

THE CHINA FUND, INC. (CHN)



IN BRIEF

|                           |            |
|---------------------------|------------|
| Net asset value per share | US\$26.88  |
| Market price              | US\$33.34  |
| Premium/(discount)        | 24.03%     |
| Fund size                 | US\$272.5m |

|                      |                |                     |
|----------------------|----------------|---------------------|
| At February 28, 2005 | US\$ returns   |                     |
|                      | China Fund NAV | MSCI Golden Dragon* |
|                      | %              | %                   |
| One month            | 3.8            | 5.3                 |
| One year             | 3.6            | 4.5                 |

Past performance is not a guide to future returns.  
Source: State Street Corporation. \*Source for index data: MSCI.

MANAGER’S COMMENTARY

The holiday-shortened month of February was a good one for the fund. There was the reassurance of low inflation in China (the consumer price index in January was only up by 1.9% year-on-year) despite continued high economic growth. This, together with the retreat in the US dollar, brought cash back into the Chinese markets. The fund rose by 3.8%. It is now up by 10.9% year-to-date, compared with a rise of only 1.8% in the MSCI Golden Dragon index.

We expect January to mark the low-point for inflation, which might snap-back to over 3% in February. Given recent noises from the authorities about over-high property price inflation in some major cities, this raises the likelihood of an interest rate hike at the end of March or early April. This would have the added benefit of fattening the interest rate spreads at the state-owned banks, which the authorities are determined to list as soon as possible (banking de-regulation in 2007 is drawing near).

Domestic consumption remains strong — China’s retail sales rose by 16% year-on-year over the Chinese New Year period — and Chinese exports are as competitive as ever with the renewed weakness of the US dollar. But an interest rate rise might temporarily damage overseas investor sentiment, as happened in spring 2004, particularly towards the resource-heavy H share index, which has led the recent rally. In contrast the domestic ‘A’ share market has just started to recover from five-year lows; reform initiatives are expected from this month’s meeting of the National People’s Congress.

We undertook an extensive marketing trip around US institutional investors in February. We found growing interest in China from foundations and pension funds. However, interest is still rather tentative due to reports from certain high-profile analysts of Chinese bubbles and their imminent collapse. From the vantage point of our base in Shanghai, visiting Chinese companies every day, we can report that growth remains solid. That overseas portfolio investment in China’s stockmarkets, especially the domestic markets, remains so limited, is a bullish point for portfolios such as your fund’s, which are already well positioned here.

INVESTMENT STRATEGY

The fund is 96.8% invested, with holdings in 57 companies, of which three are unlisted.

During the month, our purchases focussed on non-cyclicals, such as Guangshen Railway, Shineway Pharmaceutical, Fu Ji Catering and Mingyuan (manufacturer of protein chips used for cancer detection). We took profit on the cyclicals China Metal and Key Ware, and cut our losses on online game company Softworld.

Chris Ruffle, Martin Currie Inc

DIRECT INVESTMENT MANAGER’S COMMENTARY

The Chinese economy continued to register strong growth. We maintain a positive view on the China market. However there are continuing debates over whether China is going to have a hard or soft landing in the short run.

On the investment front, we continue to look for companies that have demonstrated a business model that can weather any adverse change in the economy. A realistic exit plan is also a key consideration in view of the possibility that the current benign market sentiment toward Chinese plays could turn negative.

KOH Kuek Chiang, Asian Direct Capital Management

FUND DETAILS

|                           |                                 |
|---------------------------|---------------------------------|
| Market cap                | US\$339.7m                      |
| Shares outstanding        | 10,138,287                      |
| Exchange listed           | NYSE                            |
| Listing date              | July 10, 1992                   |
| Investment adviser        | Martin Currie Inc               |
| Direct investment manager | Asian Direct Capital Management |

Source: State Street Corporation.

SECTOR ALLOCATION

|                            | The China Fund, Inc | MSCI Golden Dragon |
|----------------------------|---------------------|--------------------|
| Industrials                | 22.5%               | 12.5%              |
| Information technology     | 16.8%               | 21.4%              |
| Consumer discretionary     | 15.0%               | 6.9%               |
| Utilities                  | 8.8%                | 7.5%               |
| Materials                  | 8.6%                | 7.7%               |
| Consumer staples           | 8.1%                | 0.6%               |
| Financials                 | 5.5%                | 30.1%              |
| Telecommunications         | 5.1%                | 7.4%               |
| Healthcare                 | 4.6%                | 0.1%               |
| Energy                     | 1.8%                | 5.8%               |
| Other assets & liabilities | 3.2%                | —                  |
| Total                      | 100.0%              | 100.0%             |

Source: State Street Corporation. Source for index data: MSCI

ASSET ALLOCATION



Source: State Street Corporation

PERFORMANCE (US\$ RETURNS)

|                      | NAV % | Market price % |
|----------------------|-------|----------------|
| One month            | 3.8   | 6.6            |
| Year to date         | 10.9  | 1.9            |
| 3 years (annualized) | 27.1  | 43.5           |

Past performance is not a guide to future returns.  
Source: State Street Corporation

DIRECT INVESTMENTS (8.5%)

|                   |                        |      |
|-------------------|------------------------|------|
| CDW Holding Ltd   | Information technology | 6.0% |
| Captive Finance   | Financials             | 1.1% |
| Global e Business | Information technology | 1.1% |
| teco Optronics    | Information technology | 0.3% |

15 LARGEST LISTED INVESTMENTS (45.2%)

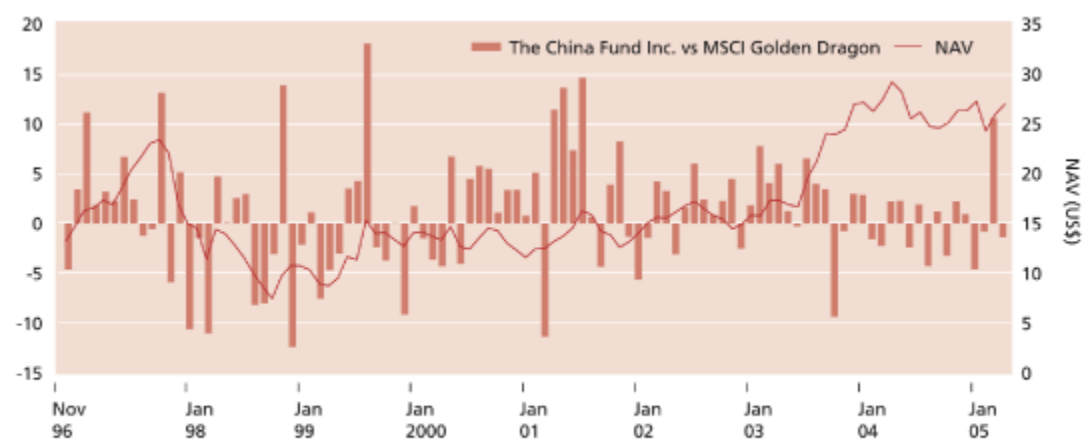
|                            |                        |      |
|----------------------------|------------------------|------|
| Chaoda Modern Agriculture  | Consumer staples       | 5.2% |
| China International Marine | Industrials            | 3.8% |
| BYD                        | Industrials            | 3.6% |
| Weichai Power              | Consumer discretionary | 3.1% |
| Shenzhen Expressway        | Utilities              | 3.1% |
| Merry Electronics          | Consumer discretionary | 2.9% |
| Anhui Expressway           | Utilities              | 2.9% |
| Xinao Gas                  | Utilities              | 2.8% |
| Synnex Technologies        | Consumer discretionary | 2.8% |
| TCL International          | Consumer discretionary | 2.7% |
| Taiwan Green Point         | Information technology | 2.7% |
| Comba Telecom Systems      | Telecommunications     | 2.7% |
| China Netcom               | Telecommunications     | 2.4% |
| TPV Technology             | Industrials            | 2.3% |
| Soloman Systech            | Information technology | 2.2% |

Source: State Street Corporation

| FUND PERFORMANCE (BASED ON NET ASSET VALUE) |                   |                      |                               | (US\$ RETURNS)   |                        |                       |                         |
|---------------------------------------------|-------------------|----------------------|-------------------------------|------------------|------------------------|-----------------------|-------------------------|
|                                             | One<br>month<br>% | Three<br>months<br>% | Calendar<br>year to date<br>% | One<br>year<br>% | Three<br>years<br>% pa | Five<br>years<br>% pa | Since<br>launch<br>% pa |
| The China Fund, Inc.                        | 3.8               | 10.9                 | 10.9                          | 3.6              | 27.1                   | 19.3                  | 8.9                     |
| MSCI Golden Dragon                          | 5.3               | 5.0                  | 1.8                           | 4.5              | 13.1                   | -3.2                  | n/a                     |
| Hang Seng Chinese Enterprise                | 9.1               | 3.4                  | 8.3                           | 0.8              | 36.9                   | 28.7                  | n/a                     |

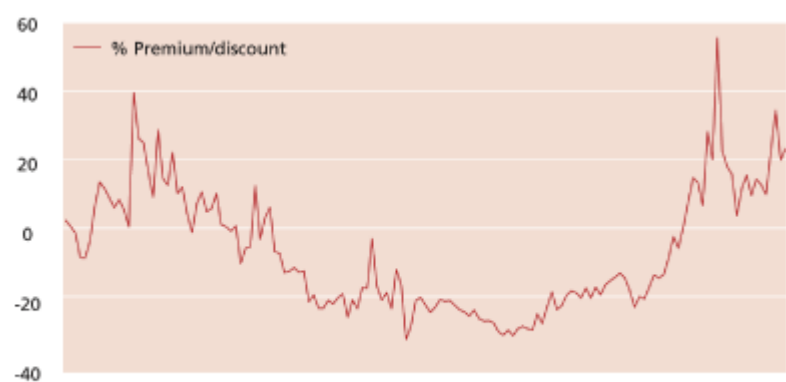
Past performance is not a guide to future returns.  
Source: State Street Corporation. Launch date July 10, 1992. Three year, five year and since launch returns are all annualized.  
Source for index data: MSCI for the MSCI Golden Dragon and Copyright 2002 Bloomberg LP for the Hang Seng Chinese Enterprise.

PERFORMANCE IN PERSPECTIVE



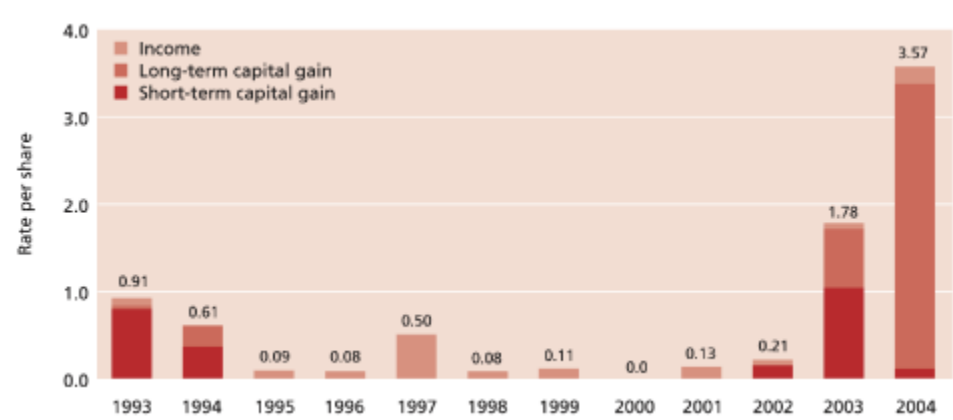
Past performance is not a guide to future returns.  
Source: Martin Currie Inc as of February 28, 2005.

THE CHINA FUND INC. PREMIUM/DISCOUNT



Past performance is not a guide to future returns.  
Source: Martin Currie Inc as of February 28, 2005.

DIVIDEND HISTORY CHART



|                    |      |      |      |      |      |      |      |      |      |      |      |      |
|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Total              | 0.91 | 0.61 | 0.09 | 0.08 | 0.50 | 0.08 | 0.11 | 0.00 | 0.13 | 0.21 | 1.78 | 3.57 |
| Income             | 0.09 | 0.01 | 0.09 | 0.08 | 0.50 | 0.08 | 0.11 | 0.00 | 0.13 | 0.06 | 0.07 | 0.20 |
| Long term capital  | 0.04 | 0.24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.67 | 3.27 |
| Short term capital | 0.79 | 0.36 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.15 | 1.04 | 0.10 |

Past performance is not a guide to future returns.  
Source: State Street Corporation.

| Sector                                | Company (BBG ticker) | Price     | Holding    | Value \$   | % of portfolio |
|---------------------------------------|----------------------|-----------|------------|------------|----------------|
| <b>Hong Kong</b>                      |                      |           |            |            | <b>59.8%</b>   |
| Chaoda Modern Agriculture             | 682 HK               | HK\$3.3   | 34,089,900 | 14,205,127 | 5.2%           |
| BYD                                   | 1211 HK              | HK\$23.9  | 3,225,000  | 9,903,102  | 3.6%           |
| Weichai Power                         | 2338 HK              | HK\$26.0  | 2,536,000  | 8,437,672  | 3.1%           |
| Shenzhen Expressway                   | 548 HK               | HK\$3.1   | 21,494,000 | 8,405,298  | 3.1%           |
| Anhui Expressway                      | 995 HK               | HK\$4.4   | 13,938,000 | 7,863,016  | 2.9%           |
| Xinao Gas                             | 2688 HK              | HK\$4.3   | 13,976,000 | 7,750,059  | 2.8%           |
| TCL International                     | 1070 HK              | HK\$1.8   | 32,318,000 | 7,458,526  | 2.7%           |
| Comba Telecom Systems                 | 2342 HK              | HK\$3.6   | 16,118,000 | 7,336,274  | 2.7%           |
| China Netcom                          | 906 HK               | HK\$11.6  | 4,253,000  | 6,461,744  | 2.4%           |
| TPV Technology                        | 903 HK               | HK\$5.1   | 9,968,000  | 6,390,194  | 2.3%           |
| Solomon Systech                       | 2878 HK              | HK\$2.3   | 20,698,000 | 6,037,342  | 2.2%           |
| Li Ning                               | 2331 HK              | HK4.0     | 11,400,000 | 5,883,107  | 2.2%           |
| Zijin Mining                          | 2899 HK              | HK\$3.6   | 12,400,000 | 5,723,480  | 2.1%           |
| Golden Meditech                       | 8180 HK              | HK\$1.6   | 27,900,000 | 5,651,937  | 2.1%           |
| Yanzhou Coal Mining                   | 1171 HK              | HK\$12.3  | 3,146,000  | 4,961,350  | 1.8%           |
| China Fire Safety                     | 8201 HK              | HK\$0.7   | 50,380,000 | 4,715,384  | 1.7%           |
| Fountain Set                          | 420 HK               | HK\$5.2   | 6,714,000  | 4,519,357  | 1.7%           |
| Sinotrans                             | 598 HK               | HK\$2.7   | 12,835,000 | 4,360,916  | 1.6%           |
| China Travel                          | 308 HK               | HK\$2.6   | 10,000,000 | 3,301,515  | 1.2%           |
| Weiqiao Textile                       | 2698 HK              | HK\$12.8  | 1,854,500  | 3,043,497  | 1.1%           |
| Asia Aluminium                        | 930 HK               | HK\$0.9   | 23,250,000 | 2,742,501  | 1.0%           |
| Ocean Grand Chemicals                 | 2882 HK              | HK\$1.2   | 17,379,000 | 2,740,728  | 1.0%           |
| Natural Beauty Bio-Technology         | 157 HK               | HK\$0.6   | 32,780,000 | 2,395,631  | 0.9%           |
| Shanghai Ming Yuan                    | 233 HK               | HK\$0.8   | 22,840,000 | 2,372,013  | 0.9%           |
| Beiren Printing Machinery             | 187 HK               | HK\$2.6   | 7,000,000  | 2,311,060  | 0.9%           |
| China Shineway                        |                      |           |            |            |                |
| Pharmaceutical                        | 2877 HK              | HK\$4.1   | 4,435,000  | 2,345,598  | 0.8%           |
| Singamas Container                    | 716 HK               | HK\$5.9   | 3,000,000  | 2,250,159  | 0.8%           |
| China Rare Earth                      | 769 HK               | HK\$1.1   | 15,254,000 | 2,170,915  | 0.8%           |
| Hengan International                  | 1044 HK              | HK\$4.6   | 3,600,000  | 2,134,766  | 0.8%           |
| Guangshen Railway                     | 525 HK               | HK\$2.9   | 5,614,000  | 2,069,409  | 0.8%           |
| Sino Golf                             | 361 HK               | HK\$1.3   | 11,735,000 | 1,925,879  | 0.7%           |
| Asia Zirconium                        | 395 HK               | HK\$1.0   | 13,196,000 | 1,624,238  | 0.6%           |
| FU JI Food & Catering                 | 1175 HK              | HK\$6.5   | 1,844,000  | 1,524,954  | 0.6%           |
| Nanjing Dahe Outdoor Media            | 8243 HK              | HK\$0.3   | 37,500,000 | 1,442,409  | 0.5%           |
| Arcontech                             | 8097 HK              | HK\$0.2   | 18,386,000 | 407,821    | 0.2%           |
| <b>Taiwan</b>                         |                      |           |            |            | <b>24.5%</b>   |
| Merry Electronics                     | 2439 TT              | NT\$81.5  | 3,012,016  | 7,900,846  | 2.9%           |
| Synnex Technologies                   | 2347 TT              | NT\$46.5  | 5,165,604  | 7,730,949  | 2.8%           |
| Taiwan Green Point                    | 3007 TT              | NT\$107.0 | 2,155,749  | 7,424,047  | 2.7%           |
| EVA Airways                           | 2618 TT              | NT\$16.5  | 9,400,000  | 4,991,954  | 1.8%           |
| Cathay Financial                      | 2882 TT              | NT\$63.0  | 2,331,000  | 4,726,521  | 1.8%           |
| Cheng Shin Rubber                     | 2105 TT              | NT\$38.9  | 3,805,974  | 4,765,123  | 1.7%           |
| Fubon Financial                       | 2881 TT              | NT\$32.7  | 4,453,952  | 4,687,616  | 1.7%           |
| Tripod Technology                     | 3044 TT              | NT\$47.5  | 2,778,413  | 4,247,654  | 1.5%           |
| ET Internet Technology                | 2614 TT              | NT\$16.0  | 7,136,000  | 3,674,799  | 1.4%           |
| Wintek                                | 2384 TT              | NT\$37.3  | 2,421,104  | 2,906,572  | 1.1%           |
| Data Systems Consulting               | 2447 TT              | NT\$19.8  | 4,237,987  | 2,700,745  | 1.0%           |
| Taiwan FamilyMart                     | 5903 TT              | NT\$52.5  | 1,567,231  | 2,648,202  | 1.0%           |
| Chicony Electronics                   | 2385 TT              | NT\$33.9  | 2,452,152  | 2,675,505  | 1.0%           |
| China Metal Products                  | 1532 TT              | NT\$33.7  | 1,989,714  | 2,158,139  | 0.8%           |
| Soft-World International              | 5478 TT              | NT\$61.0  | 933,457    | 1,832,664  | 0.7%           |
| Yieh United Steel                     | 9957 TT              | NT\$15.7  | 3,500,000  | 1,768,587  | 0.6%           |
| <b>B shares</b>                       |                      |           |            |            | <b>3.8%</b>    |
| China International Marine            | 200039 CH            | HK\$21.0  | 3,908,395  | 10,498,288 | 3.8%           |
| <b>New York</b>                       |                      |           |            |            | <b>0.2%</b>    |
| Chindex International                 | CHDX US              | US\$6.9   | 69,987     | 484,310    | 0.2%           |
| <b>Direct</b>                         |                      |           |            |            | <b>8.5%</b>    |
| CDW Holding Ltd                       |                      |           | 60,000,000 | 16,402,426 | 6.0%           |
| Captive Finance                       |                      |           | 2,000,000  | 3,045,000  | 1.1%           |
| Global e Business                     |                      |           | 40,000     | 3,034,244  | 1.1%           |
| teco Optronics                        |                      |           | 1,861,710  | 605,687    | 0.3%           |
| <b>Other assets &amp; liabilities</b> |                      |           |            |            | <b>3.2%</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 organised 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 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.**  
**c/o State Street Bank and Trust Company**  
**225 Franklin Street Boston, MA 02110**  
**Tel: (1) 888 CHN-CALL (246 2255)**  
**www.chinafundinc.com**

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China Fund Inc (the fund) is classified as a ‘non-diversified’ investment company under the US Investment Company Act of 1940. It meets the criteria of a closed-ended US mutual fund and its shares are listed on the New York Stock Exchange. MC Inc has been appointed investment adviser to the listed equity portfolio of the fund. Asian Direct Capital Management is the direct investment manager to the fund.

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Please remember that past performance is not a guide to future returns. Markets and currency movements can cause the value of the shares and the income from them to fluctuate and you may get back less than you invested when you decide to sell your shares.