

# THE CHINA FUND, INC.

## ANNUAL REPORT

October 31, 2014

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

|  | <u>Page</u> |
|--|-------------|
| Key Highlights   | 1           |
| Asset Allocation   | 2           |
| Industry Allocation  | 3           |
| Chairman's Statement                                       | 4           |
| Investment Manager's Statement                             | 5           |
| About the Portfolio Manager                                | 7           |
| Schedule of Investments                                    | 8           |
| Financial Statements                                       | 12          |
| Notes to Financial Statements                              | 16          |
| Report of Independent Registered<br>Public Accounting Firm | 26          |
| Other Information  | 27          |
| Dividends and Distributions:                               |             |
| Summary of Dividend  |             |
| Reinvestment and Cash                                      |             |
| Purchase Plan  | 29          |
| Directors and Officers                                     | 32          |



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

| <b>FUND DATA</b>                     |               |
|--------------------------------------|---------------|
| NYSE Stock Symbol                    | CHN           |
| Listing Date                         | July 10, 1992 |
| Shares Outstanding                   | 15,682,029    |
| Total Net Assets (10/31/14)          | \$379,692,021 |
| Net Asset Value Per Share (10/31/14) | \$24.21       |
| Market Price Per Share (10/31/14)    | \$21.44       |

| <b>TOTAL RETURN<sup>(1)</sup></b>  |                        |                     |
|------------------------------------|------------------------|---------------------|
| <b>Performance as of 10/31/14:</b> | <b>Net Asset Value</b> | <b>Market Price</b> |
| 1- Year Cumulative                 | 8.93%                  | 9.71%               |
| 3-Year Cumulative                  | 28.41%                 | 27.38%              |
| 3-Year Annualized                  | 8.69%                  | 8.40%               |
| 5-Year Cumulative                  | 48.02%                 | 41.42%              |
| 5-Year Annualized                  | 8.16%                  | 7.18%               |
| 10-Year Cumulative                 | 295.05%                | 215.29%             |
| 10-Year Annualized                 | 14.73%                 | 12.17%              |

| <b>DIVIDEND HISTORY</b> |               |                      |
|-------------------------|---------------|----------------------|
| <b>Record Date</b>      | <b>Income</b> | <b>Capital Gains</b> |
| 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           |
| 12/21/06                | \$ 0.2996     | \$ 3.7121            |
| 12/21/05                | \$ 0.2172     | \$ 2.2947            |
| 12/22/04                | \$ 0.1963     | \$ 3.3738            |
| 12/31/03                | \$ 0.0700     | \$ 1.7100            |

(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.

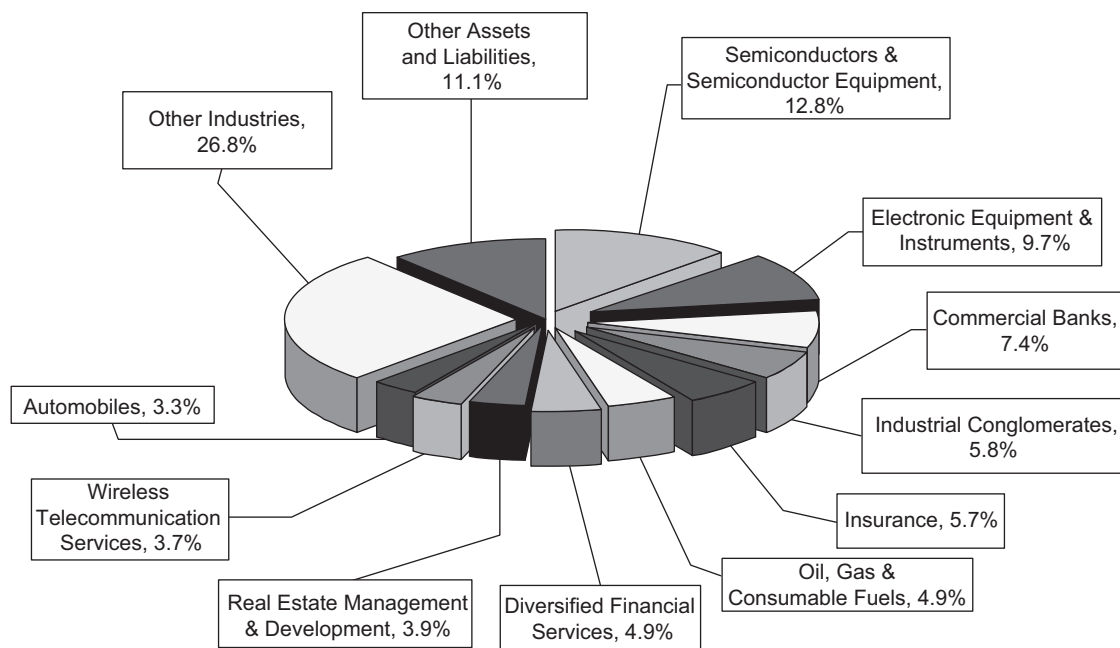
**THE CHINA FUND, INC.**  
**ASSET ALLOCATION AS OF October 31, 2014 (Unaudited)**

| <b>Ten Largest Listed Equity Investments *</b>  |      |
|---|------|
| 1. China Minsheng Banking Corp., Ltd.           | 4.9% |
| 2. China Mobile, Ltd.                           | 3.7% |
| 3. Beijing Enterprises Holdings, Ltd.           | 3.4% |
| 4. Hong Kong Exchanges and Clearing, Ltd.       | 3.4% |
| 5. Hermes Microvision, Inc.                     | 3.3% |
| 6. Sun Hung Kai Properties, Ltd.                | 3.1% |
| 7. Taiwan Semiconductor Manufacturing Co., Ltd. | 3.0% |
| 8. Li & Fung, Ltd.                              | 3.0% |
| 9. PetroChina Co., Ltd.                         | 2.9% |
| 10. Delta Electronics, Inc.                     | 2.7% |

\* Percentages based on net assets at October 31, 2014

## 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 October 31, 2014. A complete list of holdings at October 31, 2014 is contained in the Schedule of Investments included in this report. The most current available data regarding portfolio holdings can be found on our website, [www.chinafundinc.com](http://www.chinafundinc.com). You may also obtain holdings by calling 1-888-246-2255.

# THE CHINA FUND, INC.

## CHAIRMAN'S STATEMENT (Unaudited)

---

### Dear Stockholders,

As we draw to the end of the calendar year we can look back on a challenging 12 months for the equity markets in Greater China. Despite the headwind of a generally negative investment sentiment towards China, the Fund's share price delivered a positive absolute return of 9.71% and the net asset value per share returned 8.93% for the year ending October 31, 2014.

Our investment manager has presented a case for this negativity being somewhat misplaced and overdone, and it remains optimistic of a recovery in the Chinese market. This is reflected in the overweight positions in China and Hong Kong in the regional Asian equity strategies that they run.

One much anticipated development is the Mutual Market Access initiative between China and Hong Kong via the Shanghai-Hong Kong Stock Connect program. This program allows overseas investors to buy Shanghai Stock Exchange listed A-share securities via the Hong Kong stock exchange and for Chinese investors to buy Hong Kong listed stocks. While the initial take up of this has been somewhat muted, we believe that this is an important step towards the opening up of the Chinese market and it presents more investment opportunities for our manager as we will be able to get direct exposure to the A-share market. We expect the initiative to eventually be extended to include the Shenzhen stock exchange and to also cover China-issued bonds.

Several shareholders have requested more detail on the level of cash which has weighed on performance in recent months. This was the result of the Fund selling its holdings of Hand Enterprise, a listed China A-Share holding. This was a highly successful investment but due to the regulations surrounding the ownership of the security, the investment manager was not allowed to sell the entire position in a single transaction. However, the proceeds were required to be repatriated in one transfer. This required a gradual build up of cash.

Under the regulations and restrictions governing the Fund's right to hold Hand Enterprise as an A-share without the QFII quota normally required to hold A-shares, proceeds from the sale of the security could only be held in a special RMB cash custody account at China Construction Bank and could not be used for any other purpose until repatriated.

Once the sale of Hand was completed there was a long and complex process of gaining approval for repatriation. The complexity is particularly driven by the recapitalization that Hand Enterprise went through in connection with its redomicile from Singapore back to China prior to its listing on the Shanghai Stock Exchange.

The Fund has submitted the requested documentation to the various authorities for the repatriation and unless the authorities request further documents, we expect the cash to be available by the first quarter of 2015.

It is with great sadness that the Board reports the passing on October 27<sup>th</sup> of Nigel Tulloch, a founding board member and an original force behind creation of the Fund. Nigel served with distinction since the creation of the Fund in 1992. His wise counsel will be sorely missed.

It only leaves me to thank you on behalf of my fellow board members for your continued support and to convey our best wishes for the holiday season.

Sincerely,

Joe O. Rogers  
Chairman

# **THE CHINA FUND, INC.**

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

---

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

#### **Market Review**

##### **China/Hong Kong**

Investor nervousness resulted in a volatile year for both the China and Greater China equity markets. Anxiety over how fast or slow the economy was growing flip-flopped and was punctuated by positive reactions to mini stimulus measures. Towards the end of 2013, China unveiled a comprehensive economic and social reform blueprint. The blueprint pledged a “decisive” role for markets in the economy. However, the equity market was initially disappointed by the communiqué which was neither a pleasant surprise nor a detailed reform plan. It was not until the subsequent reform blueprint, which tried to address most of the structural problems in the Chinese economy, that the market react positively. Also, liquidity remained a key market driver as the People’s Bank of China (“PBOC”) took a hawkish stance by halting reverse repo operations.

With China’s macroeconomic data suggesting a moderation in economic activity, the Hong Kong equity markets consolidated over the first quarter of 2014. The ride was bumpy due to renminbi volatility, continued lackluster macroeconomic data and the tightened lending policies hurting the Chinese property sector.

During the second quarter of 2014, the equity markets rebounded, lifted by the announcement of the Shanghai-Hong Kong Stock Connect program in April. The positive sentiment faded fast amid continued concern over sluggish economic growth and the weakening renminbi. However, the economic data for April and May improved reversing the negative sentiment.

The equity markets had a strong run into August, encouraged by the sustained positive macroeconomic data. News on State-Owned Enterprise (“SOE”) reform, the Shanghai-Hong Kong mutual market access and targeted stimulus measures supported the equity markets. The markets suffered a sharp sell-off across the board near the end of September as a result of China’s lackluster macroeconomic data and towards the end of the month, the uncertainty created by the Occupy Central protests in Hong Kong. Fortunately, the market sell-off was short lived as the market stabilized in October and edged higher towards the end of the month.

##### **Taiwan**

The December 2013 economic data in Taiwan was encouraging, especially export orders and industrial production, indicating that the pace of economic recovery was eventually accelerating at the beginning 2014. Over the second quarter 2014, economic fundamentals continue to improve and the short-term impact from the political incidents gradually receded.

Over the third quarter of the year, the equity market was polarized, as technology names continue to perform strongly before the launch of the iPhone 6. However, the smartphone wave seemed to have cooled after the launch, as reflected in the more recent performance of Taiwanese smartphone component stocks.

# **THE CHINA FUND, INC.**

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

---

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

#### **Performance**

The Fund performed in line with the MSCI Golden Dragon index (the “benchmark index”) for the year ending October 31, 2014. During this period the Fund’s NAV returned 8.93% compared with 8.70% for the benchmark index.

The main contributor to performance was China Everbright International, an environmental protection company, which continued to perform well, in particular in the fourth quarter of 2013. The share price was supported by the positive sentiment on environmental protection related names and a strong flow of new projects. Another key contributor was Hermes Microvision. The company develops and manufactures silicon wafer inspection tools and is based in Taiwan. Hermes’ share price was driven by strong orders for its 14 nanometer and 20 nanometer DRAM inspection tools, as well as increased capital expenditures from Taiwan Semiconductor Manufacturing (“TSMC”).

On the negative side, Tong Hsing Electronic Industries, a leading supplier of ceramic substrates for LED lighting based in Taiwan, was the top detractor. The share price of Tong Hsing was undermined by the disappointing 2014 third quarter results; however, we believe that growth will return as the company expands into new products in 2015. Another detractor was Digital China, which is a deep value stock and the share price has been consolidating at a low level. The downside risk for the share price is limited and the upside would be driven from an earnings recovery as its IT distribution business continues to improve and the performance of its system integration business stabilizes.

#### **Outlook**

We believe that Hong Kong/China equities will continue to range trade in the short term. Liquidity easing by the PBOC will continue to underpin Chinese equities. The latest decline in interbank interest rates will ease financial pressures for Chinese companies. As a result, we expect the cash flows of Chinese companies to show some improvement, given the decreased interbank interest rates combined with tighter controls on capital expenditure and operating costs. Easing of mortgage lending rules is also likely to trigger a recovery of the property market although digestion through current inventories may still take time. Reform initiatives have pointed in the right direction, the key remaining, to be the pace of the implementation and their overall effectiveness. Investors are generally skeptical of reform; hence, any significant progress may surprise the market on the upside.

Meanwhile, the global economy is showing a mixed picture with the deterioration of the European economy and the expansion of monetary easing in Japan. It appears that the timing of a US interest rate hike will be pushed back again. This should help support the Hong Kong property market although prolonged US dollar appreciation could be negative to property prices through the further erosion of Hong Kong’s competitiveness. In the fourth quarter, local elections and the healthy economic environment in Taiwan are still positive factors to bolster the Taiwan market. Amid the market uncertainties in October, we maintain our approach of picking quality stocks and others with better earnings visibility.



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

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

---

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

The Fund's Investment Manager is Allianz Global Investors U.S. LLC (AllianzGI U.S.), an indirect, wholly-owned subsidiary of Allianz Asset Management of America L.P. ("AAM").

Allianz Global Investors is a diversified active Investment Manager with a strong parent company and a culture of risk management. With 23 offices in 17 countries, it provides global investment and research capabilities with consultative local delivery. It has \$488 billion in assets under management for individuals, families and institutions worldwide, and employs over 500 investment professionals.<sup>1</sup>

Ms. Christina Chung serves as the portfolio manager for the Fund's portfolio of listed and direct securities. She joined AllianzGI U.S. 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 25 years' experience in managing Asian regional and single country portfolios for both institutional and retail accounts.

Before joining AllianzGI U.S., 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.

<sup>1</sup> Combined worldwide AUM as of September 30, 2014

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS**  
**October 31, 2014**

| <u>Name of Issuer and Title of Issue</u>                     | <u>Shares</u> | <u>Value (Note A)</u> |
|--|---------------|-----------------------|
| <b>COMMON STOCK AND OTHER EQUITY INTERESTS</b>               |               |                       |
| <b>HONG KONG</b>   |               |                       |
| <b>Commercial Services &amp; Supplies — (2.9%)</b>           |               |                       |
| China Everbright International, Ltd.(1) .....                | 6,048,000     | \$ 8,406,932          |
| Goldpac Group Ltd.(1) .....                                  | 2,696,000     | 2,628,141             |
|  |               | <u>11,035,073</u>     |
| <b>Communications Equipment — (1.5%)</b>                     |               |                       |
| Comba Telecom Systems Holdings, Ltd.(1) .....                | 12,264,999    | 5,630,209             |
| <b>Diversified Financial Services — (3.4%)</b>               |               |                       |
| Hong Kong Exchanges and Clearing, Ltd. ....                  | 576,300       | 12,796,428            |
| <b>Electronic Equipment &amp; Instruments — (2.2%)</b>       |               |                       |
| Digital China Holdings, Ltd.† .....                          | 8,865,000     | 8,253,211             |
| <b>Industrial Conglomerates — (5.8%)</b>                     |               |                       |
| Beijing Enterprises Holdings, Ltd. ....                      | 1,578,000     | 12,869,881            |
| Hutchison Whampoa, Ltd. ....                                 | 736,000       | 9,348,050             |
|  |               | <u>22,217,931</u>     |
| <b>Internet Software &amp; Services — (2.6%)</b>             |               |                       |
| Tencent Holdings, Ltd. ....                                  | 625,500       | 9,969,027             |
| <b>Metals &amp; Mining — (1.2%)</b>                          |               |                       |
| Tiangong International Co., Ltd.(1) .....                    | 18,480,000    | 4,718,176             |
| <b>Oil, Gas &amp; Consumable Fuels — (1.1%)</b>              |               |                       |
| CNOOC, Ltd. ....   | 2,639,000     | 4,137,900             |
| <b>Personal Products — (1.1%)</b>                            |               |                       |
| Natural Beauty Bio-Technology, Ltd. ....                     | 50,320,000    | 4,152,672             |
| <b>Real Estate Management &amp; Development — (3.9%)</b>     |               |                       |
| Shui On Land, Ltd.(1) .....                                  | 13,467,000    | 3,090,992             |
| Sun Hung Kai Properties, Ltd. ....                           | 788,000       | 11,776,511            |
|  |               | <u>14,867,503</u>     |
| <b>Semiconductors &amp; Semiconductor Equipment — (4.2%)</b> |               |                       |
| ASM Pacific Technology, Ltd.(1) .....                        | 717,000       | 7,900,202             |
| Semiconductor Manufacturing International Corp.*(1) .....    | 79,523,000    | 8,203,322             |
|  |               | <u>16,103,524</u>     |
| <b>Specialty Retail — (0.9%)</b>                             |               |                       |
| Zhongsheng Group Holdings, Ltd.(1) .....                     | 3,163,500     | 3,247,042             |

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**October 31, 2014**

| <u>Name of Issuer and Title of Issue</u>                   | <u>Shares</u> | <u>Value (Note A)</u> |
|--|---------------|-----------------------|
| <b>COMMON STOCK AND OTHER EQUITY INTERESTS (continued)</b> |               |                       |
| <b>HONG KONG (continued)</b>                               |               |                       |
| <b>Textiles, Apparel &amp; Luxury Goods — (3.0%)</b>       |               |                       |
| Li & Fung, Ltd.(1) .....                                   | 9,282,000     | \$ 11,322,431         |
| <b>Wireless Telecommunication Services — (3.7%)</b>        |               |                       |
| China Mobile, Ltd. ....                                    | 1,123,000     | 14,002,747            |
| <b>TOTAL HONG KONG — (Cost \$140,610,209) .....</b>        | <b>37.5%</b>  | <b>142,453,874</b>    |
| <b>HONG KONG — “H” SHARES</b>                              |               |                       |
| <b>Automobiles — (3.3%)</b>                                |               |                       |
| Dongfeng Motor Group Co., Ltd. ....                        | 2,108,000     | 3,256,375             |
| Qingling Motors Co., Ltd.† .....                           | 28,960,000    | 9,223,643             |
|  |               | 12,480,018            |
| <b>Commercial Banks — (7.4%)</b>                           |               |                       |
| China Minsheng Banking Corp., Ltd.(1) .....                | 18,621,100    | 18,680,648            |
| Industrial & Commercial Bank of China, Ltd. ....           | 14,319,000    | 9,453,435             |
|  |               | 28,134,083            |
| <b>Insurance — (2.2%)</b>                                  |               |                       |
| Ping An Insurance (Group) Company of China, Ltd. ....      | 1,015,500     | 8,295,328             |
| <b>Machinery — (2.6%)</b>                                  |               |                       |
| CSR Corp., Ltd.(1) .....                                   | 9,765,000     | 9,934,734             |
| <b>Oil, Gas &amp; Consumable Fuels — (3.8%)</b>            |               |                       |
| China Suntien Green Energy Corp., Ltd.† .....              | 12,785,000    | 3,396,057             |
| PetroChina Co., Ltd. ....                                  | 8,832,000     | 11,069,610            |
|  |               | 14,465,667            |
| <b>TOTAL HONG KONG — “H” SHARES —</b>                      |               |                       |
| (Cost \$68,458,360) .....                                  | 19.3%         | 73,309,830            |
| <b>TOTAL HONG KONG (INCLUDING “H” SHARES) —</b>            |               |                       |
| (Cost \$209,068,569) .....                                 | 56.8%         | 215,763,704           |
| <b>TAIWAN</b>  |               |                       |
| <b>Computers &amp; Peripherals — (2.3%)</b>                |               |                       |
| Advantech Co., Ltd. ....                                   | 694,841       | 4,820,129             |
| Primax Electronics, Ltd. ....                              | 3,174,000     | 3,860,996             |
|  |               | 8,681,125             |

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**October 31, 2014**

| <u>Name of Issuer and Title of Issue</u>  | <u>Shares</u> | <u>Value (Note A)</u> |
|---|---------------|-----------------------|
| <b>COMMON STOCK AND OTHER EQUITY INTERESTS (continued)</b>  |               |                       |
| <b>TAIWAN (continued)</b>   |               |                       |
| <b>Diversified Financial Services — (1.5%)</b>  |               |                       |
| Chailease Holding Co., Ltd. ....  | 2,328,200     | \$ 5,740,799          |
| <b>Electronic Equipment &amp; Instruments — (6.6%)</b>  |               |                       |
| Delta Electronics, Inc. ....  | 1,723,000     | 10,309,733            |
| Largan Precision Co., Ltd. ....   | 96,000        | 6,738,448             |
| Tong Hsing Electronic Industries, Ltd.† ....  | 2,067,000     | 7,848,980             |
|   |               | <u>24,897,161</u>     |
| <b>Insurance — (2.5%)</b>   |               |                       |
| Cathay Financial Holding Co., Ltd. ....   | 5,688,000     | 9,350,188             |
| <b>Leisure Equipment &amp; Products — (2.4%)</b>  |               |                       |
| Merida Industry Co., Ltd. ....  | 1,323,000     | 9,134,187             |
| <b>Semiconductors &amp; Semiconductor Equipment — (8.6%)</b>  |               |                       |
| Epistar Corp. ....  | 1,812,000     | 3,270,554             |
| Hermes Microvision, Inc.(1) ....  | 269,000       | 12,646,754            |
| Hermes Microvision, Inc. GDR ....   | 46,900        | 2,202,424             |
| MediaTek, Inc. ....   | 227,000       | 3,231,503             |
| Taiwan Semiconductor Manufacturing Co., Ltd.* ....  | 2,647,000     | 11,356,780            |
|   |               | <u>32,708,015</u>     |
| <b>TOTAL TAIWAN — (Cost \$71,108,720) ....</b>  | <b>23.9%</b>  | <b>90,511,475</b>     |
| <b>TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS — (Cost \$280,177,289) ....</b>                      | <b>80.7%</b>  | <b>306,275,179</b>    |
| <b>EQUITY-LINKED SECURITIES</b>   |               |                       |
| <b>Beverages — (1.8%)</b>   |               |                       |
| Kweichow Moutai Co., Ltd. Access Product (expiration 10/26/15)<br>144A*(2) ....                       | 262,090       | 6,681,356             |
| <b>Electronic Equipment &amp; Instruments — (0.9%)</b>  |               |                       |
| Hangzhou Hikvision Digital Technology Co., Ltd. Access Product<br>(expiration 01/20/15) 144A*(3) .... | 1,071,208     | 3,497,494             |
| <b>Hotels, Restaurants &amp; Leisure — (1.0%)</b>   |               |                       |
| China International Travel Service Corp., Ltd. Access Product<br>(expiration 08/25/15) 144A*(2) ....  | 626,632       | 3,844,763             |
| <b>Household Durables — (0.8%)</b>  |               |                       |
| Gree Electric Appliances, Inc. Access Product (expiration 01/16/15)<br>144A*(3) ....                  | 676,267       | 3,125,030             |

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

**THE CHINA FUND, INC.**  
**SCHEDULE OF INVESTMENTS (continued)**  
**October 31, 2014**

| <u>Name of Issuer and Title of Issue</u>   | <u>Shares</u>      | <u>Value (Note A)</u>              |
|--|--------------------|------------------------------------|
| <b>EQUITY-LINKED SECURITIES (continued)</b>  |                    |                                    |
| <b>Insurance — (1.0%)</b>  |                    |                                    |
| Ping An Insurance (Group) Company of China, Ltd. Access Product (expiration 06/30/15) 144A*(2) .....   | 541,933            | \$ 3,791,526                       |
| <b>Personal Products — (1.5%)</b>  |                    |                                    |
| Shanghai Jahwa United Co., Ltd. Access Product (expiration 01/16/15) 144A*(3) .....  | 513,350            | 3,019,525                          |
| Shanghai Jahwa United Co., Ltd. Access Product (expiration 06/12/17) 144A(2) .....   | 460,100            | 2,707,688                          |
|  |                    | <u>5,727,213</u>                   |
| <b>Pharmaceuticals — (1.2%)</b>  |                    |                                    |
| Jiangsu Hengrui Medicine Co., Ltd. Access Product (expiration 01/16/15) 144A*(3) .....   | 696,350            | 4,414,163                          |
| <b>TOTAL EQUITY-LINKED SECURITIES —</b>  |                    |                                    |
| (Cost \$28,766,698) .....  |                    | <u>8.2%</u> <u>31,081,545</u>      |
| <b>COLLATERAL FOR SECURITIES ON LOAN — (9.7%)</b>  |                    |                                    |
| State Street Navigator Securities Lending Prime Portfolio (Cost \$36,915,378) .....  | 36,915,378         | <u>36,915,378</u>                  |
|  | <b>Face Amount</b> |                                    |
| <b>SHORT TERM INVESTMENT— (0.5%)</b>   |                    |                                    |
| Repurchase Agreement with State Street Bank and Trust, dated 10/31/14, 0.00%, due 11/03/14, proceeds \$1,987,000; collateralized by a U.S. Treasury Note, 8.00%, due 11/15/21, valued at \$2,026,795. (Cost \$1,987,000) ..... | \$ 1,987,000       | <u>1,987,000</u>                   |
| <b>TOTAL INVESTMENTS — (Cost \$347,846,365) .....</b>  |                    | <u>99.1%</u> <u>376,259,102</u>    |
| <b>OTHER ASSETS AND LIABILITIES .....</b>  |                    | <u>0.9%</u> <u>3,432,919</u>       |
| <b>NET ASSETS .....</b>  |                    | <u>100.0%</u> <u>\$379,692,021</u> |

Notes to Schedule of Investments

\* Denotes non-income producing security.

† Affiliated issuer (see Note G).

(1) A portion or all of the security is on loan. As of October 31, 2014, the market value of the securities loaned was \$49,627,927.

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

(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 October 31, 2014, these restricted securities amounted to \$31,081,545, which represented 8.2% of total net assets.

GDR Global Depositary Receipt

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

**THE CHINA FUND, INC.**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**October 31, 2014**

**ASSETS**

|  |                    |
|--|--------------------|
| Investments in securities, at value (cost \$310,139,709) (including securities on loan, at value, \$49,627,927) (Note A) ..... | \$347,537,211      |
| Investments in non-controlled affiliated investments, at value (cost \$37,706,656) (Notes A and G) .....                       | 28,721,891         |
| Total Investments .....  | 376,259,102        |
| Cash .....   | 51                 |
| Foreign currency, at value (cost \$40,276,801) .....   | 40,627,599         |
| Receivable for securities lending income .....   | 25,074             |
| Dividends and interest receivable .....  | 136,260            |
| Prepaid expenses .....   | 84,838             |
| <b>TOTAL ASSETS</b> .....  | <u>417,132,924</u> |

**LIABILITIES**

|  |                      |
|--|----------------------|
| Payable upon return of collateral for securities on loan ..... | 36,915,378           |
| Investment management fee payable (Note B) .....               | 239,241              |
| Administration and custodian fees payable (Note B) .....       | 95,319               |
| Chief Compliance Officer fees payable .....                    | 5,000                |
| Directors' fees payable (Note B) .....                         | 5,308                |
| Accrued expenses and other liabilities .....                   | 180,657              |
| <b>TOTAL LIABILITIES</b> .....                                 | <u>37,440,903</u>    |
| <b>TOTAL NET ASSETS</b> .....                                  | <u>\$379,692,021</u> |

**COMPOSITION OF NET ASSETS:**

|  |                      |
|--|----------------------|
| Par value, 100,000,000 shares authorized, 15,682,029 shares outstanding (Note C) ..... | 156,820              |
| Paid in capital in excess of par .....   | 291,728,538          |
| Undistributed net investment income .....  | 4,675,768            |
| Accumulated net realized gain on investments and foreign currency transactions .....   | 54,367,376           |
| Net unrealized appreciation on investments and foreign currency .....                  | 28,763,519           |
| <b>TOTAL NET ASSETS</b> .....  | <u>\$379,692,021</u> |

**NET ASSET VALUE PER SHARE**

|   |                |
|---|----------------|
| (\$379,692,021/15,682,029 shares of common stock outstanding) ..... | <u>\$24.21</u> |
|---|----------------|

See notes to financial statements.

**THE CHINA FUND, INC.**  
**STATEMENT OF OPERATIONS**  
**Year Ended October 31, 2014**

**INVESTMENT INCOME:**

|  |                   |
|--|-------------------|
| Dividend income — (including dividends of \$1,391,816 from non-controlled affiliates, net of tax withheld of \$791,984) (Note G) ..... | \$ 8,795,076      |
| Interest income .....  | 910,728           |
| Securities lending income .....  | 305,729           |
| <b>TOTAL INVESTMENT INCOME</b> .....   | <u>10,011,533</u> |

**EXPENSES**

|   |                  |
|---|------------------|
| Investment Management fees (Note B) .....   | 2,503,267        |
| Directors' fees and expenses (Note B) ..... | 632,735          |
| Custodian fees (Note B) .....               | 574,388          |
| Administration fees (Note B) .....          | 515,565          |
| Audit and tax service fees .....            | 90,500           |
| Insurance .....                             | 86,600           |
| Legal fees .....                            | 73,549           |
| Chief Compliance Officer fee .....          | 60,000           |
| Printing and postage .....                  | 47,969           |
| Shareholder service fees .....              | 43,145           |
| Transfer agent fees .....                   | 22,960           |
| Stock exchange listing fee .....            | 21,623           |
| Stock dividend tax expense .....            | 8,411            |
| Miscellaneous expenses .....                | 172,994          |
| <b>TOTAL EXPENSES</b> .....                 | <u>4,853,706</u> |

|                                    |                  |
|------------------------------------|------------------|
| <b>NET INVESTMENT INCOME</b> ..... | <u>5,157,827</u> |
|------------------------------------|------------------|

**NET REALIZED AND UNREALIZED GAIN/(LOSS) ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS**

|  |                     |
|--|---------------------|
| Net realized gain on investments .....                                       | 37,030,673          |
| Net realized gain on non-controlled affiliate transactions (Note G) .....    | 17,356,376          |
| Net realized loss on foreign currency transactions .....                     | (167,878)           |
|  | <u>54,219,171</u>   |
| Net change in unrealized appreciation/depreciation on investments .....      | (31,664,047)        |
| Net change in unrealized appreciation/depreciation on foreign currency ..... | (213,557)           |
|  | <u>(31,877,604)</u> |

|  |                   |
|--|-------------------|
| <b>NET REALIZED AND UNREALIZED GAIN ON INVESTMENTS AND FOREIGN CURRENCY TRANSACTIONS</b> ..... | <u>22,341,567</u> |
|--|-------------------|

|   |                      |
|---|----------------------|
| <b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b> ..... | <u>\$ 27,499,394</u> |
|---|----------------------|

See notes to financial statements.

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

|  | Year Ended<br>October 31, 2014 | Year Ended<br>October 31, 2013 |
|--|--------------------------------|--------------------------------|
| <b>INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>   |                                |                                |
| Net investment income .....  | \$ 5,157,827                   | \$ 6,535,386                   |
| Net realized gain on investments and foreign currency transactions .....                                     | 54,219,171                     | 45,102,803                     |
| Net change in unrealized appreciation/depreciation on investments and<br>foreign currency transactions ..... | <u>(31,877,604)</u>            | <u>18,958,129</u>              |
| Net increase/(decrease) in net assets from operations .....  | <u>27,499,394</u>              | <u>70,596,318</u>              |
| <b>DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>   |                                |                                |
| Net investment income .....  | (6,879,707)                    | (5,533,326)                    |
| Net realized gains .....   | <u>(45,090,537)</u>            | <u>(46,274,085)</u>            |
| Total dividends and distributions to shareholders .....  | <u>(51,970,244)</u>            | <u>(51,807,411)</u>            |
| <b>CAPITAL SHARE TRANSACTIONS:</b>   |                                |                                |
| Cost of shares repurchased (Note D) .....  | —                              | (10,719,839)                   |
| <b>NET INCREASE (DECREASE) IN NET ASSETS</b> .....   | <u>(24,470,850)</u>            | <u>8,069,068</u>               |
| <b>NET ASSETS:</b>   |                                |                                |
| Beginning of Year .....  | <u>404,162,871</u>             | <u>396,093,803</u>             |
| End of Year .....  | <u>\$379,692,021</u>           | <u>\$404,162,871</u>           |
| Undistributed net investment income, end of year .....   | <u>\$ 4,675,768</u>            | <u>\$ 6,566,688</u>            |

See notes to financial statements.



# THE CHINA FUND, INC.

## FINANCIAL HIGHLIGHTS

Selected data for a share of common stock outstanding for the years indicated

|  | Year Ended October 31, |               |                     |                                 |                             |
|--|------------------------|---------------|---------------------|---------------------------------|-----------------------------|
|  | 2014                   | 2013          | 2012 <sup>(1)</sup> | 2011 <sup>(2)</sup>             | 2010 <sup>(2)</sup>         |
| <b>Per Share Operation Performance</b>   |                        |               |                     |                                 |                             |
| Net asset value, beginning of year   | \$ 25.77               | \$ 24.50      | \$ 28.99            | \$ 34.46                        | \$ 27.24                    |
| Net investment income*   | 0.33                   | 0.41          | 0.28                | 0.27                            | 0.21                        |
| Net realized and unrealized gain (loss) on investments and foreign currency transactions | 1.43                   | 4.05          | (1.95)              | (3.83)                          | 7.27                        |
| Total from investment operations   | 1.76                   | 4.46          | (1.67)              | (3.56)                          | 7.48                        |
| Less dividends and distributions:  |                        |               |                     |                                 |                             |
| Dividends from net investment income   | (0.44)                 | (0.35)        | (0.17)              | (0.37)                          | (0.26)                      |
| Distributions from net realized gains  | (2.88)                 | (2.90)        | (2.82)              | (1.90)                          | —                           |
| Total dividends and distributions  | (3.32)                 | (3.25)        | (2.99)              | (2.27)                          | (0.26)                      |
| Net increase from payment by affiliate   | —                      | —             | —                   | 0.36                            | —                           |
| Capital Share Transactions:  |                        |               |                     |                                 |                             |
| Accretion to net asset value, resulting from share repurchase program and tender offer   | —                      | 0.06          | 0.17                | —                               | —                           |
| Net asset value, end of year   | \$ 24.21               | \$ 25.77      | \$ 24.50            | \$ 28.99                        | \$ 34.46                    |
| Market price, end of year  | \$ 21.44               | \$ 22.66      | \$ 21.85            | \$ 25.88                        | \$ 33.45                    |
| <b>Total Investment Return (Based on Market Price)</b>                                   | <b>9.71%</b>           | <b>19.67%</b> | <b>(3.02)%</b>      | <b>(16.96)%<sup>(3)</sup></b>   | <b>33.70%</b>               |
| <b>Total Investment Return (Based on Net Asset Value)</b>                                | <b>8.93%</b>           | <b>21.38%</b> | <b>(2.93)%</b>      | <b>(9.71)%<sup>(3)(4)</sup></b> | <b>27.67%<sup>(4)</sup></b> |
| <b>Ratios and Supplemental Data</b>  |                        |               |                     |                                 |                             |
| Net assets, end of year (000's)  | \$379,692              | \$404,163     | \$396,094           | \$660,444                       | \$785,002                   |
| Ratio of expenses to average net assets  | 1.31%                  | 1.34%         | 1.41%               | 1.11% <sup>(5)</sup>            | 1.14%                       |
| Ratio of net investment income to average net assets                                     | 1.39%                  | 1.73%         | 1.12%               | 0.82%                           | 0.67%                       |
| Portfolio turnover rate  | 67%                    | 45%           | 78%                 | 20%                             | 29%                         |

\* 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) Beginning with the year ended October 31, 2012, the Fund was audited by Tait, Weller & Baker. The previous years were audited by another independent registered public accounting firm.

(3) Without the indemnity payment the Fund received, the Fund's total return on net asset value would have been (10.83)%.

(4) Unaudited.

(5) The ratio of expenses, net of management fee reimbursements, was 1.01%.

See notes to financial statements.

# THE CHINA FUND, INC.

## NOTES TO FINANCIAL STATEMENTS

### OCTOBER 31, 2014

---

#### **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. The following is a summary of significant accounting policies followed by the Fund in the preparation of its financial statements.

**Use of estimates:** The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses for the period. Actual results could differ from these estimates.

**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 Direct Investment Manager regarding each Direct Investment. Forward currency contracts are valued at the current cost of offsetting the contract. Equity linked securities are valued at fair value primarily based on the value(s) of the 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 price and extent of public trading in similar securities of the issuer or of comparable companies, the availability of quotations from broker-dealers, the availability of values of third parties other than the Investment Manager or Direct Investment Manager, information obtained from the issuer, analysts, and/or the appropriate stock exchange (if available), an analysis of the company’s financial statements, an evaluation of the forces that influence the issuer and the market(s) in which the security is purchased and sold and with respect to debt securities, the maturity, coupon, creditworthiness, currency denomination, and the movement of the market in which they trade.

## NOTES TO FINANCIAL STATEMENTS (continued)

**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. In the event of default on the obligation to repurchase, the Fund has the right to liquidate the collateral and apply the proceeds in satisfaction of the obligation. In the event of default, realization of the collateral proceeds may be subject to costs and delays.

**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 or even loss of rights in the collateral may occur should the borrower of the securities fail financially. Risks may also arise to the extent that the value of the collateral decreases below the value of the securities loaned. Upon entering into a securities lending transaction, the Fund receives cash or other securities as collateral in an amount equal to or exceeding 100% of the current market value of the loaned securities with respect to securities of the U.S. government or its agencies, 102% of the current market value of the loaned securities with respect to U.S. securities and 105% of the current market value of the loaned securities with respect to foreign securities. Any cash received as collateral is generally invested by State Street, acting in its capacity as securities lending agent (the “Agent”), in the State Street Navigator Securities Lending Prime Portfolio. 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 is rebated to the borrower of the securities and the remainder is split between the Agent and the Fund.

As of October 31, 2014, the Fund had loaned securities which were collateralized by cash and equities. The value of the securities on loan and the value of the related collateral were as follows:

| <u>Value of Securities</u> | <u>Value of Cash Collateral</u> | <u>Value of Non-Cash Collateral*</u> | <u>Total Collateral</u> |
|----------------------------|---------------------------------|--------------------------------------|-------------------------|
| \$49,627,927               | \$36,915,378                    | \$16,261,295                         | \$53,176,673            |

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

The following table presents financial instruments that are subject to enforceable netting arrangements as of October 31, 2014.

| <u>Gross Amounts Not Offset in the Statement of Assets and Liabilities</u>     |                             |                               |                                     |
|--|-----------------------------|-------------------------------|-------------------------------------|
| <u>Gross Asset Amounts Presented in Statement of Assets and Liabilities(a)</u> | <u>Financial Instrument</u> | <u>Collateral Received(b)</u> | <u>Net Amount (not less than 0)</u> |
| \$49,627,927   | —                           | (\$49,627,927)                | \$0                                 |

(a) Represents market value of loaned securities at period end.

(b) The actual collateral received is greater than the amount shown here due to overcollateralization.

## NOTES TO FINANCIAL STATEMENTS (continued)

---

**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 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 October 31, 2014, 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 the end of the year, the Fund did not hold any option contracts.

## NOTES TO FINANCIAL STATEMENTS (continued)

---

**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 October 31, 2014, the Fund held equity-linked securities, in the form of warrants issued by Credit Lyonnais and Citigroup Global Markets Holdings, (the “Issuers”). Under the terms of the agreements, each warrant entitles the Fund to receive from the corresponding Issuer an amount in U.S. dollars linked to the performance of specific equity shares. Under these agreements, 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 Issuers 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; however to date China has not implemented procedures to collect the tax. There can be no assurance that in the future China will not implement such procedures and also subject capital gains to taxation. If China does implement such procedures the Fund may be required to pay or reimburse for any taxes that the Issuers of the equity-linked securities became subject to under those procedures.

**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 October 31, 2014, 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

## NOTES TO FINANCIAL STATEMENTS (continued)

---

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 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. The Board of Directors has determined that if the Fund makes any distributions of capital gains realized during the fiscal year ended October 31, 2014, that distribution will be paid in cash, except with respect to stockholders that have elected to participate in the Fund's dividend reinvestment program.

**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 October 31, 2014, 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.

The tax character of distributions the Fund made during the year ended October 31, 2014, was \$6,879,707 from ordinary income and \$45,090,537 from long-term capital gains. For the year ended October 31, 2013, the Fund distributed \$5,533,326 from ordinary income and \$46,274,085 from long-term capital gains.

Tax components of distributable earnings are determined in accordance with income tax regulations which may differ from the composition of net assets reported under GAAP. Accordingly, for the year ended October 31, 2014, the effects of certain differences were reclassified. The Fund decreased undistributed net investment income by \$169,040 and increased accumulated net realized gain by \$169,040. These differences were primarily due to the differing tax treatment of foreign currency. Net assets of the Fund were unaffected by the reclassifications and the calculation of net investment income per share in the Financial Highlights excludes these adjustments.

## NOTES TO FINANCIAL STATEMENTS (continued)

---

As of October 31, 2014, the components of distributable earnings on a tax basis were \$4,675,768 of undistributed ordinary income and \$54,367,376 of undistributed capital gains, the Fund also had \$28,412,737 of net unrealized appreciation on investments and \$350,782 net unrealized appreciation on foreign currency, resulting in a total accumulated earnings of \$87,806,663. Permanent book/tax differences relate to foreign currency gains and losses and defaulted bond adjustments.

At October 31, 2014, the cost of investments for federal income tax purposes was \$347,846,365. Gross unrealized appreciation of investments was \$48,449,886 while gross unrealized depreciation of investments was \$20,037,149, resulting in net unrealized appreciation of investments of \$28,412,737.

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

Allianz Global Investors U.S. LLC (“AllianzGI U.S.”) is the Investment Manager for the Fund’s listed assets (the “Listed Assets”). AllianzGI U.S. 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. AllianzGI U.S. is the Investment Manager for the Fund’s direct investments. AllianzGI U.S. 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.

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

State Street provides, or arranges for the provision of certain administrative services for the Fund, including preparing certain reports and other documents required by federal and/or state laws and regulations. The Fund pays State Street a fee 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 October 31, 2014, there were 100,000,000 shares of \$0.01 par value capital stock authorized, of which 15,682,029 were issued and outstanding.



## NOTES TO FINANCIAL STATEMENTS (continued)

---

### **NOTE D — DISCOUNT MANAGEMENT PROGRAM**

On March 15, 2013, the Fund announced that the Board had voted to discontinue the operation of the Fund's Discount Management Program (the "Program") effective at the close of business on March 15, 2013. Prior to March 16, 2013, under the Program, the Fund repurchased its common shares in the open market on any day that the Fund's shares were trading at a discount of 8% or more from net asset value the prior day and there was a daily average discount of 8% or more from net asset value over the five-day period ending the prior day. On each day that shares were repurchased, the Fund repurchased its shares to the maximum extent permitted by law. On each day that shares were repurchased, in addition to the limits set forth above, the Fund repurchased shares only at such times that the market price represented a discount of 8% or more from the Fund's closing net asset value on the prior day. Under the program, the Fund was authorized to repurchase in each twelve month period ended October 31 up to 10% of its common shares outstanding as of October 31 of the prior year.

### **NOTE E — INVESTMENT TRANSACTIONS**

For the year ended October 31, 2014, the Fund's cost of purchases and proceeds from sales of investment securities, other than short-term securities, were \$224,259,306 and \$283,350,297, respectively.

### **NOTE F — 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.



## NOTES TO FINANCIAL STATEMENTS (continued)

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

| Name of Issuer                                | Balance of Shares/Par Held October 31, 2013 | Gross Purchases and Additions | Gross Sales and Reductions | Balance of Shares/Par Held October 31, 2014 | Value October 31, 2014 | Income From Non-Controlled Affiliates | Gain Realized on Sale of Shares as of October 31, 2014 |
|---|---|-------------------------------|----------------------------|---|------------------------|---------------------------------------|--|
| China Everbright International, Ltd.(1) ..... | 24,687,000                                  | 2,046,000                     | 20,685,000                 | 6,048,000                                   | \$ 8,406,932           | \$ —                                  | \$17,356,376   |
| China Suntien Green Energy Corp., Ltd. ....   | 3,731,000                                   | 9,054,000                     | —                          | 12,785,000                                  | 3,396,057              | 95,333                                | —  |
| Digital China Holdings, Ltd. ....             | 7,256,000                                   | 1,609,000                     | —                          | 8,865,000                                   | 8,253,211              | 203,535                               | —  |
| Qingling Motors Co., Ltd. ....                | 28,960,000                                  | —                             | —                          | 28,960,000                                  | 9,223,643              | 610,463                               | —  |
| Tong Hsing Electronic Industries, Ltd. ....   | 1,203,000                                   | 864,000                       | —                          | 2,067,000                                   | 7,848,980              | 482,485                               | —  |
|   | <u>65,837,000</u>                           | <u>13,573,000</u>             | <u>\$20,685,000</u>        | <u>58,725,000</u>                           | <u>\$37,128,823</u>    | <u>\$1,391,816</u>                    | <u>\$17,356,376</u>                                    |

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

(1) Represents an unaffiliated issuer as of October 31, 2014 and as such, amounts represented in the table above will not agree to balances in the Statements of Assets and Liabilities.

### NOTE H — 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.

## NOTES TO FINANCIAL STATEMENTS (continued)

The following is a summary of the inputs used as of October 31, 2014 in valuing the Fund's investments carried at value:

### ASSETS VALUATION INPUT

| <u>Description</u>                             | <u>Level 1</u>     | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>       |
|--|--------------------|-------------------|----------------|--------------------|
| <b>COMMON STOCK AND OTHER EQUITY</b>           |                    |                   |                |                    |
| <b>INTERESTS</b>                               |                    |                   |                |                    |
| Automobiles .....                              | \$ 12,480,018      | \$ —              | \$ —           | \$ 12,480,018      |
| Commercial Banks .....                         | 28,134,083         | —                 | —              | 28,134,083         |
| Commercial Services & Supplies .....           | 11,035,073         | —                 | —              | 11,035,073         |
| Communications Equipment .....                 | 5,630,209          | —                 | —              | 5,630,209          |
| Computers & Peripherals .....                  | 8,681,125          | —                 | —              | 8,681,125          |
| Diversified Financial Services .....           | 18,537,227         | —                 | —              | 18,537,227         |
| Electronic Equipment & Instruments .....       | 33,150,372         | —                 | —              | 33,150,372         |
| Industrial Conglomerates .....                 | 22,217,931         | —                 | —              | 22,217,931         |
| Insurance .....                                | 17,645,516         | —                 | —              | 17,645,516         |
| Internet Software & Services .....             | 9,969,027          | —                 | —              | 9,969,027          |
| Leisure Equipment & Products .....             | 9,134,187          | —                 | —              | 9,134,187          |
| Machinery .....                                | 9,934,734          | —                 | —              | 9,934,734          |
| Metals & Mining .....                          | 4,718,176          | —                 | —              | 4,718,176          |
| Oil, Gas & Consumable Fuels .....              | 18,603,567         | —                 | —              | 18,603,567         |
| Personal Products .....                        | 4,152,672          | —                 | —              | 4,152,672          |
| Real Estate Management & Development .....     | 14,867,503         | —                 | —              | 14,867,503         |
| Semiconductors & Semiconductor Equipment ..... | 48,811,539         | —                 | —              | 48,811,539         |
| Specialty Retail .....                         | 3,247,042          | —                 | —              | 3,247,042          |
| Textiles, Apparel & Luxury Goods .....         | 11,322,431         | —                 | —              | 11,322,431         |
| Wireless Telecommunication Services .....      | 14,002,747         | —                 | —              | 14,002,747         |
| <b>TOTAL COMMON STOCK AND OTHER EQUITY</b>     |                    |                   |                |                    |
| <b>INTERESTS .....</b>                         | <b>306,275,179</b> | <b>—</b>          | <b>—</b>       | <b>306,275,179</b> |
| <b>EQUITY-LINKED SECURITIES</b>                |                    |                   |                |                    |
| Beverages .....                                | —                  | 6,681,356         | —              | 6,681,356          |
| Electronic Equipment & Instruments .....       | —                  | 3,497,494         | —              | 3,497,494          |
| Hotels, Restaurants & Leisure .....            | —                  | 3,844,763         | —              | 3,844,763          |
| Household Durables .....                       | —                  | 3,125,030         | —              | 3,125,030          |
| Insurance .....                                | —                  | 3,791,526         | —              | 3,791,526          |
| Personal Products .....                        | —                  | 5,727,213         | —              | 5,727,213          |
| Pharmaceuticals .....                          | —                  | 4,414,163         | —              | 4,414,163          |
| <b>TOTAL EQUITY-LINKED SECURITIES .....</b>    | <b>—</b>           | <b>31,081,545</b> | <b>—</b>       | <b>31,081,545</b>  |

## NOTES TO FINANCIAL STATEMENTS (continued)

| Description                                 | Level 1       | Level 2      | Level 3 | Total         |
|---|---------------|--------------|---------|---------------|
| COLLATERAL FOR SECURITIES ON LOAN . . . . . | \$ 36,915,378 | \$ —         | \$ —    | \$ 36,915,378 |
| SHORT TERM INVESTMENT . . . . .             | —             | 1,987,000    | —       | 1,987,000     |
| TOTAL INVESTMENTS . . . . .                 | \$343,190,557 | \$33,068,545 | \$ —    | \$376,259,102 |

The Fund's policy is to disclose transfers between levels based on valuations at the end of the reporting period. As of October 31, 2014, there were no transfers between Level 1, 2 or 3.

The following is a reconciliation of the fair valuations using significant unobservable inputs (Level 3) for the Fund during the year ended October 31, 2014:

| Investments in Securities                     | Balance as of<br>October 31,<br>2013 | Purchases          | Sales                  | Realized Gain/<br>(Loss) | Change in<br>Unrealized<br>Appreciation<br>(Depreciation) | Transfers<br>in to<br>Level 3 | Transfers<br>out of<br>Level 3 | Balance as of<br>October 31,<br>2014 | Change in<br>Unrealized<br>Appreciation<br>(Depreciation)<br>from<br>Investments<br>Held at |
|---|--------------------------------------|--------------------|------------------------|--------------------------|---|-------------------------------|--------------------------------|--------------------------------------|---|
|   |                                      |                    |                        |                          |   |                               |                                |                                      | October 31,<br>2014   |
| COMMON STOCK AND OTHER EQUITY INTERESTS       |                                      |                    |                        |                          |   |                               |                                |                                      |   |
| Commercial Services &<br>Supplies . . . . .   | \$1,119,908                          | \$ —               | (\$ 1,727,606)         | (\$ 6,246,477)           | \$ 6,854,175  | \$—                           | \$—                            | \$—                                  | \$—   |
| DIRECT INVESTMENTS                            |                                      |                    |                        |                          |   |                               |                                |                                      |   |
| Food Products . . . . .                       | — <sup>^</sup>                       | —                  | —                      | (15,000,034)             | 15,000,034  | —                             | —                              | —                                    | —   |
| Health Care Providers &<br>Services . . . . . | 6,007,700                            | 7,509,916          | (15,018,669)           | (1,162)                  | 1,502,215   | —                             | —                              | —                                    | —   |
|   | <u>\$7,127,608</u>                   | <u>\$7,509,916</u> | <u>(\$ 16,746,275)</u> | <u>(\$ 21,247,673)</u>   | <u>\$23,356,424</u>                                       | <u>\$—</u>                    | <u>\$—</u>                     | <u>\$—</u>                           | <u>\$—</u>  |

<sup>^</sup> The Fund held securities with zero market value that were written off during the reporting period.

### NOTE I — DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Fund did not enter into any derivatives transactions or hedging activities for the year ended October 31, 2014.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

---

---

To the Shareholders and The Board of Directors of  
The China Fund, Inc.

We have audited the accompanying statement of assets and liabilities, including the schedule of investments, of The China Fund, Inc. (the "Fund"), as of October 31, 2014 and the related statement of operations for the year then ended, the statements of changes in net assets for each of the two years in the period then ended and the financial highlights for each of the three years in the period then ended. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. The financial highlights for each of the two years in the period ended October 31, 2011 have been audited by other auditors whose report dated December 23, 2011 expressed an unqualified opinion on such financial highlights.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of October 31, 2014, by correspondence with the custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of The China Fund, Inc. as of October 31, 2014, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the three years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

*Tait Weller & Pheasant LLP*

Philadelphia, Pennsylvania  
December 19, 2014

# THE CHINA FUND, INC.

## Other Information (Unaudited)

---

### TAX INFORMATION

**Foreign Taxes Credit:** The Fund designates \$728,459 as foreign taxes paid and \$9,534,951 as foreign source income earned for regular Federal income tax purposes.

**Qualified Dividend Income:** For the fiscal year ended October 31, 2014, the Fund will designate up to the maximum amount allowable pursuant to the Internal Revenue Code, as qualified dividend income eligible for reduced tax rates. These lower rates range from 5% to 15% depending on the individual's tax bracket. Complete information will be reported in conjunction with the Form 1099-DIV. For the year ended October 31, 2014, the Fund had \$2,675,442 in Qualified Dividend Income and 0.00% of total ordinary income dividends paid qualified for the corporate dividends received deduction.

### 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.

### PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that are used by the Fund's investment advisers to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling 1-888-CHN-CALL (246-2255); and (2) as an exhibit to the Fund's annual report on Form N-CSR which is available on the website of the Securities and Exchange Commission (the "Commission") at <http://www.sec.gov>. Information regarding how the investment advisers vote these proxies is now available by calling the same number and on the Commission's website. The Fund has filed its report on Form N-PX covering the Fund's proxy voting record for the 12 month period ending June 30, 2014.

**THE CHINA FUND, INC.**  
**Other Information (continued) (Unaudited)**

---

**QUARTERLY PORTFOLIO OF INVESTMENTS**

A Portfolio of Investments will be filed as of the end of the first and third quarter of each fiscal year on Form N-Q and will be available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Form N-Q has been filed as of January 31, 2014 for the first quarter of this fiscal year and is available on the Securities and Exchange Commission's website at <http://www.sec.gov>. Additionally, the Portfolio of Investments may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The quarterly Portfolio of Investments will be made available 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 1, 2014, he was not aware of any violation by the Fund of applicable New York Stock Exchange corporate governance listing standards. The Fund also has included the certifications of the Fund's chief executive officer and chief financial officer required by Section 302 and Section 906 of the Sarbanes-Oxley Act of 2002 in the Fund's Form N-CSR filed with the Securities and Exchange Commission, for the period of this report.

## **DIVIDENDS AND DISTRIBUTIONS: SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN**

---

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](http://www.computershare.com/investor).

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

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

Participants in the Plan have the option of making additional payments to the Plan Agent annually, in any amount from \$100 to \$3,000 for investment in the Fund’s Common Stock. The Plan Agent will use all funds received from participants (as well as any dividends and capital gains distributions received in cash) to purchase Fund shares in the open market on January 15 of each year or the next trading day if January 15th is not a trading day. Participants may make voluntary cash payments by sending a check (in U.S. dollars and drawn on a U.S. Bank) made payable to “Computershare” along with a completed transaction form which is attached to each statement a Participant receives. The Plan Agent will not accept cash, traveler’s checks, money orders or third party checks. Any voluntary cash payments received more than thirty-five days prior to such date will be returned by the Plan Agent, and interest will not be paid on any such amounts. To avoid unnecessary cash accumulations, and also to allow ample time for receipt and processing by the Plan Agent, participants should send in voluntary cash payments to be received by the Plan Agent approximately two days before January 15. A participant may withdraw a voluntary cash payment by written notice, if the notice is received by the Plan Agent not less than 48 hours before such payment is to be

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

---

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.

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

The Plan Agent will hold shares of common stock acquired pursuant to the Plan in non-certificated form in the name of the Participant for whom such shares are being held and each Participant's proxy will include those shares of common stock held pursuant to the Plan. The Plan Agent will forward to each Participant any proxy solicitation material received by it. In the case of 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.



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

---

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.

Requests for copies of the Plan, which sets forth all of the terms of the Plan, and all correspondence concerning the Plan should be directed to Computershare Trust Company, N.A., the Plan Agent for The China Fund, Inc., in writing at P.O. Box 43078, Providence, Rhode Island, 02940-3078, by telephone at 1-800-426-5523 or via the Internet at [www.computershare.com/investor](http://www.computershare.com/investor).

## Directors and Officers (Unaudited)

The following table provides information concerning each of the Directors of the Fund. The Board of Directors is comprised of Directors who are not interested persons of the Fund, as that term is defined in Section 2(a)(19) of the Investment Company Act of 1940, as amended. The Directors are divided into three classes, designated as Class I, Class II and Class III. The Directors in each such class are elected for a term of three years to succeed the Directors whose term of office expires. Each Director shall hold office until the expiration of his term and until his successor shall have been elected and qualified.

| Name (Age) and Address of Directors or Nominees for Director                                | Position(s) Held with Fund         | Director Since (Term Ends) | Principal Occupation(s) or Employment During Past Five Years  | Number of Funds in the Complex (1) Overseen by the Director or Nominee | Other Directorships/ Trusteeships in Publicly Held Companies For the Past Five Years   |
|---|------------------------------------|----------------------------|---|--|--|
| <b>CLASS I</b>  |                                    |                            |   |  |  |
| James J. Lightburn (71) . . . . .<br>13, Rue Alphonse de<br>Neuville 75017<br>Paris, France | Director                           | 1992<br>(2015)             | Retired; Attorney, Nomos (law firm) (2004-2006); Attorney, member of Hughes Hubbard & Reed (law firm) (1993-2004).  | 1  | Fromageries Bel S.A.   |
| Joe O. Rogers (66) . . . . .<br>2477 Foxwood Drive<br>Chapel Hill, NC 27514                 | Chairman of the Board and Director | 1992<br>(2015)             | Principal, Rogers International LLC (investment consultation) (2010-present); Visiting Professor, Fudan University School of Management (2010-2012).                | 1  | Chairman of the Board, Director and Member of the Audit Committee, The Taiwan Fund, Inc. (1986-present)  |
| <b>CLASS II (Nominees)</b>  |                                    |                            |   |  |  |
| Michael F. Holland (70) . . . . .<br>375 Park Avenue<br>New York,<br>New York 10152         | Director                           | 1992<br>(2016)             | Chairman, Holland & Company L.L.C. (investment adviser) (1995-present).   | 1  | Director, The Holland Balanced Fund, Inc., The Taiwan Fund, Inc., Reaves Utility Income Fund and Blackstone/GSO Loan Funds; Trustee and Co-Chairman, State Street Master Funds; State Street Institutional Investment Trust and Trustee SSgA Funds |
| Li Jin (44) . . . . .<br>204 Moss Hill Rd<br>Boston, MA 02130                               | Director                           | 2013<br>(2016)             | Professor, Oxford University (2012- present); Chair Professor, Peking University (2012-present); Assistant and Associate Professor, Harvard University (2001-2012). | 1  | None   |

## Directors and Officers (continued) (Unaudited)

| Name (Age) and Address of Directors or Nominees for Director                                      | Position(s) Held with Fund | Director Since (Term Ends) | Principal Occupation(s) or Employment During Past Five Years  | Number of Funds in the Complex (1) Overseen by the Director or Nominee | Other Directorships/ Trusteeships in Publicly Held Companies For the Past Five Years   |
|---|----------------------------|----------------------------|---|--|--|
| Gary L. French (63) . . . . .<br>1307 61st Street NW<br>Bradenton, FL 34209                       | Director                   | 2013<br>(2016)             | Real estate investor; Manager Member, Warners Bayou Investments I, LLC and Palma Sola Investments I, LLC (2011-present); Senior Consultant, Regulatory Fundamentals Group (development and distribution of software and related consulting services) (2011-present); Senior Vice President and Business Head, Fund Administration Division, State Street Bank (mutual fund servicing organization) (2002-2010). | 1  | Independent Trustee, Exchange Traded Concepts Trust (2011-2014); Independent Trustee, JP Morgan Exchange — Traded Fund Trust (2014-present). |
| <b>CLASS III</b>  |                            |                            |   |  |  |
| William C. Kirby (64) . . . . .<br>Morgan Hall 147<br>Harvard Business School<br>Boston, MA 02163 | Director                   | 2007<br>(2017)             | T. M. Chang Professor of China Studies (2006-present); Spangler Family Professor of Business Administration (2006-present); Chairman, Harvard China Fund (2006-present); Harvard University Distinguished Service Professor (2006-present); Director, John K. Fairbank Center for Chinese Studies, Harvard University (2006-2014); Dean of the Faculty of Arts and Sciences Harvard University (2002-2006).     | 1  | Director and Member of the Nominating Committee, The Taiwan Fund, Inc. (2013-present); Cabot Corporation                                     |

(1) The term “Fund Complex” means two or more registered investment companies that share the same investment adviser or principal underwriter or hold themselves out to investors as related companies for the purposes of investment and investor services.

## Directors and Officers (continued) (Unaudited)

---

### Officers of the Fund

The following table provides information concerning each of the officers of the Fund.

| <u>Name (Age) and Address of Officers</u>   | <u>Position(s) Held with Fund</u> | <u>Officer Since</u> | <u>Principal Occupation(s) or Employment During Past Five Years</u>  |
|---|-----------------------------------|----------------------|--|
| Joseph Quirk (46) . . . . .<br>Allianz Global Investors<br>U.S. LLC<br>1633 Broadway<br>New York, NY 10019                        | President                         | February<br>2014     | Managing Director and Head of Fund Operations for Allianz Global Investors (2008-present).                                 |
| Patrick Keniston (50) . . . . .<br>Foreside Compliance<br>Services, LLC<br>Three Canal Plaza,<br>Suite 100,<br>Portland, ME 04101 | Chief Compliance<br>Officer       | August<br>2011       | Director, Foreside Compliance Services, LLC (October 2008-present); Counsel, Citi Fund Services (March 2005-October 2008). |
| Laura F. Dell (50) . . . . .<br>4 Copley Place, Boston,<br>MA 02116   | Treasurer                         | December<br>2008     | Vice President, State Street Bank and Trust Company (July 2007-present).   |
| Caroline M. Connolly (38) . . . . .<br>4 Copley Place<br>Boston, MA 02116   | Assistant Treasurer               | January<br>2013      | Assistant Vice President, State Street Bank and Trust Company (2007-present).  |
| Brian Link (42) . . . . .<br>4 Copley Place<br>Boston, MA 02116   | Secretary                         | June 2014            | Vice President and Managing Counsel, State Street Bank and Trust Company (2004-present).                                   |
| Francine S. Hayes (46) . . . . .<br>4 Copley Place,<br>Boston, MA 02116   | Assistant Secretary               | June 2005            | Vice President and Managing Counsel, State Street Bank and Trust Company (2004-present).                                   |







# **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  
James J. Lightburn, Director  
Michael F. Holland, Director  
William Kirby, Director  
Li Jin, Director  
Gary L. French, Director  
Joseph Quirk, President  
Patrick Keniston, Chief Compliance Officer of the Fund  
Laura F. Dell, Treasurer  
Caroline M. Connolly, Assistant Treasurer  
Brian Link, Secretary  
Francine S. Hayes, Assistant 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.