

CHINA FUND INC
Form N-CSRS
July 06, 2016
Table of Contents

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

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number: 811-05749

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

C/O STATE STREET BANK & TRUST COMPANY
ONE LINCOLN STREET
P.O. BOX 5049
BOSTON, MA 02206-5049

(Address of principal executive offices)(Zip code)

Copy to:

Brian F. Link

Leonard B. Mackey, Jr., Esq.

Secretary

Clifford Chance US LLP

The China Fund, Inc.

31 West 52nd Street

100 Summer Street

New York, New York 10019-6131

SUM0703

Boston, MA 02111

(Name and Address of Agent for Service)

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

Date of fiscal year end: October 31

Date of reporting period: April 30, 2016

Table of Contents

Item 1. Report to Stockholders.

Table of Contents

THE CHINA FUND, INC.

SEMI-ANNUAL REPORT

April 30, 2016 (unaudited)

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

	Page
<u>Key Highlights</u>	1
<u>Asset Allocation</u>	2
<u>Industry Allocation</u>	3
<u>Chairman's Statement</u>	4
<u>Investment Manager's Statement</u>	5
<u>About the Portfolio Manager</u>	7
<u>Schedule of Investments</u>	8
<u>Financial Statements</u>	12
<u>Notes to Financial Statements</u>	16
<u>Other Information</u>	24
<u>Dividends and Distributions: Summary of Dividend Reinvestment and Cash Purchase Plan</u>	28

Table of Contents**THE CHINA FUND, INC.****KEY HIGHLIGHTS (unaudited)****FUND DATA**

NYSE Stock Symbol	CHN
Listing Date	July 10, 1992
Shares Outstanding	15,722,675
Total Net Assets (04/30/16)	\$262,651,868
Net Asset Value Per Share (04/30/16)	\$16.71
Market Price Per Share (04/30/16)	\$14.54

TOTAL RETURN⁽¹⁾**Performance as of**

04/30/16:	Net Asset Value	Market Price
1-Year Cumulative	-26.93%	-27.02%
3-Year Cumulative	8.33%	5.76%
3-Year Annualized	2.70%	1.88%
5-Year Cumulative	-3.60%	-7.94%
5-Year Annualized	-0.73%	-1.64%
10-Year Cumulative	149.04%	98.40%
10-Year Annualized	9.55%	7.09%

DIVIDEND HISTORY

Record Date	Income	Capital Gains
12/28/15	\$0.2133	\$1.2825
12/22/14	\$0.2982	\$3.4669
12/23/13	\$0.4387	\$2.8753
12/24/12	\$0.3473	\$2.9044
12/23/11	\$0.1742	\$2.8222
12/24/10	\$0.3746	\$1.8996
12/24/09	\$0.2557	
12/24/08	\$0.4813	\$5.3361
12/21/07	\$0.2800	\$11.8400
12/21/06	\$0.2996	\$3.7121

(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.

Table of Contents

THE CHINA FUND, INC.

ASSET ALLOCATION AS OF April 30, 2016 (unaudited)

Ten Largest Listed Equity Investments *

1. Taiwan Semiconductor Manufacturing Co., Ltd.	7.9%
2. Tencent Holdings, Ltd.	5.9%
3. China Overseas Land & Investment Ltd.	5.3%
4. CK Hutchison Holdings, Ltd.	4.9%
5. Hong Kong Exchanges and Clearing, Ltd.	4.6%
6. China Merchants Bank Co., Ltd.	4.0%
7. Ping An Insurance (Group) Company of China, Ltd.	3.8%
8. Qingling Motors Co., Ltd.	3.6%
9. China Mobile, Ltd.	3.5%
10. Sun Hung Kai Properties, Ltd.	3.3%

* Percentages based on net assets.

Table of Contents

INDUSTRY ALLOCATION (unaudited)

Fund holdings are subject to change and percentages shown above are based on net assets at April 30, 2016. A complete list of holdings at April 30, 2016 is contained in the Schedule of Investments included in this report. The most current available data regarding portfolio holdings can be found on our website, www.chinafundinc.com. You may also obtain holdings by calling 1-888-246-2255.

Industry Allocation (as a percentage of net assets)

Table of Contents

THE CHINA FUND, INC.

CHAIRMAN'S STATEMENT (unaudited)

Dear Stockholders,

The start to 2016 has seen a lot of volatility in global markets as we anticipated in my last letter in October. China was no exception and investors endured extreme market movements in the first few weeks of the year. Details on how The China Fund, Inc. (the Fund) was impacted were outlined in the monthly commentary provided by the investment manager.

In short, since October 31st the Fund returned -7.70% versus the MSCI Golden Dragon Index of -6.01%. This period has been marked by reports of China's domestic socio-economic woes, its territorial ambitions in the South China Sea, as well as its growing influence in global trade and industry.

Taken at face value these can paint China in a less than glowing light. However, we would caution against letting this give you an unduly negative bias against the investment opportunities in the China markets. The interpretation of China's actions and communication is seldom straightforward. But it is precisely in inefficient markets that active fund managers can seek to exploit opportunities through better analysis and interpretation of the information available, as well as in depth company research.

One effort we have made to keep Stockholders informed and help make sense of developments in the China markets is to put in place a more comprehensive communication program with the investment manager. With this enhancement you can expect to see more frequent updates from the investment manager whenever there are significant events or announcements that could affect your investments in the Fund. These will be posted on the Fund's website www.chinafundinc.com

On behalf of my fellow Board members I thank you for investing with us and we look forward to your continued support.

Sincerely,

Joe O. Rogers

Chairman

Table of Contents

THE CHINA FUND, INC.

INVESTMENT MANAGER'S STATEMENT (unaudited)

Market Review

After the extreme volatility of 2015's summer months, it was not surprising that many investors sold down their China equity exposure. The market sell-down has led to broad valuations hitting exceptionally low levels. Within this, however, there is an almost two-tier market. Old economy stocks are highly depressed while much of the rest of the market continues to trade at higher valuations.

Markets continued to be challenging going into 2016. The outlook for China continued to be a dominant theme. Concerns over a slowing economy, high levels of debt and the potential for further currency weakness created significant headwinds for the Chinese and Hong Kong equity markets. Significant policy action was taken to mitigate the pace of the economic slowdown. This included both monetary and fiscal policy easing, in particular targeting key sectors such as the property market.

Macroeconomic readings towards the end of the period seemed to point towards stabilization in the economy, with export growth, industrial production and manufacturing PMI (Purchasing Managers' Index) reversing the previously declining trends. The Renminbi also rebounded slightly vs. the US Dollar. This is partly due to weakness in the US Dollar but also because investor concerns over capital flight from China have receded, especially following the announcement that in March foreign exchange reserves had unexpectedly increased. Overall, fears of a hard landing scenario in China have receded, but investors are waiting for a few more months of improvement before becoming optimistic towards China.

Performance

The Fund underperformed the MSCI Golden Dragon Index (the Benchmark) for the six-months ending April 30, 2016. During this period the Fund returned -7.70% compared with -6.01% for the Benchmark. A significant part of the underperformance could be attributable to our stock selection in the financials sector, in particular, our exposure to Chinese insurers and mid-sized banks were the main detractors. Some of the Fund's core holdings within the industrial sector also suffered from profit taking, as investors started chasing the market rally after Chinese New Year as crude oil prices rebounded. On the other hand, select companies in the consumer and information technology sectors performed well against a gloomy market environment and contributed positively to performance.

More specifically, China Everbright International Ltd., one of China's largest waste treatment companies, was the top detractor over the period. The company's share price decline was caused by concerns over potential project delays. We have been following this company since it launched its first project and have been a long term investor for more than five years. We believe the demand for waste treatment will continue to rise as China pursues its economic growth. The proven execution track record, good relationships with local government and high entry barrier make us confident about the competitiveness of this company. We will remain invested for the long term structural growth potential.

On the other hand, Digital China Holdings Ltd., a small cap technology service provider, was the top contributor. This company has previously suffered from a depressed valuation due to its low margin distribution business.

Table of Contents

THE CHINA FUND, INC.

INVESTMENT MANAGER'S STATEMENT (continued) (unaudited)

Therefore, its plan to spin-off the distribution business to concentrate fully on internet services has been received positively by investors. A special dividend from the spin-off provided some additional support to the share price.

Outlook

While the economy has shown some signs of stabilization, the visibility of reforms to restructure the economy is still low. The subdued level of trading activity in April suggests that investors are generally side-lined, waiting for more evidence of a sustainable pick-up in economic activity in China.

In the current environment, we firmly believe that selecting stocks with sustainable and visible earnings growth is crucial. Overall, we are not chasing the rally, as many cyclical companies that have outperformed still face significant over-capacity issues which will take time to resolve. We may, however add to economically-sensitive companies on a selective basis where we see an earnings recovery and reasonable valuations. This approach has resulted in positioning the portfolio more towards companies that should benefit from the ongoing economic rebalancing in China, including consumer services, industrial upgrade, health care and the growth of e-commerce.

Table of Contents

THE CHINA FUND, INC.

ABOUT THE PORTFOLIO MANAGER (unaudited)

The Fund's investment manager is Allianz Global Investors U.S. LLC, an Allianz Global Investors company.

Allianz Global Investors (AGI) is a diversified active investment manager with a strong parent company and a culture of risk management. With 24 offices in 18 countries, AGI provides global investment and research capabilities with consultative local delivery. It has \$480 billion¹ in assets under management for individuals, families and institutions worldwide, and employs over 500 investment professionals.

Ms. Christina Chung serves as the portfolio manager for the Fund's portfolio of listed and direct securities. She joined the group in 1998 and has been a managing director since January 2010. She heads the Greater China Team and is the lead manager of Hong Kong, China, China A-shares and Greater China equity mandates. The Hong Kong and China Funds that she manages have won industry recognition and awards for consistent, strong performance. She has 26 years' experience in managing Asian regional and single country portfolios for both institutional and retail accounts.

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

¹ Combined worldwide AUM as of December 31, 2015.

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

April 30, 2016 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK AND OTHER EQUITY INTERESTS		
HONG KONG		
Automobiles (1.1%)		
Zhengzhou Yutong Bus Co., Ltd	910,530	\$ 2,879,940
Biotechnology (1.5%)		
3SBio, Inc.(1)144A*	3,175,500	3,843,856
Commercial Services & Supplies (4.0%)		
China Everbright International, Ltd.(1)	7,256,000	8,184,549
Goldpac Group, Ltd.(1)	5,521,000	2,227,673
		10,412,222
Construction & Engineering (1.3%)		
China State Construction International Holdings, Ltd.	2,110,000	3,291,222
Diversified Financial Services (4.6%)		
Hong Kong Exchanges and Clearing, Ltd.	477,900	12,099,514
Diversified Telecommunication Services (1.4%)		
China Unicom Hong Kong, Ltd.	3,214,000	3,795,166
Electronic Equipment & Instruments (5.7%)		
Digital China Holdings, Ltd.(1)	9,360,000	6,491,537
Zhuzhou CSR Times Electric Co., Ltd.	1,468,000	8,392,843
		14,884,380
Food Products (1.5%)		
Want Want China Holdings, Ltd.(1)	5,143,000	3,958,041
Hotels, Restaurants & Leisure (2.2%)		
Sands China, Ltd	1,634,800	5,858,667
Industrial Conglomerates (7.2%)		
Beijing Enterprises Holdings, Ltd.	1,182,500	6,211,810
CK Hutchison Holdings, Ltd.	1,064,000	12,749,127
		18,960,937

Edgar Filing: CHINA FUND INC - Form N-CSRS

Internet Software & Services (9.4%)		
Alibaba Group Holding, Ltd.(1)ADR*	60,998	4,693,186
Baidu, Inc. ADR*	23,473	4,560,804
Tencent Holdings, Ltd.	757,500	15,516,578
		24,770,568
Metals & Mining (0.3%)		
Tiangong International Co., Ltd.	11,240,000	912,843

See notes to financial statements.

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

April 30, 2016 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK AND OTHER EQUITY INTERESTS (continued)		
HONG KONG (continued)		
Oil, Gas & Consumable Fuels (3.2%)		
CNOOC, Ltd.	6,788,000	\$ 8,452,951
Pharmaceuticals (2.0%)		
CSPC Pharmaceutical Group, Ltd.	5,804,000	5,147,606
Real Estate Management & Development (8.6%)		
China Overseas Land & Investment, Ltd.	4,324,000	13,795,908
Sun Hung Kai Properties, Ltd.	688,000	8,696,119
		22,492,027
Semiconductors & Semiconductor Equipment (1.5%)		
Semiconductor Manufacturing International Corp.*	48,792,000	3,962,585
Textiles, Apparel & Luxury Goods (2.3%)		
Li & Fung, Ltd.(1)	9,798,000	6,075,359
Wireless Telecommunication Services (3.5%)		
China Mobile, Ltd.	801,000	9,184,761
TOTAL HONG KONG (Cost \$173,071,396)		61.3% 160,982,645
HONG KONG H SHARES		
Automobiles (3.6%)		
Qingling Motors Co., Ltd.#(1)	28,960,000	9,482,474
Commercial Banks (4.0%)		
China Merchants Bank Co., Ltd.	4,731,500	10,417,803
Insurance (3.8%)		
Ping An Insurance (Group) Company of China, Ltd.	2,112,000	9,978,317
Transportation Infrastructure (1.2%)		
Qingdao Port International Co., Ltd.#(1)144A	6,596,000	3,154,598
TOTAL HONG KONG H SHARES (Cost \$33,609,607)		12.6% 33,033,192

TOTAL HONG KONG (INCLUDING H SHARES) (Cost \$206,681,003)	73.9%	194,015,837
TAIWAN		
Computers & Peripherals (2.1%)		
Advantech Co., Ltd.	798,841	5,647,095
Diversified Financial Services (2.0%)		
Fubon Financial Holdings Co., Ltd.	4,270,000	5,196,338

See notes to financial statements.

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

April 30, 2016 (unaudited)

Name of Issuer and Title of Issue	Shares	Value (Note A)
COMMON STOCK AND OTHER EQUITY INTERESTS (continued)		
TAIWAN (continued)		
Electronic Equipment & Instruments (4.1%)		
Delta Electronics, Inc.	1,680,359	\$ 7,814,896
Largan Precision Co., Ltd.(1)	41,000	2,885,623
		10,700,519
Insurance (1.5%)		
Cathay Financial Holding Co., Ltd.(1)	3,462,000	3,891,034
Leisure Equipment & Products (1.2%)		
Merida Industry Co., Ltd.(1)	805,000	3,307,057
Semiconductors & Semiconductor Equipment (7.9%)		
Taiwan Semiconductor Manufacturing Co., Ltd.	4,461,000	20,746,907
TOTAL TAIWAN (Cost \$46,309,899)		18.8% 49,488,950
TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS (Cost \$252,990,902)		92.7% 243,504,787
EQUITY-LINKED SECURITIES		
Automobiles (1.0%)		
Chongqing Changan Automobile Co., Ltd. Access Product (expiration 01/17/17)(2)144A	558,897	1,380,476
Chongqing Changan Automobile Co., Ltd. Access Product (expiration 02/10/25)(3)144A	487,000	1,193,637
		2,574,113
Hotels, Restaurants & Leisure (1.9%)		
China CYTS Tours Holding Co., Ltd. Access Product (expiration 01/17/17)(2)144A	1,635,575	5,021,215
TOTAL EQUITY-LINKED SECURITIES (Cost \$9,279,644)		2.9% 7,595,328
COLLATERAL FOR SECURITIES ON LOAN (2.2%)		
State Street Navigator Securities Lending Prime Portfolio (Cost \$5,814,292)	5,814,292	5,814,292

See notes to financial statements.

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

April 30, 2016 (unaudited)

Name of Issuer and Title of Issue	Face Amount	Value (Note A)
SHORT TERM INVESTMENT (3.4%)		
Repurchase Agreement with State Street Bank and Trust, dated 04/29/16, 0.01%, due 05/02/16, proceeds \$8,938,007; collateralized by U.S. Treasury Note, 2.13%, due 01/31/21, valued at \$9,118,626, including interest. (Cost \$8,938,000)	\$ 8,938,000	\$ 8,938,000
TOTAL INVESTMENTS (Cost \$277,022,838)		101.2% 265,852,407
OTHER ASSETS AND LIABILITIES		(1.2)% (3,200,539)
NET ASSETS		100.0% \$ 262,651,868

Notes to Schedule of Investments

* Denotes non-income producing security.

Illiquid security.

(1) Securities (or a portion of the security) is on loan. As of April 30, 2016, the market value of the securities loaned was \$25,790,756. The loaned securities were secured with cash collateral of \$5,814,292 and non-cash collateral with a value of \$22,315,954. The non-cash collateral received consists of equity securities, and is held for the benefit of the Fund at the Fund's custodian. The Fund cannot repledge or resell this collateral. Collateral is calculated based on prior day's prices.

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

(3) Equity linked securities issued by Hongkong and Shanghai Banking Corporation (HSBC).

144A Securities restricted for resale to Qualified Institutional Buyers in the United States or to non-US persons. At April 30, 2016, these restricted securities amounted to \$14,593,782, which represented 5.6% of total net assets.

ADR American Depositary Receipt

See notes to financial statements.

Table of Contents**THE CHINA FUND, INC.****STATEMENT OF ASSETS AND LIABILITIES****April 30, 2016 (unaudited)****ASSETS**

Investments in securities, at value (cost \$277,022,838) (including securities on loan, at value, \$25,790,756) (Note A)	\$ 265,852,407
Cash	327
Foreign currency, at value (cost \$2,965,671)	2,990,609
Receivable for securities lending income	19,995
Prepaid expenses and other receivables	46,291
TOTAL ASSETS	268,909,629

LIABILITIES

Payable upon return of collateral for securities on loan	5,814,292
Investment management fee payable (Note B)	183,499
Administration and custodian fees payable (Note B)	212,864
Chief Compliance Officer fees payable	4,836
Other accrued expenses and liabilities	42,270
TOTAL LIABILITIES	6,257,761

TOTAL NET ASSETS	\$ 262,651,868
-------------------------	-----------------------

COMPOSITION OF NET ASSETS:

Par value, 100,000,000 shares authorized, 15,722,675 shares outstanding (Note C)	157,227
Paid in capital in excess of par	292,337,834
Undistributed net investment income	2,489,004
Accumulated net realized loss on investments and foreign currency transactions	(21,186,704)
Net unrealized depreciation on investments and foreign currency translations	(11,145,493)
TOTAL NET ASSETS	\$ 262,651,868

NET ASSET VALUE PER SHARE

(\$262,651,868/15,722,675 shares of common stock outstanding)	\$16.71
---	---------

See notes to financial statements.

Table of Contents**THE CHINA FUND, INC.****STATEMENT OF OPERATIONS****Six Months Ended April 30, 2016 (unaudited)****INVESTMENT INCOME:**

Dividend income (net of tax withheld of \$6,982)	\$ 4,414,661
Securities lending income	142,763
Interest income	233

TOTAL INVESTMENT INCOME	4,557,657
--------------------------------	------------------

EXPENSES

Investment Management fees (Note B)	941,694
Custodian fees (Note B)	297,604
Directors' fees and expenses (Note B)	297,457
Administration fees (Note B)	212,225
Audit and tax service fees	65,547
Insurance	55,059
Legal fees	36,228
Principal Financial Officer fee	29,836
Chief Compliance Officer fee	29,836
Shareholder service fees	27,029
Printing and postage	23,866
Transfer agent fees	16,826
Stock exchange listing fee	13,487
Miscellaneous expenses	21,490

TOTAL EXPENSES	2,068,184
-----------------------	------------------

NET INVESTMENT INCOME	2,489,473
------------------------------	------------------

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

Net realized loss on investment transactions	(20,624,475)
Net realized loss on foreign currency transactions	(112,031)
	(20,736,506)

Net change in unrealized appreciation/depreciation on investments	(8,533,050)
Net change in unrealized appreciation/depreciation on foreign currency translations	88,786

	(8,444,264)
--	-------------

	(29,180,770)
--	--------------

**NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS AND FOREIGN CURRENCY
TRANSACTIONS**

NET DECREASE IN NET ASSETS FROM OPERATIONS	\$ (26,691,297)
---	------------------------

See notes to financial statements.

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

	Six Months Ended April 30, 2016 (unaudited)	Year Ended October 31, 2015
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS		
Net investment income	\$ 2,489,473	\$ 4,001,713
Net realized gain (loss) on investments and foreign currency transactions	(20,736,506)	19,006,062
Net change in unrealized appreciation/depreciation on investments and foreign currency translations	(8,444,264)	(31,464,748)
Net decrease in net assets from operations	(26,691,297)	(8,456,973)
DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM:		
Net investment income	(3,344,977)	(4,676,381)
Net realized gains	(20,112,202)	(54,368,026)
Total dividends and distributions to shareholders	(23,457,179)	(59,044,407)
CAPITAL SHARE TRANSACTIONS:		
Reinvestment of dividends and distributions (40,646 and 0 shares, respectively)	609,703	
Net increase in net assets from capital share transactions	609,703	
NET DECREASE IN NET ASSETS	(49,538,773)	(67,501,380)
NET ASSETS:		
Beginning of Period	312,190,641	379,692,021
End of Period	\$ 262,651,868	\$ 312,190,641
Undistributed net investment income, end of period	\$ 2,489,004	\$ 3,344,508

See notes to financial statements.

Table of Contents**THE CHINA FUND, INC.****FINANCIAL HIGHLIGHTS**

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

	Six Months Ended April 30, 2016 (unaudited)	2015	2014	2013	2012 ⁽¹⁾⁽²⁾	2011 ⁽¹⁾
Per Share Operating Performance						
Net asset value, beginning of period	\$ 19.91	\$ 24.21	\$ 25.77	\$ 24.50	\$ 28.99	\$ 34.46
Net investment income	0.16	0.26	0.33	0.41	0.28	0.27
Net realized and unrealized gain (loss) on investments and foreign currency transactions	(1.87)	(0.79)	1.43	4.05	(1.95)	(3.83)
Total from investment operations	(1.71)	(0.53)	1.76	4.46	(1.67)	(3.56)
Less dividends and distributions:						
Dividends from net investment income	(0.21)	(0.30)	(0.44)	(0.35)	(0.17)	(0.37)
Distributions from net realized gains	(1.28)	(3.47)	(2.88)	(2.90)	(2.82)	(1.90)
Total dividends and distributions	(1.49)	(3.77)	(3.32)	(3.25)	(2.99)	(2.27)
Net increase from payment by affiliate Capital Share Transactions:						0.36
Accretion (Dilution) to net asset value, resulting from share repurchase program, tender offer or issuance of shares in stock dividend	0.00 ⁽⁶⁾			0.06	0.17	
Net asset value, end of period	\$ 16.71	\$ 19.91	\$ 24.21	\$ 25.77	\$ 24.50	\$ 28.99
Market price, end of period	\$ 14.54	\$ 17.49	\$ 21.44	\$ 22.66	\$ 21.85	\$ 25.88
Total Investment Return (Based on Market Price)	(8.58)% ⁽⁷⁾	(1.95)%	9.71%	19.67%	(3.02)%	(16.96)% ⁽³⁾
Total Investment Return (Based on Net Asset Value)	(7.70)% ⁽⁷⁾	(1.16)%	8.93%	21.38%	(2.93)%	(9.71)% ⁽³⁾⁽⁴⁾
Ratios and Supplemental Data						
Net assets, end of period (000 s)	\$ 262,652	\$ 312,191	\$ 379,692	\$ 404,163	\$ 396,094	\$ 660,444
Ratio of net expenses to average net assets	1.53% ⁽⁸⁾	1.34%	1.31%	1.34%	1.41%	1.11% ⁽⁵⁾

Edgar Filing: CHINA FUND INC - Form N-CSRS

Ratio of net investment income to average net assets	1.85% ⁽⁸⁾	1.16%	1.39%	1.73%	1.12%	0.82%
Portfolio turnover rate	24% ⁽⁷⁾	64%	67%	45%	78%	20%

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

(1) 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.

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

(3) Without the indemnity payment the Fund received from the insurers of one of the Fund's former investment managers, 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%.

(6) Amount is less than \$0.005

(7) Not Annualized

(8) Annualized

See notes to financial statements.

Table of Contents

THE CHINA FUND, INC.

NOTES TO FINANCIAL STATEMENTS

APRIL 30, 2016 (unaudited)

NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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 April 30, 2016, the Fund had loaned securities which were collateralized by cash, short term investments, long term bonds and equities. The value of the securities on loan and the value of the related collateral were as follows:

Value of Securities	Value of Cash Collateral	Value of Non-Cash Collateral*	Total Collateral
\$25,790,756	\$ 5,814,292	\$ 22,315,954	\$ 28,130,246

* 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 April 30, 2016.

Gross Amounts Not Offset in the Statement of Assets and Liabilities

Gross Asset Amounts Presented in Statement of Assets and Liabilities(a)	Financial Instrument	Collateral Received(b)	Net Amount (not less than 0)
\$25,790,756		\$ (25,790,756)	\$ 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.

Table of Contents

NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

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 April 30, 2016, the Fund did not hold forward foreign currency contracts.

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

The risk in writing a call option is that the Fund gives up the opportunity for profit if the market price of the security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the security decreases and the option is exercised. The risk in buying an option is that the Fund pays a premium whether or not the option is exercised. Risks may also arise from an illiquid secondary market or from the inability of counter parties to meet the terms of the contract. At April 30, 2016, the Fund did not hold any option contracts.

Table of Contents

NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

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

At April 30, 2016, the Fund held equity-linked securities, in the form of warrants issued by Citigroup Global Markets Holdings and Hongkong and Shanghai Banking Corporation (HSBC) (the Issuers), which were Qualified Foreign Institutional Investors (QFII) in China. Under the terms of the agreements, each warrant entitles the Fund to receive from the related Issuer an amount in U.S. dollars linked to the performance of specific equity shares. Under 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.

In March 2015, the Ministry of Finance, the China Securities Regulatory Commission and the State Administration of Taxation issued Circular 79 on the tax treatment of gains derived by QFIIs and Renmimbi Qualified Institutional Investors (RQFII) from the trading of equity investments in China. The Circular grants a temporary exemption from Chinese Enterprise Income Tax on gains derived by QFIIs and RQFIIs on or after November 17, 2014 from the transfer of an equity. The Circular also confirmed that realized gains derived by QFIIs and RQFIIs before November 17, 2014 are subject to tax at 10% under the enterprise income tax law. During the period the Fund paid \$400,029 in reimbursement of capital gain taxes related to equity linked securities held by the Fund from the period of November 2009 through November 2014.

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

Direct Investments: The Fund may invest up to 25% of the net proceeds from its offering of its outstanding common stock in direct investments; however, the Board of Directors of the Fund has suspended additional investments in direct investments. Direct investments are generally restricted and do not have a readily available resale market. Because of the absence of any public trading market for these investments, the Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices on these sales could be less than those originally paid by the Fund.

Table of Contents

NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

Issuers whose securities are not publicly traded may not be subject to public disclosure and other investor protections requirements applicable to publicly traded securities. At April 30, 2016, the Fund did not hold direct investments.

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

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

Dividend and interest income generated in Taiwan is subject to a 20% withholding tax. Stock dividends received are taxable at 20% of the par value of the stock dividends received. The Fund records the taxes paid on stock dividends 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. Unless the Board of Directors elects to make distributions in shares of the Fund's common stock, the distributions will be paid in cash, except with respect to stockholders who have elected to participate in the Fund's Dividend Reinvestment and Cash Purchase Plan.

Federal Taxes: It is the Fund's policy to qualify each year as a regulated investment company under Subchapter M of the Internal Revenue Code, as amended (Code) and to distribute to stockholders each year substantially all of its income. Accordingly, no provision for federal income tax is necessary. As of and during the period ended April 30, 2016, 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.

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

At April 30, 2016, the aggregate cost for Federal income tax purposes is substantially the same as the aggregate cost for book purposes. Because tax adjustments are calculated annually, the following does not reflect tax adjustments. Gross unrealized appreciation of investments was \$27,671,914 which gross unrealized depreciation of investments was \$38,842,345, resulting in net unrealized depreciation of investments of \$11,170,431.

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. For the six months ended April 30, 2016, the Listed Assets investment management fee rate was equivalent to an annual effective rate of 0.70% of the Fund's average weekly net assets. 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, if any. For the six months ended April 30, 2016, the Investment Manager was paid no fees for direct investments as the Fund held no such investments during the period.

No director, officer or employee of the Investment Manager or 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, Audit Committee Chairman 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, \$30,000 and \$20,000 respectively, plus \$3,000 for each Board of Directors meeting or Audit and Nominating Committee meeting attended in person or by telephone. In addition, the Fund will reimburse each of the directors for travel and out-of-pocket expenses incurred in connection with attending Board of Directors meetings.

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

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

NOTE C FUND SHARES

At April 30, 2016, there were 100,000,000 shares of \$0.01 par value capital stock authorized, of which 15,722,675 were issued and outstanding.

Table of Contents**NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)****NOTE D INVESTMENT TRANSACTIONS**

For the six months ended April 30, 2016, the Fund's cost of purchases and proceeds from sales of investment securities, other than short-term securities, were \$63,448,218 and \$87,933,091, respectively.

NOTE E INVESTMENTS IN CHINA

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

NOTE F FAIR VALUE MEASUREMENT

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

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

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

Level 3 Inputs that are unobservable.

The following is a summary of the inputs used as of April 30, 2016 in valuing the Fund's investments carried at value:

ASSETS VALUATION INPUT

Description*	Level 1	Level 2	Level 3	Total
Common Stock And Other Equity Interests	\$ 243,504,787	\$	\$	\$ 243,504,787
Equity-Linked Securities		7,595,328		7,595,328
Collateral For Securities On Loan	5,814,292			5,814,292
Short Term Investments		8,938,000		8,938,000

Edgar Filing: CHINA FUND INC - Form N-CSRS

TOTAL INVESTMENTS	\$ 249,319,079	\$ 16,533,328	\$	\$ 265,852,407
-------------------	----------------	---------------	----	----------------

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

Table of Contents

NOTES TO FINANCIAL STATEMENTS (continued) (unaudited)

The Fund's policy is to disclose transfers between levels based on valuations at the end of the reporting period. As of April 30, 2016, there were no transfers between Level 1, 2 or 3.

NOTE G DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Fund did not enter into any derivatives transactions or hedging activities for the six months ended April 30, 2016.

Table of Contents

THE CHINA FUND, INC.

Other Information (unaudited)

Board Deliberations Regarding Approval of Investment Advisory Agreements

General Background

On March 29, 2016, the Board of Directors, all of whom are Independent Directors (the Board), voted to approve the Investment Advisory and Management Agreement and the Direct Investment Management Agreement between the Fund and Allianz Global Investors U.S. LLC (Allianz) (the Agreements). The Board considered the following in making their determination: detailed information regarding Allianz and the services it provides the Fund, including biographies of those personnel providing services to the Fund; a profitability analysis; Allianz's Form ADV; performance and fee comparison data; Broadridge Comparative Fee Report, as well as copies of the Agreements.

Approval Process

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

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

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

Table of Contents

THE CHINA FUND, INC.

Other Information (continued) (unaudited)

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

Performance, Fees and Expenses of the Fund. The Directors noted that, in view of the distinctive investment objective of the Fund, the Fund's investment performance was satisfactory. Of importance to the Directors was the extent to which the Fund achieved its objective. Drawing upon information provided at the Board meeting and upon reports provided to the Directors by Allianz throughout the preceding year, they determined that the Fund outperformed the MSCI Golden Dragon Index for the one-, three- and 10-year periods ended December 31, 2015 and underperformed the Index for the five-year period ended December 31, 2015. Accordingly, the Directors concluded that the performance of the Fund was satisfactory.

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

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

Other Benefits of the Relationship. In considering whether Allianz would benefit in other ways from its relationship with the Fund, the Directors noted that, other than the management fees for the Fund's listed and direct investments, there were no other investment management, brokerage or other fees receivable by Allianz or its affiliates from the Fund. The Directors concluded that, to the extent that Allianz might derive other benefits from its relationship with the Fund, those benefits are not so significant as to render the Adviser's fees excessive.

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

Economies of Scale. On the basis of their discussions with management and their analysis of information provided at the Meeting, the Directors determined that the nature of the Fund and its operations is such that Allianz was likely to realize economies of scale in the management of the Fund as it grows in size. It was noted in the Board's discussion with representatives of Allianz that Allianz provides discretionary investment advisory services to approximately 200 institutional accounts and more than 110 pooled vehicles, including some which hold China securities. As such Allianz had realized economies of scale from managing more China related portfolios for more clients. It was noted that these economies of scale were shared with the Fund because they had enabled Allianz to develop centralized dealing facilities that pool transactions across all of its clients. In addition, the economies were reflected in the breakpoint in the Fund's fee structure.

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

General Conclusions. After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Fund and its stockholders to approve the Agreements. The Board reasoned that, considered by themselves, the nature and extent of the services provided by Allianz were appropriate, that the performance of the Fund had been satisfactory, and that Allianz could be expected to provide services of high quality. As to Allianz's fees for the Fund, the Directors determined that the fees, considered in relation to the services provided, were fair and reasonable, that the Fund's relationship with Allianz was not so profitable as to render the fees excessive, that any additional benefits to Allianz were not of a magnitude materially to affect the Directors' deliberations, and that the fees adequately reflected shared economies of scale with the Fund. In reaching this conclusion, the Board did not give particular weight to any single factor referenced above.

Results of Annual Stockholder Meeting held on March 29, 2016 (unaudited)

1. **Election of Directors** The stockholders of the Fund elected Gary L. French, Michael F. Holland and Li Jin as Class II directors each to serve for a term expiring on the date on which the annual meeting of stockholders is held in 2019 and Linda C. Coughlin as a Class III director to serve for a term expiring on the date on which the annual meeting of stockholders is held in 2017.

	For	Withheld
Gary L. French	9,527,021.146	3,065,309.592
Michael F. Holland	9,335,349.146	3,256,981.592
Li Jin	11,908,386.891	683,943.847
Linda C. Coughlin	11,889,621.891	702,708.847

Table of Contents

THE CHINA FUND, INC.

Other Information (continued) (unaudited)

PRIVACY POLICY

Privacy Notice

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

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

- .. Information about stockholder transactions with the Fund.

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

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

PROXY VOTING POLICIES AND PROCEDURES

A description of the policies and procedures that are used by the Fund's investment adviser 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 www.sec.gov. Information regarding how the investment adviser voted 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, 2015.

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, 2016 for the first quarter of this fiscal year and is available on the Securities and Exchange Commission's website at www.sec.gov. Additionally, the Portfolio of Investments

Edgar Filing: CHINA FUND INC - Form N-CSRS

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 with out 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 25, 2016, 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.

Table of Contents

DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN

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

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

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

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

Participants in the Plan have the option of making additional cash 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

Table of Contents

DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

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

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

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

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

Table of Contents

DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

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.

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

Table of Contents

DIVIDENDS AND DISTRIBUTIONS:

SUMMARY OF DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN (continued)

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.

Table of Contents

THE CHINA FUND, INC.

United States Address

The China Fund, Inc.

c/o State Street Bank and Trust Company

1 Lincoln St.

P.O. Box 5049

Boston, MA 02206-5049

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

Directors and Officers

Joe O. Rogers, Chairman of the Board and Director

Michael F. Holland, Director

William Kirby, Chairman of the Nominating Committee and Director

Li Jin, Director

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

Richard Shore, Director

Linda C. Coughlin, Director

Joseph Quirk, President

Patrick Keniston, Chief Compliance Officer of the Fund

Monique Labbe, Treasurer

Brian Link, Secretary

Investment Manager

Allianz Global Investors U.S. LLC

Shareholder Servicing Agent

AST Fund Solutions

Administrator, Accounting Agent and Custodian

State Street Bank and Trust Company

Transfer Agent, Dividend Paying Agent and Registrar

Computershare Trust Company, N.A.

Independent Registered Public Accounting Firm

Tait, Weller & Baker, LLP

Legal Counsel

Clifford Chance US LLP

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

Table of Contents

Item 2. Code of Ethics.

Not required for this filing.

Item 3. Audit Committee Financial Expert.

Not required for this filing.

Item 4. Principal Accountant Fees and Services.

Not required for this filing.

Item 5. Audit Committee of Listed Registrants.

Not required for this filing.

Item 6. Investments.

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

b. Not applicable.

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

Not required for this filing.

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

a. Not required for this filing.

b. Not applicable.

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

Not applicable.

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

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

Item 11. Controls and Procedures.

- (a) The registrant's principal executive and principal financial officers have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this Form N-CSR based on their evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the 1934 Act (17 CFR 240.13a-15(b) or 240.15d-15(b)).

- (b) There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d))) that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Table of Contents

Item 12. Exhibits.

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

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

(a)(3) Not applicable.

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

Table of Contents

SIGNATURES

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

THE CHINA FUND, INC.

By: /s/ Joseph S. Quirk
Joseph S. Quirk
President of The China Fund, Inc.

Date: July 6, 2016

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

By: /s/ Joseph S. Quirk
Joseph S. Quirk
President of The China Fund, Inc.

Date: July 6, 2016

By: /s/ Monique Labbe
Monique Labbe
Treasurer of The China Fund, Inc.

Date: July 6, 2016