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CHINA FUND INC  
Form N-Q  
September 29, 2008

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED  
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: -811-05749

THE CHINA FUND, INC.  
(Exact name of registrant as specified in charter)

c/o STATE STREET BANK AND TRUST COMPANY  
2 AVENUE DE LAFAYETTE  
P.O. BOX 5049  
BOSTON, MA 02206-5049  
(Address of principal executive offices) (Zip code)

(Name and Address of Agent for  
Service)

Mary Moran Zeven  
Secretary  
The China Fund, Inc.  
2 Avenue de Lafayette  
Boston, MA 02111

Copy to:

Leonard B. Mackey, Jr., Esq.  
Clifford Chance U.S. LLP  
31 West 52nd Street  
New York, New York 10019

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

Date of fiscal year end: October 31

Date of reporting period: July 31, 2008

ITEM 1. SCHEDULE OF INVESTMENTS.

THE CHINA FUND, INC.  
SCHEDULE OF INVESTMENTS  
JULY 31, 2008 (UNAUDITED)

NAME OF ISSUER AND TITLE OF ISSUE

SHARES

VALUE

COMMON STOCK AND OTHER EQUITY INTERESTS  
CHINA

FINANCIALS -- (0.4%)

Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd. 1,667,458

\$ 2

TOTAL CHINA -- (Cost \$3,976,899)

0.4%

2

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HONG KONG

CONSUMER DISCRETIONARY -- (6.5%)

Anta Sports Products, Ltd.	6,734,000	5
China Travel International Investment Hong Kong, Ltd.	10,982,000	2
Huabao International Holdings, Ltd.	9,135,000	7
Intime Department Store Group Co., Ltd.#	8,778,000	4
Ports Design, Ltd.	2,678,500	7
Shangri-La Asia, Ltd.	4,141,555	8
Yorkey Optical International Cayman, Ltd.#	16,424,000	3

CONSUMER STAPLES -- (5.1%)

Chaoda Modern Agriculture (Holdings), Ltd.(1)	20,633,998	23
China Huiyuan Juice Group, Ltd.(1)#	13,000,500	7

ENERGY -- (1.6%)

China Rare Earth Holdings, Ltd. #	15,254,000	2
Fushan International Energy Group, Ltd.*	3,840,000	2
Honghua Group, Ltd.*	11,172,000	4

FINANCIALS -- (1.6%)

SPG Land (Holdings), Ltd.(1)#	11,037,000	4
Tianjin Development Holdings, Ltd.	8,440,000	5

HEALTH CARE -- (4.2%)

China Shineway Pharmaceutical Group, Ltd.#	11,184,000	8
Golden Meditech Co., Ltd.(1)#	35,040,000	11
Natural Beauty Bio-Technology, Ltd.#	32,780,000	6

INDUSTRIALS -- (1.1%)

TPV Technology, Ltd.	12,728,000	6
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THE CHINA FUND, INC.

SCHEDULE OF INVESTMENTS (CONTINUED)

JULY 31, 2008 (UNAUDITED)

NAME OF ISSUER AND TITLE OF ISSUE

SHARES

VALUE

COMMON STOCK AND OTHER EQUITY INTERESTS (CONTINUED)

HONG KONG (CONTINUED)

INFORMATION TECHNOLOGY -- (0.4%)

Arcontech Corp.(2)*#	18,386,000	\$
Chinasoft International, Ltd.#	19,230,000	2

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MATERIALS -- (0.1%)			2
Ocean Grand Chemicals Holdings, Ltd.(2)*#	17,379,000		
UTILITIES -- (2.5%)			15
Xinao Gas Holdings, Ltd.(1)#	9,286,000		
TOTAL HONG KONG -- (Cost \$102,492,370)		23.1%	142
HONG KONG - "H" SHARES			
CONSUMER STAPLES -- (2.3%)			14
Wumart Stores, Inc.#	15,126,000		
ENERGY -- (2.6%)			10
China Oilfield Services, Ltd.(1)	7,132,000		5
China Shenhua Energy Co., Ltd.(1)	1,450,000		16
HEALTH CARE -- (2.0%)			12
Shandong Weigao Group Medical Polymer Co., Ltd.#	9,004,000		
INDUSTRIALS -- (0.0%)			
China Railway Group, Ltd.(1)*	504		
MATERIALS -- (1.3%)			8
Zijin Mining Group Co., Ltd.(1)	10,408,000		
TELECOMMUNICATIONS -- (1.6%)			9
ZTE Corp. (1)	1,980,360		
TOTAL HONG KONG - "H" SHARES -- (Cost \$46,575,325)		9.8%	60
TOTAL HONG KONG (INCLUDING "H" SHARES) -- (Cost \$149,067,695)		32.9%	203

NAME OF ISSUER AND TITLE OF ISSUE	SHARES	VALUE
COMMON STOCK AND OTHER EQUITY INTERESTS (CONTINUED)		
SINGAPORE		
CONSUMER STAPLES -- (2.3%)		
China Fishery Group, Ltd.#	7,870,000	\$ 7
Hsu Fu Chi International, Ltd.#	8,409,000	6
INFORMATION TECHNOLOGY -- (0.5%)		14
CDW Holding, Ltd.(2)#+	60,000,000	3
TOTAL SINGAPORE -- (Cost \$17,627,699)		2.8%
		17

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THE CHINA FUND, INC.  
 SCHEDULE OF INVESTMENTS (CONTINUED)  
 JULY 31, 2008 (UNAUDITED)

TAIWAN

CONSUMER DISCRETIONARY -- (7.3%)

FamilyMart Co., Ltd.#	3,777,652	6
Far Eastern Department Stores, Ltd.	18,511,584	16
HannStar Display Corp.	17,900,000	5
Merry Electronics Co., Ltd.	3,584,340	5
Synnex Technology International Corp.	5,211,855	11
		-----
		45

CONSUMER STAPLES -- (3.8%)

Lien Hwa Industrial Corp.	15,161,855	8
Uni-President Enterprises Corp.	11,447,220	15
		-----
		23

FINANCIALS -- (9.5%)

Cathay Financial Holding Co., Ltd.	5,993,788	11
China Development Financial Holding Corp.	36,871,940	12
Fubon Financial Holdings Co., Ltd.	12,603,000	11
Ruentex Development Co., Ltd.	9,477,000	8
Yuanta Financial Holdings Co., Ltd.	26,635,545	15
		-----
		59

INDUSTRIALS -- (1.1%)

Wah Lee Industrial Corp.#	3,998,856	6
		-----

INFORMATION TECHNOLOGY -- (4.5%)

Powertech Technology Inc.	3,939,210	11
Taiwan Secom Co., Ltd.#	4,738,000	8
Tripod Technology Corp.	3,352,867	8
		-----
		28

NAME OF ISSUER AND TITLE OF ISSUE

SHARES

VALU

COMMON STOCK AND OTHER EQUITY INTERESTS (CONTINUED)

TAIWAN (CONTINUED)

MATERIALS -- (2.7%)

China Metal Products Co., Ltd.#	8,392,675	\$ 11
Yieh United Steel Corp.#	11,379,600	4
		-----
		16

TOTAL TAIWAN -- (Cost \$141,465,910)

28.9%

179

UNITED KINGDOM

HEALTH CARE -- (1.5%)

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China Medical System Holdings, Ltd.(2)#+	3,623,188	
TOTAL UNITED KINGDOM -- (Cost \$9,940,990)		1.5%
UNITED STATES		
CONSUMER DISCRETIONARY -- (1.3%)		
The9, Ltd., ADR(1)*#	356,200	
THE CHINA FUND, INC.		
SCHEDULE OF INVESTMENTS (CONTINUED)		
JULY 31, 2008 (UNAUDITED)		
ENERGY -- (0.9%)		
Far East Energy Corp.*#+	10,974,134	
HEALTH CARE -- (3.3%)		
Mindray Medical International, Ltd., ADR(1)	367,000	
WuXi PharmaTech Cayman Inc., ADR(1)*	341,141	
TOTAL UNITED STATES -- (Cost \$35,410,247)		5.5%
TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS -- (Cost \$357,489,440)		72.0%
EQUITY LINKED SECURITIES		
CONSUMER DISCRETIONARY -- (1.1%)		
Wuliangye Yibin Co., Ltd. Access Product (expiration 01/20/10) 144A,* (2) (3)	2,200,000	
ENERGY -- (1.4%)		
China Yangtze Power Co., Ltd. Access Product (expiration 10/26/10) 144A, (2) (4)	4,169,077	
NAME OF ISSUER AND TITLE OF ISSUE	SHARES	VALUE
EQUITY LINKED SECURITIES (CONTINUED)		
FINANCIALS -- (1.1%)		
Financial Street Holding Co., Ltd. Access Product (expiration 2/13/12) 144A, (2) (4) *	5,743,906	\$ 7
INDUSTRIALS -- (6.1%)		
China Vanke Co., Ltd. Access Product (expiration 01/20/10) 144A, (2) (3)	4,533,840	5
Daqin Railway Co., Ltd. Access Product (expiration 11/02/11) 144A, (2) (4)	6,907,000	13
Shanghai International Airport Co., Ltd. Access Product		

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(expiration 01/20/10) 144A, (2) (3)	1,816,700	4
Shanghai Tunnel Engineering Co., Ltd. Access Product		
(expiration 01/17/12) 144A, (2) (3)	4,439,247	5
Shanghai Zhenhua Port Machinery Co., Ltd. Access Product		
(expiration 10/26/10) 144A, (2) (4)	4,462,752	8
		37
MATERIALS -- (1.9%)		
Qinghai Salt Lake Potash Co., Ltd. Access Product		
(expiration 10/26/10) 144A, (2) (4)	887,909	11
TOTAL EQUITY LINKED SECURITIES -- (Cost \$50,963,686)		71
	11.6%	

THE CHINA FUND, INC.  
 SCHEDULE OF INVESTMENTS (CONTINUED)  
 JULY 31, 2008 (UNAUDITED)

DIRECT INVESTMENTS

CONSUMER DISCRETIONARY -- (6.2%)		
Queenbury Investments, Ltd., (Huiyan)		
(acquired 05/06/08) (2) (5) #+	450	38
INDUSTRIALS -- (2.7%)		
Highlight Tech Corp., (acquired 09/11/07) (2) (5) #+	3,366,893	5
Qingdao Bright Moon, (acquired 02/28/08) (2) (5) #+	31,827,172	7
Wuxi PAIHO, (acquired 09/17/07) (5) #	11,734,701	3
		16
INFORMATION TECHNOLOGY -- (1.5%)		
China Silicon Corp. Warrants (expiration 11/30/10) (2) (5) #+	685,450	
China Silicon Corp., Series A Preferred		
(acquired 11/30/07) (2) (5) #+	27,418	6

NAME OF ISSUER AND TITLE OF ISSUE	SHARES	VALUE
DIRECT INVESTMENTS (CONTINUED)		
INFORMATION TECHNOLOGY (CONTINUED)		
Sino Twinwood Pte Ltd., (acquired 05/02/07) (2) (5) #+	500,000	\$ 3
teco Optronics Corp., (acquired 04/26/04) (5) #+	1,861,710	9
TOTAL DIRECT INVESTMENTS -- (Cost \$65,631,412)		64
COLLATERAL FOR SECURITIES ON LOAN++ -- (9.2%)		
Securities Lending Quality Trust	57,509,932	56
TOTAL COLLATERAL FOR SECURITIES ON LOAN++ --		
(Cost \$57,509,932)	9.2%	56

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	PAR/ PRINCIPAL AMOUNT -----	
SHORT TERM INVESTMENTS		
UNITED STATES		
Repurchase Agreement with State Street Bank and Trust, 0.20%, 08/01/08##	26,106,000	26
TOTAL UNITED STATES -- (Cost \$26,106,000)		4.2% 26
TOTAL INVESTMENTS -- (Cost \$557,700,470) **		107.4% 665
OTHER ASSETS AND LIABILITIES		(7.4)% (45)
NET ASSETS		100.0% \$619 =====

THE CHINA FUND, INC.  
SCHEDULE OF INVESTMENTS (CONTINUED)  
JULY 31, 2008 (UNAUDITED)

Notes to Schedule of Investments

- (A) Portfolio securities listed on recognized United States or foreign securities exchanges are valued at the last quoted sales price in the principal market where they are traded. Listed securities with no such sales price and unlisted securities are valued at the mean between the current bid and asked prices, if any, of two brokers. Short-term investments having maturities of sixty days or less are valued at amortized cost (original purchase cost as adjusted for amortization of premium or accretion of discount) which when combined with accrued interest approximates market value. Open end investment companies are valued at net asset value per share. Securities for which market quotations are readily available are valued at current market value. Securities for which market quotations are not readily available are valued at fair value using methods determined in good faith by or at the direction of the Board of Directors considering relevant factors, data and information including, if relevant, the market value of freely tradable securities of the same class in the principal market on which such securities are normally traded. Direct Investments not traded on an exchange are valued at fair value as determined by the Board of Directors based on financial and other information supplied by the Direct Investment Manager regarding each Direct Investment. The Direct Investment's original cost is considered to be fair value unless the Board of Directors, based on such advice, concludes there has been a material change of a long-term nature and sufficient reliable information is available to revalue these investments.

The Fund's investments in China companies involve certain risks not typically associated with investments in securities of U.S. companies or the U.S. Government, including risks relating to (1) social, economic and political uncertainty; (2) price volatility, lesser liquidity and smaller

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market capitalization of securities markets in which securities of China companies trade; (3) currency exchange fluctuations, currency blockage and higher rates of inflation; (4) controls on foreign investment and limitations on repatriation of invested capital and on the Fund's ability to exchange local currencies for U.S. dollars; (5) governmental involvement in and control over the economy; (6) risk of nationalization or expropriation of assets; (7) the nature of the smaller, less seasoned and newly organized China companies, particularly in China; and (8) the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation.

\* Denotes non-income producing security.

# Illiquid security.

+ Affiliated issuer, as defined in the Investment Company Act of 1940, as amended, includes issuers in which the Fund held 5% or more of the outstanding voting securities.

++ As of July 31, 2008, the Fund had loaned securities which were collateralized by cash and short term investments. The value of the securities on loan and the value of the related collateral were as follows:

VALUE OF SECURITIES -----	VALUE OF CASH COLLATERAL -----	VALUE OF NON-CASH COLLATERAL* -----	TOTAL COLLATERAL -----
\$55,527,549	\$56,929,081	\$933,862	\$57,862,943

\* The Fund cannot repledge or resell this collateral. The non-cash collateral is comprised of government securities.

ADR American Depositary Receipt.

144A Securities restricted for resale to Qualified Institutional Buyers.

- (1) A portion or all of the security was held on loan. As of July 31, 2008, the market value of the securities loaned was \$55,527,549.
- (2) Security valued at fair value using methods determined in good faith by or at the direction of the Board of Directors.
- (3) Equity linked securities issued by Citigroup Global Markets Holdings.
- (4) Equity linked securities issued by Credit Lyonnais (CLSA).
- (5) Direct investments are generally restricted as to resale and do not have a readily available resale market. On the date of acquisition of each direct investment, there were no market quotations on similar securities, and such investments were therefore valued in good faith by the Board of Directors at fair market value. The procedures applied by the Board of Directors in



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arriving at its estimate of value of securities without readily available market values comply with the China Fund, Inc.'s (the "Fund") policies for valuing Direct Investments. Determination of fair values involves subjective judgment and, because of the inherent uncertainty of valuation, the Board of Directors' estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. The Fund does not have the right to demand that such securities be registered.

- ## Repurchase agreement, dated 07/31/2008, due 08/01/2008 with repurchase proceeds of \$26,106,145 is collateralized by US Treasury Bill 1.70% due 12/11/2008 with a market value of \$26,630,768.
- \*\* At July 31, 2008, the cost of investment securities for tax purposes was \$556,377,782. Net unrealized appreciation of investment securities for tax purposes was \$108,400,391, consisting of unrealized gains of \$160,657,397 on securities that had risen in value since their purchase and \$52,257,006 in unrealized losses on securities that had fallen in value since their purchase.

In September 2006, Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS 157), was issued and is effective for fiscal years beginning after November 15, 2007. SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Management is currently evaluating the impact the adoption of SFAS 157 will have on the Fund's financial statement disclosures.

In addition, in March 2008, the Financial Accounting Standards board ("FASB") issued Statement of Financial Accounting Standards No. 161, "Disclosures about Derivative Instruments and Hedging Activities" ("SFAS 161"). SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008. SFAS 161 requires enhanced disclosures about the Fund's derivative and hedging activities. Management is currently evaluating the impact the adoption of SFAS 161 will have on the Fund's financial statement disclosures.

### ITEM 2. CONTROLS AND PROCEDURES.

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

### ITEM 3. EXHIBITS.

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

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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/ Gary L. French  
Gary L. French  
President and Chief Executive Officer

Date: September 29, 2008

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/ Gary L. French  
Gary L. French  
President and Chief Executive Officer

Date: September 29, 2008

By: /s/ William C. Cox  
William C. Cox  
Treasurer and Chief Financial Officer

Date: September 29, 2008