

CHINA FUND INC  
Form 8-K  
March 22, 2002

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT**  
**PURSUANT TO SECTION 13 OR 15(d) OF THE**  
**SECURITIES EXCHANGE ACT OF 1934**

**February 1, 2002**

Date of Report (Date of Earliest Event Reported)

**The China Fund, Inc.**

(Exact Name of Registrant as Specified in Its Charter)

**Maryland**  
(State or Other Jurisdiction  
of Incorporation)

**811-6651**  
(Commission File Number)

**000000000**  
(IRS Employer  
Identification Number)

**225 Franklin Street, Boston, Massachusetts**  
(Address of Principal Executive Offices)

**02110**  
(Zip Code)

**(212) 808-0500**  
(Registrant's Telephone Number, Including Area Code)

**Item 9. Regulation FD Disclosure.**

Pursuant to Regulation FD Rules 100-103, The China Fund, Inc. (the Fund ) furnishes the March 2002 Monthly Update on the Fund by the Fund s Investment Manager.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: March 22, 2002

By: /s/ ANN M.  
CASEY  
Name: Ann  
M. Casey  
Title: Secretary

**The China Fund, Inc. (CHN)**  
**March 2002**

**In brief...**

**at February 28, 2002**

			China Fund NAV	MSCI Golden Dragon	
			1 month return*	-0.5	-3.6
			1 year return*	19.0	-20.3
Net Asset Value per share*	<b>US</b>	<b>\$ 15.57</b>			
Market Price*	<b>US</b>	<b>\$ 13.45</b>			
Premium/Discount*		<b>(13.6%)</b>			
Fund size*	<b>US</b>	<b>\$156.8m</b>			

\*Source: State Street Corporation/Martin Currie Inc

**Manager's commentary**

February was a quiet month, dominated by holidays and politics. While much food was consumed and Mahjong played, the PRC markets were closed for a full two weeks. Meanwhile, President Bush visited and took a firmer line on US/Taiwan ties than his predecessor. Politics will continue to have a high profile in the run-up to the sixteenth party congress in October when a handover of leadership is expected. This may delay the making of any brave decisions before the autumn. But the regulation-writers will be kept busy in the meantime with new laws arising from WTO membership. The authorities showed their commitment to maintaining high economic growth by cutting interest rates again. A one-year RMB deposit now pays just 1.98% before tax. Worsening deflation was a factor in this decision; CPI fell by 1% year-on-year in January.

China's export performance continues to exceed expectations. Exports grew by 29.2% year-on-year in January, making a monthly trade surplus of US\$2.7 billion. China also continues to be successful in attracting foreign investment. Utilized foreign direct investment (FDI) grew by 33% year-on-year. China's foreign exchange reserves have now grown to US\$218 billion. Given this convincing show of China's international competitiveness, we do not expect the RMB to be affected by the current weakness in the yen.

Chris Ruffle

**Investment strategy**

Your fund is 95.4% invested with holdings in 52 companies. We continue to concentrate on companies where the management owns equity, rather than state-owned enterprises. Our relatively high weighting to Taiwan-listed companies (34.0% of the portfolio) is concentrated on companies outside the technology sector, particularly those that are profitably expanding their businesses on the mainland. In February we added to our holding in Taiwan's leading logistics company **Synnex**, which is accelerating its expansion on the mainland, and the autoparts maker **Tong Yang**, whose six plants on the mainland have all now turned profitable.

We have increased the portfolio's exposure to cyclical industries by cutting holdings in Huaneng Power and Sinopec in favour of China's largest polyester company **Sinopec Yizheng Chemical Fibre**. In Hong Kong, we have added the new private-sector gas and oil services company, **Geomaxima**. Meanwhile in Singapore, we have added the pork processor **People's Food**. It has now opened its fifth plant in China and is doubling its number of retail outlets.

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Our relatively high cash position is due to a direct investment, which we intend to conclude shortly. We continue to hedge 50% of our NTS position because we believe that the yen will depreciate further after the end of March, the end of the financial year in Japan, and put pressure on this currency.

*\* Source: Martin Currie Inc*

**Fund details\***

Market cap	\$141m
Shares outstanding	10,073,173 shares
Exchange listed	NYSE
Listing date	July 10, 1992
Investment manager	Martin Currie Inc
Direct investment manager	Asian Direct Capital Management

**15 largest listed investments\* (49.5%)**

Yanzhou Coal Mining	<i>Energy</i>	4.9
Taipei Bank	<i>Financials</i>	4.6
Chunghwa Telecom	<i>Telecommunications</i>	4.4
TCL International	<i>Information Technology</i>	4.4
Phoenixtec Power	<i>Consumer Staples</i>	3.9
Zhejiang Expressway	<i>Utilities</i>	3.4
Chinadotcom	<i>Information Technology</i>	3.0
Brilliance China	<i>Consumer Discretionary</i>	2.9
Want Want Holdings	<i>Consumer Staples</i>	2.9
Shangri-La Asia	<i>Consumer Discretionary</i>	2.7
TPV Technology	<i>Information Technology</i>	2.7
Ho Tung Chemical	<i>Materials</i>	2.6
Synnex Technologies	<i>Consumer Discretionary</i>	2.5
Polaris Securities	<i>Financials</i>	2.3
Shanghai Friendship Group	<i>Consumer Staples</i>	2.3

**Sector allocation\***

	<b>% of net assets</b>	<b>MSCI Golden Dragon %</b>
Information Technology	14.8	25.8
Consumer Staples	13.6	0.4
Consumer Discretionary	12.1	5.4
Financials	9.8	29.3
Industrials	8.4	18.2
Utilities	7.5	6.7
Energy	6.9	1.4
Materials	6.8	3.4
Telecommunications	6.3	9.3
Other (sectors less than 2%)	3.7	-
Diversified	3.1	-
Health Care	2.4	0.1
Cash	4.6	-
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**Asset allocation\* (%)**

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**Direct investments\***

A-S China Plumbing Products	<i>Diversified</i>	2.6%
Moulin International (2004 CB)	<i>Manufacturing</i>	1.3%
New World Sun City	<i>Real Estate</i>	0.4%

**Performance\* (in US\$ term)**

<b>As at February 28, 2002</b>	NAV	Market price
	%	%
One month	-0.5%	0.9%
Calendar year to date	3.2%	8.3%
3 years **	21.8%	25.6%

**Fund performance**

	<b>One month</b>	<b>Three months</b>	<b>Year to date</b>	<b>One year</b>	<b>Three years</b>	<b>Five years</b>	<b>Since launch#</b>
<b>The China Fund, Inc.</b>	<b>-0.5</b>	<b>12.1</b>	<b>3.2</b>	<b>19.0</b>	<b>21.8**</b>	<b>-0.6**</b>	<b>3.2**</b>
MSCI Golden Dragon	-3.6	5.6	-4.1	-20.3	-0.8	-7.4	-
Hang Seng Chinese Enterprise Index	4.9	12.2	14.2	11.0	14.1	-15.0	-

Source: \* State Street Corporation / MC Inc. # The Fund was launched on July 10, 1992 \*\* Annualized Return

**Performance in perspective**

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**The China Fund Inc. Premium/discount**

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**Dividend History Chart\***

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*All charts are based on February 28, 2002.*

*\*Source: State Street Corporation*

## The portfolio - in full

as of February 28, 2002

Sector	Company (code)	Price	Holding	Value \$	% of portfolio
<b>Hong Kong 44.6%</b>					
Yanzhou Coal Mining Co.	1171.HK	HK\$ 3.15	19,000,000	7,673,814	4.9%
TCL International Holdings Ltd	1070.HK	HK\$ 11.44	37,318,000	6,890,139	4.4%
Zhejiang Expressway Co., Ltd	0576.HK	HK\$ 2.10	19,814,000	5,335,051	3.4%
Brilliance China Automotive Holdings, Ltd	1114.HK	HK\$ 1.44	24,300,000	4,486,585	2.9%
Shangri-La Asia, Ltd	0069.HK	HK\$ 6.70	5,000,000	4,295,284	2.7%
TPV Technology, Ltd	0903.HK	HK\$ 3.43	9,764,000	4,287,809	2.7%
Fountain Set (Holdings) Ltd	0420.HK	HK\$ 1.71	15,250,000	3,343,590	2.1%
China Rare Earth Holdings, Ltd	0769.HK	HK\$ 2.00	12,600,000	3,231,079	2.1%
Huaneng Power International, Inc.	0902.HK	HK\$ 5.50	4,418,000	3,115,555	2.0%
Asia Satellite Telecommunications Holdings	1135.HK	HK\$ 13.30	1,693,000	2,887,059	1.8%
Chaoda Modern Agriculture	0682.HK	HK\$ 2.35	8,500,000	2,561,143	1.6%
Beijing Capital International Airport Co., Ltd	0697.HK	HK\$ 1.89	10,384,000	2,503,050	1.6%
Sinopec Yizheng Chemical	1033.HK	HK\$ 1.16	14,694,000	2,185,472	1.4%
Global Bio-chem Technology Group Co., Ltd	0809.HK	HK\$ 2.30	7,000,000	2,064,301	1.3%
Wah Sang Gas	8035.HK	HK\$ 0.91	16,998,000	1,983,290	1.3%
Geomaxima	0702.HK	HK\$ 1.24	12,400,000	1,971,472	1.3%
LifeTec Group, Ltd	1180.HK	HK\$ 0.21	65,346,000	1,751,106	1.1%
China Overseas Land & Investment, Ltd	0688.HK	HK\$ 0.95	14,200,000	1,729,653	1.1%
China Travel	308.HK	HK\$ 1.69	7,218,000	1,564,050	1.0%
Arcontech, Corp	8097.HK	HK\$ 1.03	9,000,000	1,188,575	0.8%
Chen Hsong Holding, Ltd	0057.HK	HK\$ 1.34	6,630,000	1,143,359	0.7%
Euro-Asia Agriculture	0932.HK	HK\$ 1.75	4,698,000	1,054,140	0.7%
Sunway International Holdings	0058.HK	HK\$ 0.41	20,000,000	1,038,561	0.7%
China Petroleum & Chemical, Corp	0386.HK	HK\$ 1.21	6,530,000	1,013,084	0.6%
Automated Systems Holdings, Ltd	0771.HK	HK\$ 1.96	1,752,000	440,288	0.3%
Jackin International	0630.HK	HK\$ 0.32	5,000,000	205,147	0.1%
<b>Taiwan 34.0%</b>					
Taipei Bank	2830.TW	NT\$ 25.00	10,115,400	7,202,443	4.6%
Chunghwa Telecom Co., Ltd	2412.TW	NT\$ 49.80	4,908,000	6,961,305	4.4%
Phoenixtec Power Co., Ltd	2411.TW	NT\$ 28.60	7,595,000	6,186,579	4.0%
Ho Tung Chemical, Corp	1714.TW	NT\$ 18.40	7,732,950	4,052,470	2.6%
Synnex Technologies International, Corp	2347.TW	NT\$ 45.10	3,084,000	3,961,391	2.5%
Polaris Securities Co., Ltd	6011.TWO	NT\$ 16.10	8,042,000	3,687,624	2.3%
Choice Lithograph, Inc	9929.TW	NT\$ 18.50	6,273,000	3,305,246	2.1%
Pacific Construction Co., Ltd	2506.TW	NT\$ 3.52	32,841,000	3,292,424	2.1%
China Synthetic Rubber, Corp	2104.TW	NT\$ 10.45	9,919,440	2,952,298	1.9%
Bank Sinopac	2839.TW	NT\$ 13.85	7,000,000	2,761,242	1.8%
Advantech Co., Ltd	2395.TW	NT\$ 91.00	959,100	2,485,776	1.6%
Lian Hwa Foods	1231.TW	NT\$ 14.90	4,759,000	2,019,569	1.3%
Ability Enterprise Corp	2374.TW	NT\$ 33.80	1,700,000	1,636,524	1.0%
Tong Yang	1319.TW	NT\$ 14.20	3,532,000	1,428,452	0.9%
Inventec	2356.TW	NT\$ 30.50	1,526,000	1,325,595	0.9%
<b>B shares 5.3%</b>					
Shanghai Friendship Group Co., Inc	900923.SS	US \$ 1.03	3,530,000	3,650,020	2.3%
Luthai Textile Co., Ltd	200726.SZ	HK \$ 8.28	1,999,869	2,123,142	1.4%
Shanghai Matsuoka, Co	900955.SS	US \$ 1.63	981,850	1,600,415	1.0%
Weifu High Technology	200581.SZ	HK \$ 6.14	1,178,550	927,819	0.6%
<b>New York 3.0%</b>					

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Chinadotcom, Corp	China.O	US \$ 2.89	1,675,000	4,690,000	3.0%
<b>Direct 4.3%</b>					
A-S China Plumbing Products, Ltd			450	4,178,250	2.6%
Moulin International Holdings, Ltd (2004 CB)			2,000,000	2,002,750	1.3%
New World Sun City, Ltd			83	608,786	0.4%
<b>Singapore 4.2%</b>					
Want Want Holdings, Ltd	WANT.SI	US \$ 2.36	1,900,000	4,484,000	2.9%
People s Food Holding	PFH.SI	S \$ 0.87	3,000,000	1,425,256	0.9%
Asia Dekor Holdings, Ltd	ADEK.SI	US \$ 0.10	7,374,000	700,530	0.4%
<b>Cash 4.6%</b>					

## Objective

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The investment objective of the Fund is to achieve long term capital appreciation through investment in companies and other entities with significant assets, investments, production activities, trading or other business interests in China or which derive a significant part of their revenue from China.

The Board of Directors of the Fund has adopted an operating policy of the Fund, effective June 30, 2001, that the Fund will invest at least 80% of its assets in China companies. For this purpose, China companies are (i) companies for which the principal securities trading market is in China; (ii) companies for which the principal securities trading market is outside of China or in companies organized outside of China, that in both cases derive at least 50% of their revenues from goods or services sold or produced, or have a least 50% of their assets in China; and (iii) companies organized in China. Under the new policy, China will mean the People's Republic of China, including Hong Kong, and Taiwan. The Fund will provide its stockholders with at least 60 days prior notice of any change to the policy described above.

The fundamental policy, which applies to not less than 65% of the Fund's assets as set out in the Fund's prospectus dated July 10, 1992, remains in place. The fundamental policy is the same as the operating policy set out above, except that China only includes the People's Republic of China.

## Contacts

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### The China Fund, Inc.

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