison Holdings, Ltd.	310,000	3,872,060
Jardine Matheson Holdings, Ltd.	51,100	3,297,483
		10,611,475
Internet Software & Services 17.5%		
Alibaba Group Holding, Ltd. ADR ⁽¹⁾	142,647	16,475,729

See notes to financial statements.

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

April 30, 2017 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK (continued)		
HONG KONG (continued)		
Internet Software & Services (continued)		
Baidu Inc. ADR*	24,101	\$ 4,343,723
JD.com, Inc. ADR*	159,569	5,596,085
Tencent Holdings, Ltd.	760,900	23,811,448
YY Inc. ADR*	62,990	3,084,620
		53,311,605
Metals & Mining 0.3%		
Tiangong International Co., Ltd.#	8,612,000	852,575
Oil, Gas & Consumable Fuels 1.8%		
CNOOC, Ltd.	4,815,000	5,614,890
Pharmaceuticals 1.1%		
CSPC Pharmaceutical Group, Ltd.	2,364,000	3,282,531
Real Estate Management & Development 7.0%		
China Overseas Land & Investment, Ltd.	1,516,000	4,404,994
Sun Hung Kai Properties, Ltd.	1,132,000	16,984,584
		21,389,578
Semiconductors & Semiconductor Equipment 1.0%		
Semiconductor Manufacturing International Corp.* ⁽¹⁾	2,470,900	3,132,346
Textiles, Apparel & Luxury Goods 0.4%		
Li & Fung, Ltd. ⁽¹⁾	3,128,000	1,311,058
Wireless Telecommunication Services 2.5%		
China Mobile, Ltd.	709,000	7,561,366
TOTAL HONG KONG (Cost \$147,262,728)		55.4% 168,891,585
HONG KONG H SHARES		
Automobiles 2.1%		
Qingling Motors Co., Ltd.#	19,178,000	6,336,860

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Capital Markets 1.2%		
CITIC Securities Co., Ltd.	1,810,000	3,797,837
Commercial Banks 7.7%		
China Construction Bank Corp.	10,814,000	8,787,009
China Merchants Bank Co., Ltd.	5,723,500	14,864,514
		23,651,523
Independent Power Producers & Energy Traders 1.1%		
China Resources Power Holdings Co., Ltd.	1,778,000	3,204,922

See notes to financial statements.

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

April 30, 2017 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK (continued)		
HONG KONG H SHARES (continued)		
Insurance 3.5%		
Ping An Insurance (Group) Company of China, Ltd.	1,911,000	\$ 10,761,491
Transportation Infrastructure 1.1%		
Qingdao Port International Co., Ltd.#144A ⁽¹⁾	6,077,000	3,234,649
TOTAL HONG KONG H SHARES (Cost \$46,182,403)		16.7% 50,987,282
TOTAL HONG KONG (INCLUDING H SHARES) (Cost \$193,445,131)		72.1% 219,878,867
TAIWAN		
Computers & Peripherals 3.0%		
Advantech Co., Ltd.	703,841	5,692,129
Primax Electronics, Ltd.	1,985,000	3,309,320
		9,001,449
Diversified Financial Services 1.4%		
Fubon Financial Holdings Co., Ltd.	2,805,000	4,397,484
Diversified Telecommunication Services 0.9%		
Chunghwa Telecom Co., Ltd.	846,000	2,860,097
Electronic Equipment & Instruments 8.0%		
Delta Electronics, Inc. ⁽¹⁾	1,274,359	7,180,439
Hon Hai Precision Industry Co., Ltd.	2,537,100	8,308,159
Largan Precision Co., Ltd.	54,000	8,975,838
		24,464,436
Insurance 1.5%		
Cathay Financial Holding Co., Ltd.	2,880,000	4,620,066
Machinery 1.2%		
King Slide Works Co., Ltd.	239,000	3,679,543
Semiconductors & Semiconductor Equipment 9.2%		
Taiwan Semiconductor Manufacturing Co., Ltd.	4,341,000	27,984,638

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TOTAL TAIWAN (Cost \$50,596,244)	25.2%	77,007,713
TOTAL COMMON STOCK (Cost \$244,041,375)	97.3%	296,886,580
EQUITY-LINKED SECURITY		
Hotels, Restaurants & Leisure 0.9%		
China CYTS Tours Holding Co., Ltd. Access Product (expiration 02/28/2018) 144A ⁽³⁾ (Cost \$2,785,230)	888,827	2,630,928

See notes to financial statements.

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

April 30, 2017 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COLLATERAL FOR SECURITIES ON LOAN 2.8%		
State Street Navigator Securities Lending Government Money Market Portfolio (Cost \$8,579,490)	8,579,490	\$ 8,579,490
	Face Amount	
SHORT TERM INVESTMENT 1.4%		
Repurchase Agreement with State Street Bank and Trust, dated 04/28/17, 0.05%, due 05/01/17, proceeds \$4,305,018; collateralized by U.S. Treasury Note, 3.13%, due 05/15/21, valued at \$4,392,112, including interest. (Cost \$4,305,000)	\$ 4,305,000	4,305,000
TOTAL INVESTMENTS (Cost \$259,711,095)	102.4%	312,401,998
OTHER ASSETS AND LIABILITIES	(2.4)%	(7,185,701)
NET ASSETS	100.0%	\$ 305,216,297

Notes to Schedule of Investments

* Denotes non-income producing security.

Illiquid security.

(1) Securities (or a portion of the security) is on loan. As of April 30, 2017, the market value of the securities loaned was \$30,781,192. The loaned securities were secured with cash collateral of \$8,579,490 and non-cash collateral with a value of \$23,804,367. The non-cash collateral received consists of equity securities, and is held for the benefit of the Fund at the Fund's custodian. The Fund cannot repledge or resell this collateral. Collateral is calculated based on prior day's prices.

(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.

144A Securities restricted for resale to Qualified Institutional Buyers in the United States or to non-US persons. At April 30, 2017, these restricted securities amounted to \$5,918,700, which represented 1.9% of total net assets.

ADR American Depositary Receipt

See notes to financial statements.

Table of Contents**THE CHINA FUND, INC.****STATEMENT OF ASSETS AND LIABILITIES****April 30, 2017 (unaudited)**

ASSETS	
Investments in securities, at value (cost \$259,711,095) (including securities on loan, at value, \$30,781,192) (Note A)	\$ 312,401,998
Cash	873
Foreign currency, at value (cost \$1,516,393)	1,513,394
Receivable for investments sold	737,592
Receivable for securities lending income	25,727
Dividends and interest receivable	182,512
Prepaid expenses	32,743
TOTAL ASSETS	314,894,839
LIABILITIES	
Payable for investments purchased	761,927
Payable upon return of collateral for securities on loan	8,579,490
Investment management fee payable (Note B)	173,899
Administration and custodian fees payable (Note B)	129,819
Chief Compliance Officer fees payable	4,753
Other accrued expenses and liabilities	28,654
TOTAL LIABILITIES	9,678,542
TOTAL NET ASSETS	\$ 305,216,297
COMPOSITION OF NET ASSETS:	
Par value, 100,000,000 shares authorized, 15,722,675 shares outstanding (Note C)	157,227
Paid in capital in excess of par	292,337,833
Accumulated net investment loss	(767,859)
Accumulated net realized loss on investments and foreign currency transactions	(39,198,718)
Net unrealized appreciation on investments and foreign currency translations	52,687,814
TOTAL NET ASSETS	\$ 305,216,297
NET ASSET VALUE PER SHARE	
(\$305,216,297/15,722,675 shares of common stock outstanding)	\$19.41

See notes to financial statements.

Table of Contents**THE CHINA FUND, INC.****STATEMENT OF OPERATIONS****Six Months Ended April 30, 2017 (unaudited)**

INVESTMENT INCOME:	
Dividend income	\$ 1,149,955
Securities lending income	161,964
Interest income	392
TOTAL INVESTMENT INCOME	1,312,311
EXPENSES	
Investment Management fees (Note B)	1,012,062
Custodian fees (Note B)	276,894
Directors' fees and expenses (Note B)	267,780
Administration fees (Note B)	223,474
Insurance	48,262
Audit	45,869
Legal fees	31,796
Principal Financial Officer fee	29,753
Chief Compliance Officer fee	29,753
Shareholder service fees	25,360
Printing and postage	22,529
Transfer agent fees	13,655
Stock exchange listing fee	12,397
Stock dividend tax expense	7,892
Miscellaneous expenses	31,749
TOTAL EXPENSES	2,079,225
NET INVESTMENT LOSS	(766,914)
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS	
Net realized loss on investment transactions	(3,960,044)
Net realized gain on foreign currency transactions	85,089
	(3,874,955)
Net change in unrealized appreciation/depreciation on investments	21,964,503
Net change in unrealized appreciation/depreciation on foreign currency translations	(3,394)
	21,961,109

NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS	18,086,154
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NET INCREASE IN NET ASSETS FROM OPERATIONS	\$ 17,319,240
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See notes to financial statements.

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

	Six Months Ended April 30, 2017 (unaudited)	Year Ended October 31, 2016
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Net investment income (loss)	\$ (766,914)	\$ 7,303,200
Net realized loss on investments and foreign currency transactions	(3,874,955)	(34,822,161)
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	21,961,109	33,427,934
Net increase in net assets from operations	17,319,240	5,908,973
DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(7,355,081)	(3,344,977)
Net realized gains		(20,112,202)
Total dividends and distributions to shareholders	(7,355,081)	(23,457,179)
CAPITAL SHARE TRANSACTIONS:		
Reinvestment of dividends and distributions (0 and 40,646 shares, respectively)		609,703
Net increase in net assets from capital share transactions		609,703
NET INCREASE (DECREASE) IN NET ASSETS	9,964,159	(16,938,503)
NET ASSETS:		
Beginning of Period	295,252,138	312,190,641
End of Period	\$ 305,216,297	\$ 295,252,138
(Accumulated net investment loss) undistributed net investment income, end of period	\$ (767,859)	\$ 7,354,136

See notes to financial statements.

Table of Contents**THE CHINA FUND, INC.****FINANCIAL HIGHLIGHTS****Selected data for a share of common stock outstanding for the periods indicated**

	Six Months ended April 30, 2017 (unaudited)	2016	Year Ended October 31,				2012 ⁽¹⁾
		2015	2014	2013			
<u>Per Share Operating Performance</u>							
Net asset value, beginning of period	\$ 18.78	\$ 19.91	\$ 24.21	\$ 25.77	\$ 24.50	\$ 28.99	
Net investment income/(loss)*	(0.05)	0.46 ⁽²⁾	0.26	0.33	0.41	0.28	
Net realized and unrealized gain (loss) on investments and foreign currency transactions	1.15	(0.10)	(0.79)	1.43	4.05	(1.95)	
Total from investment operations	1.10	0.36	(0.53)	1.76	4.46	(1.67)	
Less dividends and distributions:							
Dividends from net investment income	(0.47)	(0.21)	(0.30)	(0.44)	(0.35)	(0.17)	
Distributions from net realized gains		(1.28)	(3.47)	(2.88)	(2.90)	(2.82)	
Total dividends and distributions	(0.47)	(1.49)	(3.77)	(3.32)	(3.25)	(2.99)	
Capital Share Transactions:							
Accretion (Dilution) to net asset value, resulting from share repurchase program, tender offer or issuance of shares in stock dividend		0.00 ⁽³⁾			0.06	0.17	
Net asset value, end of period	\$ 19.41	\$ 18.78	\$ 19.91	\$ 24.21	\$ 25.77	\$ 24.50	
Market price, end of period	\$ 17.59	\$ 16.18	\$ 17.49	\$ 21.44	\$ 22.66	\$ 21.85	
<u>Total Investment Return (Based on Market Price)</u>							
	11.57% ⁽⁴⁾	1.73%	(1.95)%	9.71%	19.67%	(3.02)%	
<u>Total Investment Return (Based on Net Asset Value)</u>							
	6.07% ⁽⁴⁾	3.73%	(1.16)%	8.93%	21.38%	(2.93)%	
<u>Ratios and Supplemental Data</u>							
Net assets, end of period (000 s)	\$ 305,216	\$ 295,252	\$ 312,191	\$ 379,692	\$ 404,163	\$ 396,094	
Ratio of net expenses to average net assets	1.44% ⁽⁵⁾	1.51%	1.34%	1.31%	1.34%	1.41%	
Ratio of net investment income/(loss) to average net assets	(0.53)% ⁽⁵⁾	2.66% ⁽²⁾	1.16%	1.39%	1.73%	1.12%	
Portfolio turnover rate	7% ⁽⁴⁾	52%	64%	67%	45%	78%	

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

(1) The Fund's investment management arrangements changed in November 2011, and February 2012.

(2) Amount includes a non-recurring payment of a refund for over-billing of prior years' custody out of pocket expense which amounted to \$0.02 per share and 0.12% of average net assets.

(3) Amount is less than \$0.01.

(4) Not Annualized

(5) Annualized

See notes to financial statements.

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THE CHINA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2017 (unaudited)

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The China Fund, Inc. (the Fund) was incorporated under the laws of the State of Maryland on April 28, 1992, and is a non-diversified, closed-end management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act). The Fund's investment objective is long-term capital appreciation which it seeks to achieve by investing primarily in equity securities (i) of companies for which the principal securities trading market is the People's Republic of China (China), (ii) of companies for which the principal securities trading market is outside of China, or constituting direct equity investments in companies organized outside of China, that in both cases derive at least 50% of their revenues from goods and services sold or produced, or have at least 50% of their assets, in China and (iii) constituting direct equity investments in companies organized in China (Direct Investments). The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements. The Fund's Investment Manager is Allianz Global Investors (Investment Manager).

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

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

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

Factors used in determining fair value may include, but are not limited to, the type of security, the size of the holding, the initial cost of the security, the existence of any contractual restrictions on the security's disposition, the

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)**

price and extent of public trading in similar securities of the issuer or of comparable companies, the availability of quotations from broker-dealers, the availability of values of third parties other than the Investment Manager, information obtained from the issuer, analysts, and/or the appropriate stock exchange (if available), an analysis of the company's financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which they trade.

Repurchase Agreements: In connection with transactions in repurchase agreements, it is the Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the seller defaults, realization of the collateral by the Fund may be delayed or limited.

	Remaining Contractual Maturity of the Agreements As of April 30, 2017				Total
	Overnight and Continuous	<30 days	Between 30 & 90 days	>90 days	
Repurchase Agreements					
U.S. Treasury and agency securities	\$ 4,305,000	\$	\$	\$	\$ 4,305,000
Total Borrowings	\$ 4,305,000	\$	\$	\$	\$ 4,305,000

Securities Lending: The Fund may lend up to 33 1/3% of the Fund's total assets held by State Street Bank and Trust Company (State Street) as custodian to certain qualified brokers, except those securities which the Fund or the Investment Manager specifically identifies as not being available. By lending its investment securities, the Fund attempts to increase its net investment income through the receipt of interest on the loan. Any gain or loss in the market price of the securities loaned that might occur and any interest or dividends declared during the term of the loan would accrue to the account of the Fund. Risks of delay in recovery of the securities may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned. Upon entering into a securities lending transaction, the Fund receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by State Street, acting in its capacity as securities lending agent (the Agent), in the State Street Navigator Securities Lending Government Money Market Portfolio. The non-cash collateral received consists of short term investments, long term bonds and equities, and is held for the benefit of the Fund at the Fund's custodian. Non-cash collateral is not disclosed in the Fund's Statement of Assets and Liabilities as it is held by the lending agent on behalf of the Fund and the Fund does not have the ability to re-hypothecate those securities. A portion of the dividends received on the collateral may be rebated to the borrower of the securities and the remainder is split between the Agent and the Fund.

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	Remaining Contractual Maturity of the Agreements As of April 30, 2017				Total
	Overnight and Continuous	<30 days	Between 30 & 90 days	>90 days	
Securities Lending Transactions					
Money Market Fund	\$ 8,579,490	\$	\$	\$	\$ 8,579,490
Total Borrowings	\$ 8,579,490	\$	\$	\$	\$ 8,579,490

Gross amount of recognized liabilities for securities lending transactions \$ 8,579,490

As of April 30, 2017, the Fund had loaned securities which were collateralized by cash, short term investments, long term bonds and equities. The value of the securities on loan and the value of the related collateral were as follows:

Value of Securities	Value of Cash Collateral	Value of Non-Cash Collateral*	Total Collateral
\$30,781,192	\$ 8,579,490	\$ 23,804,367	\$ 32,383,857

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

Gross Amounts Not Offset in the Statement of Assets and Liabilities

Gross Asset Amounts Presented in Statement of Assets and Liabilities	Financial Instrument	Collateral Received	Net Amount (not less than 0)
\$8,579,490		\$ (8,579,490)	\$ 0

Foreign currency translations: The records of the Fund are maintained in U.S. dollars. Foreign currencies, investments and other assets and liabilities are translated into U.S. dollars at the current exchange rates. Purchases and sales of investment securities and income and expenses are translated on the respective dates of such transactions. Net realized gains and losses on foreign currency transactions represent net gains and losses from the disposition of foreign currencies, currency gains and losses realized between the trade dates and settlement dates of security transactions, and the difference between the amount of net investment income accrued and the U.S. dollar amount actually received. The effects of changes in foreign currency exchange rates on investments in securities are not segregated in the Statement of Operations from the effects of changes in market prices of those securities, but are included in realized and unrealized gain or loss on investments. Net unrealized foreign currency gains and losses arise from changes in the value of assets and liabilities, other than investments in securities, as a result of changes in exchange rates.

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

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NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

contracts are recorded as unrealized gain or loss on the Statement of Assets and Liabilities. When the contract is closed, the Fund records a realized gain or loss equal to the difference between the value at the time it was opened and the value at the time it was closed. Such gain or loss is disclosed in the realized and unrealized gain or loss on foreign currency in the Fund's accompanying Statement of Operations. At April 30, 2017, the Fund did not hold forward foreign currency contracts.

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

The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counter parties to meet the terms of the contract. At April 30, 2017, the Fund did not hold any option contracts.

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

At April 30, 2017, the Fund held equity-linked securities, in the form of warrants issued by Citigroup Global Markets Holdings (the Issuer), which were Qualified Foreign Institutional Investors (QFII) in China. Under the terms of the agreement, each warrant entitles the Fund to receive from the related Issuer an amount in U.S. dollars linked to the performance of specific equity shares. Under this agreement, the Fund has agreed to pay or provide reimbursement for any taxes imposed on the China A Share investments underlying the equity-linked securities. Non-resident corporate investors in China, such as the Issuer of the equity-linked securities, are subject to a statutory 10% withholding tax on both dividend and interest income sourced from China, absent an applicable tax treaty.

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NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

In March 2015, the Ministry of Finance, the China Securities Regulatory Commission and the State Administration of Taxation issued Circular 79 on the tax treatment of gains derived by QFIIs and Renmimbi Qualified Institutional Investors (RQFII) from the trading of equity investments in China. The Circular grants a temporary exemption from Chinese Enterprise Income Tax on gains derived by QFIIs and RQFIIs on or after November 17, 2014 from the transfer of an equity. The Circular also confirmed that realized gains derived by QFIIs and RQFIIs before November 17, 2014 are subject to tax at 10% under the enterprise income tax law.

There can be no assurance that China will not in the future subject capital gains derived by QFIIs and RQFIIs to taxation. If China does subject such gains to taxation the Fund may be required to pay or reimburse for any taxes that the Issuers of the equity-linked securities became subject to.

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. At April 30, 2017, the Fund did not hold Direct Investments.

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

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

Dividend and interest income generated in Taiwan is subject to a 20% withholding tax. Stock dividends received are taxable at 20% of the par value of the stock dividends received. The Fund records the taxes paid on stock dividends, if any, as an operating expense.

Dividends and distributions: The Fund intends to distribute to its stockholders, at least annually, substantially all of its net investment income and any net realized capital gains. Distributions to stockholders are recorded on the ex-dividend date. Income and capital gains distributions are determined in accordance with federal income tax regulations, which may differ from U.S. generally accepted accounting principles. Certain capital accounts in the financial statements are periodically adjusted for permanent differences in order to reflect their tax character. These

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)**

adjustments have no impact on net assets or net asset value per share. Temporary differences which arise from recognizing certain items of income, expense, gain or loss in different periods for financial statement and tax purposes will reverse at some time in the future. Unless the Board of Directors elects to make distributions in shares of the Fund's common stock, the distributions will be paid in cash, except with respect to stockholders who have elected to participate in the Fund's Dividend Reinvestment and Cash Purchase Plan.

Federal Taxes: It is the Fund's policy to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended (Code) and to distribute to stockholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the period ended April 30, 2017, the Fund did not have a liability for any uncertain tax positions. The Fund recognizes interest and penalties, if any, related to tax liabilities as income tax expense in the Statement of Operations. For the previous three years the Fund remains subject to examination by the Fund's major tax jurisdictions, which include the United States of America and the State of Maryland. The Fund may be subject to taxes imposed by governments of countries in which it invests. Such taxes are generally based on either income or gains earned or repatriated. The Fund accrues and applies such taxes to net investment income, net realized gains and net unrealized gains as income and/or gains are earned.

At April 30, 2017, the cost of investments for federal income tax purposes was \$259,711,095. Gross unrealized appreciation of investments was \$71,022,371 while gross unrealized depreciation of investments was \$18,331,468, resulting in net unrealized appreciation/depreciation of investments of \$52,690,903.

NOTE B ADVISORY FEE AND OTHER TRANSACTIONS

Allianz Global Investors (AGI or Investment Manager) is the investment manager for the Fund's listed assets (Listed Assets) and Direct Investments. AGI receives a fee, computed weekly and payable monthly, at the following annual rates: 0.70% of the first US\$315 million of the Fund's average weekly net assets invested in Listed Assets; and 0.50% of the Fund's average weekly net assets invested in Listed Assets in excess of US\$315 million. For the six months ended April 30, 2017, the Listed Assets investment management fee rate was equivalent to an annual effective rate of 0.70% of the Fund's average weekly net assets. AGI receives a fee computed weekly and payable monthly, at an annual rate of 1.50% of the average weekly value of the Fund's assets invested in Direct Investments, if any. For the six months ended April 30, 2017, the Investment Manager was paid no fees for Direct Investments as the Fund held no such investments during the period.

No director, officer or employee of the Investment Manager or any affiliates of those entities will receive any compensation from the Fund for serving as an officer or director of the Fund. The Fund pays the Chairman of the Board, Audit Committee Chairman and each of the directors (who is not a director, officer or employee of the Investment Manager or any affiliate thereof) an annual fee of \$35,000, \$30,000 and \$20,000 respectively, plus \$3,000 for each Board of Directors' meeting or Audit Committee meeting or Nominating and Compensation Committee meeting attended in person or by telephone. In addition, the Fund will reimburse each of the directors for travel and out-of-pocket expenses incurred in connection with attending Board of Directors' meetings.

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NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

State Street provides, or arranges for the provision of certain administrative services for the Fund, including preparing certain reports and other documents required by federal and/or state laws and regulations. The Fund pays State Street a fee that is calculated daily and paid monthly at an annual rate based on aggregate average daily assets of the Fund. The Fund also pays State Street an annual fee for certain legal administration services, including corporate secretarial services and preparing regulatory filings.

The Fund has also contracted with State Street to provide custody and fund accounting services to the Fund. For these services, the Fund pays State Street asset-based fees that vary according to the number of positions and transactions plus out-of-pocket expenses.

NOTE C FUND SHARES

At April 30, 2017, there were 100,000,000 shares of \$0.01 par value capital stock authorized, of which 15,722,675 were issued and outstanding.

NOTE D INVESTMENT TRANSACTIONS

For the six months ended April 30, 2017, the Fund's cost of purchases and proceeds from sales of investment securities, other than short-term securities, were \$21,197,313 and \$27,973,755, respectively.

NOTE E INVESTMENTS IN CHINA

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

NOTE F FAIR VALUE MEASUREMENT

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

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

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.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)**

The following is a summary of the inputs used as of April 30, 2017 in valuing the Fund's investments carried at value:

ASSETS VALUATION INPUT

Description*	Level 1	Level 2	Level 3	Total
Common Stock	\$ 296,833,457	\$ 53,123	\$	\$ 296,886,580
Equity-Linked Securities		2,630,928		2,630,928
Collateral For Securities On Loan	8,579,490			8,579,490
Short Term Investment		4,305,000		4,305,000
TOTAL INVESTMENTS	\$ 305,412,947	\$ 6,989,051	\$	\$ 312,401,998

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

The Fund's policy is to disclose transfers between levels based on valuations at the end of the reporting period. As of April 30, 2017, there were no transfers between Level 1, 2 or 3.

NOTE G DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Fund did not enter into any derivatives transactions or hedging activities for the six months ended April 30, 2017.

NOTE H SUBSEQUENT EVENT

On March 31, 2017, the Fund announced that its Board of Directors has selected Open Door Investment Management, Ltd. (Open Door) to become its Investment Manager, subject to stockholder approval. The proposed Investment Management Agreements between the Fund and Open Door for listed and direct investments are subject to approval by the Fund's stockholders at a Special Meeting of Stockholders expected to be held in June.

NOTE I NEW ACCOUNTING PRONOUNCEMENTS

In October 2016, the Securities and Exchange Commission (the SEC) released its Final Rule on Investment Company Reporting Modernization (the Rule). The Rule contains amendments to Regulation S-X which impact financial statement presentation, particularly the presentation of derivative investments. Although still evaluating the impact of the Rule, management believes that many of the Regulation S-X amendments are consistent with the Fund's current financial statement presentation and expects that the Fund will be able to comply with the Rule's Regulation S-X amendments by the August 1, 2017 compliance date.

In December 2016, the Financial Accounting Standards Board (FASB) released Accounting Standards Update (ASU) 2016-19 that makes technical changes to various sections of the Accounting Standards Codification (ASC), including Topic 820, Fair Value Measurement. The changes to Topic 820 are intended to clarify the difference between a valuation approach and a valuation technique. The changes to ASC 820-10-50-2 require a reporting entity to disclose, for Level 2 and Level 3 fair value measurements, a change in either or both a valuation approach and a valuation technique and the reason(s) for the change. The changes to Topic 820 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. At this time, management is evaluating the implications of the ASU and has not yet determined its impact on the financial statements and disclosures.

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THE CHINA FUND, INC.

Other Information (unaudited)

Board Deliberations Regarding Approval of Investment Advisory Agreements

General Background

On March 28, 2017, the Board of Directors, all of whom are Independent Directors (the Board of Directors or Directors), voted to approve the continuation of the Investment Advisory and Management Agreement and the Direct Investment Management Agreement between the Fund and Allianz Global Investors U.S. LLC (Allianz) (the Agreements). The Board considered the following in making their determination: an organization overview and biographies of those Allianz personnel providing services to the Fund; a profitability analysis; Allianz 's Form ADV; performance and fee comparison data; Broadridge Financial Solutions, Inc. (Broadridge) Comparative Fee Report as well as copies of the Agreements.

Approval Process

In evaluating the Agreements, the Directors drew on the materials provided to them by Allianz at the request, on their behalf, of State Street Bank and Trust Company (State Street). In deciding whether to approve the Agreements, the Directors considered various factors, including (i) the nature, extent and quality of the services to be provided by Allianz under the Agreements, (ii) the investment performance of the Fund 's listed investments, (iii) the costs to Allianz of its services to, and the profits to be realized by Allianz from its relationship with, the Fund, and (iv) the extent to which economies of scale would be realized if and as the Fund grows and whether the fee levels in the Agreements reflect these economies of scale.

Nature, Extent and Quality of the Services provided by Allianz. In considering the nature, extent and quality of the services to be provided by Allianz, the Directors relied on their prior experience as Directors of the Fund as well as on the materials provided at the Board meeting. They noted that under the Agreements, Allianz is responsible for managing the Fund 's listed and direct investments in accordance with the Fund 's investment objective and policies, applicable legal and regulatory requirements, and the instructions of the Board, for providing necessary and appropriate reports and information to the Directors, for maintaining all necessary books and records pertaining to the Fund 's transactions in listed and direct investments, and for furnishing the Fund with the assistance, cooperation, and information necessary for the Fund to meet various legal requirements regarding registration and reporting. They noted the distinctive nature of the Fund as investing primarily in equity securities (i) of companies for which the principal securities trading market is in China, (ii) of companies for which the principal securities trading market is outside of China, or constituting direct equity investments in companies organized outside of China, that in both cases derive at least 50% of their revenues from goods or services sold or produced, or have at least 50% of their assets, in China or (iii) constituting direct equity investments in companies organized in China. They also noted the experience and expertise of Allianz as appropriate as an adviser to the Fund.

The Directors reviewed the background and experience of Allianz 's senior management, including those individuals responsible for the investment and compliance operations with respect to the Fund 's investments, and the responsibilities of the investment and compliance personnel with respect to the Fund. They also considered the resources, operational structures and practices Allianz has in managing the Fund 's portfolio, in monitoring and

Table of Contents**THE CHINA FUND, INC.****Other Information (continued) (unaudited)**

securing the Fund's compliance with its investment objective and policies and with applicable laws and regulations, and in seeking best execution of portfolio transactions. Drawing upon the materials provided and their general knowledge of the business of Allianz, the Directors took into account the fact that Allianz's experience, resources and strength in these areas are deep, extensive and of high quality. On the basis of this review, the Directors determined that the nature and extent of the services to be provided by Allianz to the Fund were appropriate, had been of high quality, and could be expected to remain so.

Performance, Fees and Expenses of the Fund. The Directors noted that, in view of the distinctive investment objective of the Fund, the Fund's investment performance was adequate. Of importance to the Directors was the extent to which the Fund achieved its objective. Drawing upon information provided at the Board meeting and upon reports provided to the Directors by Allianz throughout the preceding year, they determined that the Fund underperformed the MSCI Golden Dragon Index for the one-, three- and five-year periods ended December 31, 2016 and outperformed the Index for the 10-year period ended December 31, 2016. The Directors concluded that, despite this general underperformance when compared to the Fund's benchmark, the performance of the Fund was adequate. The Board noted that, while the performance was adequate, the Board would be considering whether other potential investment managers could provide better performance at a special meeting to be held later in the day of the meeting.

In order to better evaluate the Fund's management fee, the Directors had requested comparative information with respect to fees paid by similar public funds (*i.e.*, public funds that invest in China). The Directors reviewed the expense universe of comparable funds, which included the Fund, and totaled 21 unleveraged, closed-end emerging market funds as classified by Broadridge. There are, however, no other public funds with a dedicated direct investment component that provide a fee comparison. It was also noted that, while the Direct Investment Management Fee is higher than or equal to the fees paid by other public funds, the Listed Investment Management Fee compared favorably with management fees of other similar public funds and that the Fund does not expect to be paying any fees under the Direct Management Agreement for the foreseeable future. The Directors noted that the Fund's total expense ratio was lower than most of the comparable funds' total expense ratio. The Directors concluded that the data available provided some indirect confirmation of the reasonableness of Allianz's fees.

The Directors considered the anticipated profitability of the management arrangement with the Fund to Allianz. The Directors had been provided with data on the Fund's profitability to Allianz. They first discussed with representatives of Allianz the methodologies used in computing the costs that formed the basis of the profitability calculations. Concluding that these methodologies were acceptable, they turned to the data provided. After discussion and analysis, they concluded that, to the extent that Allianz's relationship with the Fund is expected to be profitable, the profitability was in no case such as to render the management fee excessive. The Directors also discussed whether the compensation of Allianz personnel was at an appropriate level to retain and motivate employees.

Other Benefits of the Relationship. In considering whether Allianz would benefit in other ways from its relationship with the Fund, the Directors noted that, other than the management fees for the Fund's listed and direct investments, there were no other investment management, brokerage or other fees receivable by Allianz or its affiliates from the

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THE CHINA FUND, INC.

Other Information (continued) (unaudited)

Fund. The Directors concluded that, to the extent that Allianz might derive other benefits from its relationship with the Fund, those benefits are not so significant as to render Allianz's fees excessive.

Economies of Scale. On the basis of their discussions with management and their analysis of information provided at the Board meeting, the Directors determined that the nature of the Fund and its operations is such that Allianz was likely to realize economies of scale in the management of the Fund as it grows in size. It was noted in the Board's discussion with representatives of Allianz that Allianz provides discretionary investment advisory services to approximately 168 institutional accounts and approximately 112 pooled vehicles, which included Securities and Exchange Commission registered Investment Company Act of 1940, as amended open-end and closed-end investment companies. As such Allianz had realized economies of scale from managing more China related portfolios for more clients. It was noted that these economies of scale were shared with the Fund because they had enabled Allianz to develop centralized dealing facilities that pool transactions across all of its clients. In addition, the economies were reflected in the breakpoint in the Fund's fee structure.

Resources of the Investment Adviser. The Board considered whether Allianz is financially sound and has the resources necessary to perform its obligations under the Agreements, noting that Allianz appears to have the financial resources necessary to fulfill its obligations under the Agreements. The Board noted that the Chief Compliance Officer (the CCO) receives quarterly certifications from Allianz reflecting its compliance with Rule 38a-1 under the 1940 Act.

General Conclusions. After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Fund and its stockholders to approve the continuation of Agreements, with the understanding that the Board may decide to select another investment manager for the Fund based on presentations made by potential investment managers at a special meeting later in the day of the meeting. They reasoned that, considered by themselves, the nature and extent of the services provided by Allianz were appropriate, that the performance of the Fund had been adequate, and that Allianz could be expected to provide services of high quality. As to Allianz's fees for the Fund, the Directors determined that the fees, considered in relation to the services provided, were fair and reasonable, that the Fund's relationship with Allianz was not so profitable as to render the fees excessive, that any additional benefits to Allianz were not of a magnitude materially to affect the Directors' deliberations, and that the fees adequately reflected shared economies of scale with the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor referenced above.

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THE CHINA FUND, INC.

Other Information (unaudited)

PRIVACY POLICY

Privacy Notice

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

Information it receives from stockholders on applications or other forms; and

Information about stockholder transactions with the Fund.

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

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

QUARTERLY PORTFOLIO OF INVESTMENTS

A Portfolio of Investments will be filed as of the end of the first and third quarter of each fiscal year on Form N-Q and will be available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Form N-Q was filed as of January 31, 2017 for the first quarter of this fiscal year and is available on the Securities and Exchange Commission's website at www.sec.gov. Additionally, the Portfolio of Investments may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The quarterly Portfolio of Investments will be made available without charge, upon request, by calling 1-888-246-2255.

CERTIFICATIONS

The Fund's chief executive officer has certified to the New York Stock Exchange that, as of April 26, 2017, he was not aware of any violation by the Fund of applicable New York Stock Exchange corporate governance listing standards. The Fund also has included the certifications of the

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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.

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DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

The Fund will distribute to stockholders, at least annually, substantially all of its net investment income from dividends and interest earnings and expects to distribute any net realized capital gains annually. Pursuant to the Dividend Reinvestment and Cash Purchase Plan (the "Plan"), adopted by the Fund, each stockholder will automatically be a participant (a "Participant") in the Plan unless Computershare Trust Company, N.A., the Plan Agent, is otherwise instructed by the stockholder in writing, to have all distributions, net of any applicable U.S. withholding tax, paid in cash. Stockholders who do not participate in the Plan will receive all distributions in cash paid by check in U.S. dollars mailed directly to the stockholder by Computershare Trust Company, N.A., as paying agent. Stockholders who do not wish to have distributions automatically reinvested should notify the Fund by contacting Computershare Trust Company, N.A. c/o The China Fund, Inc. at P.O. Box 43078, Providence, Rhode Island 02940-3078, by telephone at 1-800-426-5523 or via the Internet at www.computershare.com/investor.

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

Whenever a dividend or distribution is declared payable in cash or shares of the Fund's common stock, the Plan will operate as follows:

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

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

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

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DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

cash payments received more than thirty-five days prior to such date will be returned by the Plan Agent, and interest will not be paid on any such amounts. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by the Plan Agent, participants should send in voluntary cash payments to be received by the Plan Agent approximately two days before January 15. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than 48 hours before such payment is to be invested. In the event that a Participant's check for a voluntary cash payment is returned unpaid for any reason, the Plan Agent will consider the request for investment of such funds null and void, and shall immediately remove from the Participant's account those shares, if any, purchased upon the prior credit of such funds. The Plan Agent shall be entitled to sell shares to satisfy any uncollected amount plus any applicable fees. If the net proceeds of the sale of such shares are insufficient to satisfy the balance of such uncollected amounts, the Plan Agent shall be entitled to sell such additional shares from the Participant's account as may be necessary to satisfy the uncollected balance.

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

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

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

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DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

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

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

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

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

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

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DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

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.

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THE CHINA FUND, INC.

United States Address

The China Fund, Inc.

c/o State Street Bank and Trust Company

1 Lincoln St.

P.O. Box 5049

Boston, MA 02206-5049

1-888-CHN-CALL (246-2255)

Directors and Officers

Joe O. Rogers, Chairman of the Board and Director

Michael F. Holland, Director

William Kirby, Chairman of the Nominating & Compensation Committee and Director

Li Jin, Director

Gary L. French, Chairman of the Audit Committee and Director

Richard Shore, Director

Linda C. Coughlin, Director

Joseph Quirk, President

Patrick Keniston, Chief Compliance Officer

Monique Labbe, Treasurer

Brian Link, Secretary

Investment Manager

Allianz Global Investors U.S. LLC

Shareholder Servicing Agent

AST Fund Solutions

Administrator, Accounting Agent and Custodian

State Street Bank and Trust Company

Transfer Agent, Dividend Paying Agent and Registrar

Computershare Trust Company, N.A.

Independent Registered Public Accounting Firm

Tait, Weller & Baker, LLP

Legal Counsel

Clifford Chance US LLP

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

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Item 2. Code of Ethics.

Not required for this filing.

Item 3. Audit Committee Financial Expert.

Not required for this filing.

Item 4. Principal Accountant Fees and Services.

Not required for this filing.

Item 5. Audit Committee of Listed Registrants.

Not required for this filing.

Item 6. Investments.

a. Schedule of Investments is included as part of Item 1.

b. Not applicable.

Item 7. Disclosure of Proxy Voting Policies and Procedures for Closed-End Investment Companies.

Not required for this filing.

Item 8. Portfolio Managers of Closed-End Management Investment Companies.

a. Not required for this filing.

b. Not applicable.

Item 9. Purchases of Equity Securities by Closed-End Management Investment Company and Affiliated Purchasers.

Not applicable.

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Directors during the period covered by this Form N-CSR filing.

Item 11. 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-CSR based on their evaluation of these 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 1934 Act (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 second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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Item 12. Exhibits.

(a)(1) Not required for this filing.

(a)(2) The certifications required by Rule 30a-2 of the 1940 Act are attached hereto.

(a)(3) Not applicable.

(b) The certifications required by Rule 30a-2(b) of the 1940 Act and Section 906 of the Sarbanes-Oxley Act of 2002 are attached hereto.

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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/ Joseph S. Quirk
Joseph S. Quirk
President of The China Fund, Inc.
Date: July 6, 2017

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/ Joseph S. Quirk
Joseph S. Quirk
President of The China Fund, Inc.
Date: July 6, 2017

By: /s/ Monique Labbe
Monique Labbe
Treasurer of The China Fund, Inc.
Date: July 6, 2017