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CHINA FUND INC
Form N-Q
September 29, 2006

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

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED
MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: -811-05749

THE CHINA FUND, INC.

(Exact name of registrant as specified in charter)

c/o STATE STREET BANK AND TRUST COMPANY
2 AVENUE DE LAFAYETTE, 6TH FLOOR
P.O. BOX 5049
BOSTON, MA 02206-5049

(Address of principal executive offices) (Zip code)

(Name and Address of Agent for
Service)

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

Copy to:

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

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

Date of fiscal year end: October 31

Date of reporting period: July 31, 2006

ITEM 1. SCHEDULE OF INVESTMENTS.

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS
JULY 31, 2006 (UNAUDITED)

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| NAME OF ISSUER AND TITLE OF ISSUE | SHARES | VALUE (NOTE A) |
|---|------------|----------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS | | |
| HONG KONG | | |
| CONSUMER DISCRETIONARY -- (5.6%) | | |
| China Ting Group Holdings Ltd. | 13,148,000 | \$ 2,876,395 |
| China Travel International Investment Hong Kong, Ltd. | 18,148,000 | 4,157,082 |
| Parkson Retail Group Ltd. | 1,080,500 | 3,580,485 |
| Ports Design Ltd. | 2,678,500 | 4,067,369 |
| Shangri-La Asia Ltd. | 4,318,000 | 8,979,742 |
| Yorkey Optical International Cayman Ltd. | 176,000 | 60,926 |
| | | ----- |
| | | 23,721,999 |
| | | ----- |
| CONSUMER STAPLES -- (5.2%) | | |
| Chaoda Modern Agriculture (Holdings) Ltd. | 34,089,900 | 18,425,313 |
| Li Ning Co. Ltd. | 3,726,000 | 3,701,690 |
| | | ----- |
| | | 22,127,003 |
| | | ----- |
| ENERGY -- (0.6%) | | |
| China Rare Earth Holdings, Ltd. | 15,254,000 | 2,767,851 |
| | | ----- |
| FINANCIALS -- (4.5%) | | |
| China Insurance International Holdings Co., Ltd.*..... | 5,502,000 | 3,490,658 |
| China Life Insurance Co., Ltd. | 7,635,000 | 12,851,584 |
| Shimao Property Holdings Ltd*..... | 3,346,000 | 2,773,011 |
| | | ----- |
| | | 19,115,253 |
| | | ----- |
| HEALTH CARE -- (4.1%) | | |
| China Shineway Pharmaceutical Group Ltd. | 7,615,000 | 5,585,790 |
| Golden Meditech Co., Ltd. | 35,040,000 | 9,469,417 |
| Natural Beauty Bio-Technology, Ltd. | 32,780,000 | 2,573,230 |
| | | ----- |
| | | 17,628,437 |
| | | ----- |
| INDEX FUND -- (1.3%) | | |
| Ishare Asia Trust..... | 780,000 | 5,751,605 |
| | | ----- |
| INDUSTRIALS -- (5.5%) | | |
| Beiren Printing Machinery Holdings Ltd.+..... | 7,000,000 | 1,549,410 |
| China Fire Safety Enterprise Group Holdings Ltd. | 50,380,000 | 5,899,829 |
| TPV Technology, Ltd. | 9,968,000 | 9,877,308 |
| Zhejiang Expressway Co. Ltd. | 10,304,000 | 6,325,052 |
| | | ----- |
| | | 23,651,599 |
| | | ----- |

See notes to schedule of investments.

1

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (CONTINUED)
JULY 31, 2006 (UNAUDITED)

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| NAME OF ISSUER AND TITLE OF ISSUE | SHARES | VALUE (NOTE A) |
|---|------------|-------------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS (CONTINUED) | | |
| HONG KONG (CONTINUED) | | |
| INFORMATION TECHNOLOGY -- (3.2%) | | |
| Arcotech Corp.* (2) | 18,386,000 | \$ 236,607 |
| Digital China Holdings Ltd. | 10,692,000 | 3,412,326 |
| Lenovo Group Ltd. | 15,858,000 | 5,142,672 |
| Solomon Systech Ltd. | 19,892,000 | 4,863,757 |
| | | 13,655,362 |
| MATERIALS -- (4.0%) | | |
| Asia Zirconium Ltd. | 12,916,000 | 1,130,256 |
| Fountain Set (Holdings), Ltd. | 8,204,000 | 2,354,347 |
| Ocean Grand Chemicals Holdings Ltd.(2) | 17,379,000 | 1,386,616 |
| Sinochem Hong Kong Holdings Ltd. | 5,000,000 | 1,853,115 |
| Zijin Mining Group Co., Ltd. | 19,418,000 | 10,345,338 |
| | | 17,069,672 |
| TELECOMMUNICATIONS -- (2.8%) | | |
| China Netcom Group Corp. (Hong Kong) Ltd. | 4,078,000 | 7,431,052 |
| Comba Telecom Systems Holdings Ltd. | 16,118,000 | 4,335,082 |
| | | 11,766,134 |
| UTILITIES -- (2.6%) | | |
| Xinao Gas Holdings, Ltd. | 11,560,000 | 11,068,038 |
| TOTAL HONG KONG -- (Cost \$111,207,818) | | 39.4% 168,322,953 |
| HONG KONG -- "H" SHARES | | |
| CONSUMER DISCRETIONARY -- (0.7%) | | |
| Lianhua Supermarket Holdings Co., Ltd. | 2,859,000 | 3,127,324 |
| ENERGY -- (3.5%) | | |
| China Oilfield Services Ltd. | 12,650,000 | 6,869,780 |
| China Shenhua Energy Co., Ltd. | 4,536,500 | 8,161,462 |
| | | 15,031,242 |
| INDUSTRIALS -- (1.9%) | | |
| BYD Co., Ltd.* | 2,708,500 | 6,566,737 |
| Sinotrans Ltd. | 4,399,000 | 1,335,998 |
| | | 7,902,735 |

See notes to schedule of investments.

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| NAME OF ISSUER AND TITLE OF ISSUE | SHARES | VALUE (NOTE A) |
|---|------------|-------------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS (CONTINUED) | | |
| HONG KONG -- "H" SHARES (CONTINUED) | | |
| UTILITIES -- (2.1%) | | |
| Anhui Expressway Co., Ltd. | 12,406,000 | \$ 9,100,107 |
| TOTAL HONG KONG -- "H" SHARES -- (Cost \$21,755,099) | | 8.2% 35,161,408 |
| TOTAL HONG KONG (INCLUDING "H" SHARES) -- (Cost \$132,962,917) | | 47.6% 203,484,361 |
| SINGAPORE | | |
| UTILITIES -- (1.7%) | | |
| Bio-Treat Technology Ltd. | 9,799,000 | 7,321,484 |
| TOTAL SINGAPORE -- (Cost \$4,045,565) | | 1.7% 7,321,484 |
| TAIWAN | | |
| CONSUMER DISCRETIONARY -- (3.3%) | | |
| Merry Electronics Co., Ltd. | 3,260,507 | 10,503,633 |
| Synnex Technologies International, Corp. | 1,078,000 | 948,011 |
| Taiwan FamilyMart Co., Ltd. | 1,648,592 | 2,592,522 |
| | | 14,044,166 |
| CONSUMER STAPLES -- (1.3%) | | |
| Uni-President Enterprises Corp. | 6,729,000 | 5,301,176 |
| FINANCIALS -- (4.6%) | | |
| Cathay Financial Holding Co., Ltd. | 5,438,000 | 11,623,561 |
| Fubon Financial Holdings Co., Ltd. | 3,059,000 | 2,419,252 |
| Yuanta Core Pacific Securities Co. | 8,983,000 | 5,719,123 |
| | | 19,761,936 |
| INDUSTRIALS -- (0.8%) | | |
| Cheng Shin Rubber Industry Co., Ltd. | 4,129,481 | 3,391,952 |

See notes to schedule of investments.

3

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (CONTINUED)
JULY 31, 2006 (UNAUDITED)

| NAME OF ISSUER AND TITLE OF ISSUE | SHARES | VALUE (NOTE A) |
|---|--------|----------------|
| COMMON STOCK AND OTHER EQUITY INTERESTS (CONTINUED) | | |

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TAIWAN (CONTINUED)

INFORMATION TECHNOLOGY -- (8.6%)

| | | |
|---|-----------|--------------|
| Advanced Semiconductor Engineering Inc. | 7,838,000 | \$ 6,868,930 |
| Data Systems Consulting Co., Ltd. | 4,362,043 | 3,836,051 |
| Novatek Microelectronics Corp., Ltd. | 1,021,095 | 5,019,887 |
| Powertech Technology Inc. | 1,522,000 | 4,006,119 |
| ShenMao Technology Inc. | 948,000 | 3,647,379 |
| Taiwan Green Point Enterprises Co., Ltd. | 1,348,524 | 2,997,727 |
| Tripod Technology Corp.*..... | 3,334,095 | 10,231,657 |
| | | ----- |
| | | 36,607,750 |
| | | ----- |

MATERIALS -- (1.9%)

| | | |
|-------------------------------------|-----------|-----------|
| China Metal Products Co., Ltd. | 3,584,000 | 5,045,113 |
| Yieh United Steel Corp. | 9,483,000 | 3,185,227 |
| | | ----- |
| | | 8,230,340 |
| | | ----- |

TOTAL TAIWAN -- (Cost \$63,384,727) 20.5% 87,337,320

UNITED STATES -- "N" SHARES

CONSUMER DISCRETIONARY -- (1.2%)

| | | |
|-----------------------------------|---------|-----------|
| Chindex International, Inc.*..... | 69,987 | 622,884 |
| The9 Ltd. ADR*..... | 184,861 | 4,523,549 |
| | | ----- |
| | | 5,146,433 |
| | | ----- |

TELECOMMUNICATIONS -- (0.7%)

| | | |
|---|---------|-----------|
| China Techfaith Wireless Communication Technology Ltd. ADR*..... | 290,316 | 2,949,611 |
| | | ----- |

TOTAL UNITED STATES -- "N" SHARES -- (Cost \$9,441,301) 1.9% 8,096,044

TOTAL COMMON STOCK AND OTHER EQUITY INTERESTS -- (Cost \$209,834,510) 71.7% 306,239,209

WARRANTS

CONSUMER DISCRETIONARY -- (1.2%)

| | | |
|--|-----------|-----------|
| Youngor Group Co. Ltd. Access Product (expiration 10/26/10) 144A(2)(4)..... | 7,562,730 | 5,188,033 |
| | | ----- |
| | | 5,188,033 |
| | | ----- |

See notes to schedule of investments.

4

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (CONTINUED)
JULY 31, 2006 (UNAUDITED)

| NAME OF ISSUER AND TITLE OF ISSUE | SHARES | VALUE (NOTE A) |
|-----------------------------------|--------|----------------|
| ----- | ----- | ----- |

WARRANTS (CONTINUED)
ENERGY -- (5.8%)

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| | | |
|--|------------|--------------|
| China Petroleum Access Product (expiration 01/20/10) 144A(2) (3) | 5,539,000 | \$ 4,015,775 |
| China Petroleum Access Product (expiration 01/20/11) 144A(2) (4) | 7,016,997 | 5,087,323 |
| China Yangtze Power Co. Ltd. Access Product (expiration 1/20/10) 144A(2) (4) | 7,577,738 | 5,887,902 |
| China Yangtze Power Co. Ltd. Access Product (expiration 5/24/07) 144A(2) | 1,136,661 | 401,753 |
| Huaneng Power International Inc. Access Product (expiration 1/20/10) 144A(2) (3) | 7,476,500 | 4,246,652 |
| Huaneng Power International Inc. Access Product (expiration 4/20/11) 144A(2) (4) | 9,343,031 | 5,306,842 |
| | | ----- |
| | | 24,946,247 |
| | | ----- |
| FINANCIALS -- (1.1%) | | |
| China Merchants Bank Co. Ltd. Access Product (expiration 10/26/10) 144A(2) (4) | 5,290,407 | 4,888,336 |
| | | ----- |
| | | 4,888,336 |
| | | ----- |
| INDUSTRIALS -- (9.7%) | | |
| Baoding Tianwei Baobian Electric Co., Ltd. Access Product (expiration 01/20/10) (2) (3) | 1,761,193 | 3,688,120 |
| Shanghai International Airport Co. Ltd. Access Product (expiration 1/20/10) 144A*(2) (3) | 5,662,300 | 9,722,169 |
| Shanghai International Airport Co. Ltd. Access Product (expiration 10/26/10) 144A*(2) (4) | 2,961,967 | 5,088,659 |
| Shanghai Zhenhua Port Machinery Co. Ltd. Access Product (expiration 10/26/10) 144A(2) (4) | 13,219,652 | 15,863,582 |
| Xinjiang Tebian Electric Apparatus Stock Co. Ltd. Access Product (expiration 10/26/10) 144A*(2) (4) | 4,676,642 | 6,832,574 |
| | | ----- |
| | | 41,195,104 |
| | | ----- |

See notes to schedule of investments.

5

THE CHINA FUND, INC.
SCHEDULE OF INVESTMENTS (CONTINUED)
JULY 31, 2006 (UNAUDITED)

| NAME OF ISSUER AND TITLE OF ISSUE | SHARES | VALUE (NOTE A) |
|---|-----------|----------------|
| ----- | ----- | ----- |
| WARRANTS (CONTINUED) | | |
| MATERIALS -- (1.5%) | | |
| Qinghai Salt Lake Potash Co. Ltd. Access Product (expiration 06/29/07) *(2) (4) | 958,449 | \$ 213,734 |
| Qinghai Salt Lake Potash Co. Ltd. Access Product (expiration 10/26/10) 144A(2) (4) | 2,683,657 | 6,094,585 |
| | | ----- |
| | | 6,308,319 |
| | | ----- |
| TOTAL WARRANTS -- (Cost \$59,209,001) | 19.3% | 82,526,039 |
| | | ----- |

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DIRECT INVESTMENTS

| | | |
|---|------------|---------------|
| FINANCIALS -- (0.7%) | | |
| Captive Finance, Ltd., (acquired 5/24/02)*+(1) (2)..... | 2,000,000 | 3,045,000 |
| ----- | | |
| INFORMATION TECHNOLOGY -- (2.3%) | | |
| CDW Holding Ltd., (acquired 1/26/05)+(5)..... | 60,000,000 | 9,497,879 |
| teco Optronics Corp., (acquired 4/26/04)*(1) (2)..... | 1,861,710 | 150,000 |
| ----- | | |
| | | 9,647,879 |
| ----- | | |
| TOTAL DIRECT INVESTMENTS -- (Cost \$5,376,348) | 3.0% | 12,692,879 |
| ----- | | |
| TOTAL INVESTMENTS -- (Cost \$274,419,859)** | 94.0% | 401,458,127 |
| ----- | | |
| OTHER ASSETS AND LIABILITIES | 6.0% | 25,462,542 |
| ----- | | |
| NET ASSETS | 100.0% | \$426,920,669 |
| ----- | | |

Notes to Schedule of Investments

* Denotes non-income producing security

- (1) Direct investments are generally restricted as to resale and do not have a readily available resale market. On the date of acquisition of each direct investment, there were no market quotations on similar securities, and such investments were therefore initially valued at acquisition cost. The procedures applied by the Board of Directors in arriving at its estimate of value of securities without readily available market values comply with the China Fund, Inc.'s (the "Fund") policies for valuing Direct Investments at original cost unless the Board of Directors, based on advice from the Direct Investment Manager, concludes that there has been a material change of a long-term nature and sufficient reliable information is available to revalue these investments. Determination of fair values involves subjective judgment and, because of the inherent uncertainty of valuation, the Board of Directors' estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.
- (2) Security valued at fair value using methods determined in good faith by or at the direction of the Board of Directors (see note (1) above).
- (3) Warrants issued by Citigroup Global Markets Holdings.
- (4) Warrants issued by Credit Lyonnais (CLSA)
- (5) This investment is listed on the Singapore Stock Exchange, however is still managed by ADCM.

6

THE CHINA FUND, INC.
 SCHEDULE OF INVESTMENTS (CONTINUED)
 JULY 31, 2006 (UNAUDITED)

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

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

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

- ** At July 31, 2006, aggregate gross unrealized appreciation for all securities for which there was an excess of value over financial reporting cost was \$145,774,442 and aggregate gross unrealized depreciation for all securities for which there was an excess of financial reporting cost over value was \$18,736,174 and net appreciation for financial reporting purposes was \$127,038,268. At July 31, 2006, aggregate cost for financial reporting purposes was \$274,419,859.

7

ITEM 2. CONTROLS AND PROCEDURES.

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

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ITEM 3. EXHIBITS.

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

8

SIGNATURES

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

THE CHINA FUND, INC.

By: /s/ Gary L. French
Gary L. French
President and Chief Executive Officer

Date: September 28, 2006

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

By: /s/ Gary L. French
Gary L. French
President and Chief Executive Officer

Date: September 28, 2006

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

Date: September 27, 2006