



THE CHINA FUND, INC. (CHN)



IN BRIEF

Net asset value per share	US\$25.16
Market price	US\$29.30
Premium/(discount)	16.45%
Fund size	US\$255.1m

Source: State Street Corporation

At May 31, 2005	US\$ returns	
	China Fund NAV %	MSCI Golden Dragon*
One month	-1.5	1.9
Year to date	3.8	-0.1
One year	8.1	16.3
Three years %pa	20.3	10.2

Past performance is not a guide to future returns.

Source: State Street Corporation. NAV-NAV performance.

*Source for index data: MSCI.

MANAGER'S COMMENTARY

It was a mob scene. Queues of well-heeled couples snaked back and forth around the offices of the Shanghai Property Deeds Exchange Centre. Property brokers subsisted from dawn to dusk on a diet of dry crackers and bottled water. This was the scene on the last day before a new 5% sales tax was to be imposed on properties held for less than two years and the transaction tax on 'luxury property' doubled to 3%. This move to cool speculation in high-end property - successful judging by the sudden fall in prices and transactions in Shanghai - was one of many new policy initiatives in a busy month for the authorities.

An attempt was made to tackle the overhang of non-tradeable shares. These accounted for 68% of shares listed on the domestic A share market, which recently collapsed to an eight-year low. The plan is for companies to compensate existing floating shareholders by giving them additional old shares. Shareholders in the first four companies to test the system will vote in June on whether to accept such compensation, which appears to be about three shares for each 10 held, with lock-up guarantees and sweetened, in some cases, by an additional cash payment. Were this system to be rolled out across the whole market it would effectively mean, for existing holders, that the market is at least 30% cheaper than it appears. We are looking to increase the fund's exposure to this market.

The authorities announced an export tax levy on a large number of textile items, in an attempt to head off protectionist sentiment from trading partners towards the surge in Chinese textile exports (up by 19% year-on-year in the first quarter). This results from the abolition of quotas at the start of the year, which was itself the reward for Chinese concessions on joining the World Trade Organization. When the announcement failed to have the desired effect, the tax levy was abolished. With most of the bad news in the price, we are starting to look at depressed textile stocks again.

Masterly inaction was the response to frenzied speculation about Renminbi revaluation. Our opinion on this thorny issue, for what it's worth, is that with the US dollar and US interest rates now rising, and local inflation low (CPI was only 1.8% in April), the government will not need to revalue the currency. In fact we predict that within three years, the same commentators will be talking about currency devaluation again ...

Manufacturers have generally suffered from a margin squeeze over the past couple of years as commodity prices have escalated. It was encouraging, therefore, to see a margin recovery in the first quarter at some food processors such as Want Want and Tingyi. Cereals were about the first commodity to start to fall last autumn. As this has now been followed, in order, by declines in cement, steel and non-ferrous material prices, it points to a more widespread margin recovery for competitive manufacturers in the second half.

In thin May markets, the Chinese indices took different directions. The Hang Seng ended the month flat, in contrast to the commodity-heavy H share index, which is now down by over 11% from its end February high. The A share index fell in a straight line and is now down by over 15% since mid March. The Taiwan index was, for once, an outperformer, clawing its way back to 6,000. But given the good news on cross-strait relations and another MSCI re-weighting, this was little to get excited about. In fact, when you realise that the TAIEX first reached the 6,000 level in 1988, one sympathises with the Ethiopian proverb: "What once seemed a she-lion now looks like a dog."

Chris Ruffle, Martin Currie Inc

INVESTMENT STRATEGY

The fund is now 96.9% invested with holdings in 57 stocks, of which 4 are unlisted.

We were active on the sell side in May. We took profits on Yanzhou Coal ahead of the June listing of Shenhua Coal, which is a larger company with superior prospects. We also took profits on the container maker Singamas, where the rapid fall in steel costs is causing customers to delay orders. As bad news continues to dribble out regarding its Alcatel and Thomson deals, we lost patience with TCL and cut this position. On the buy side, we added to positions in the out-of-favour UTStarcom and the newly listed cell phone designer Techfaith. New positions were established in Bio-Treat, which makes systems for the treatment of wastewater, a huge problem in China, and the depressed Shanghai Semiconductor, on signs of an upturn in the semiconductor cycle.

Chris Ruffle, Martin Currie Inc

DIRECT INVESTMENT MANAGER'S COMMENTARY

In May CDW Holdings Ltd announced its first quarter 2005 results. It reported a 51.7% growth in turnover and 26.9% growth in net profits. These were attributed to the strong demand for its LCD back-light units, mainly for gamebox products, and the robust demand for the company's metal and plastic frames, used in notebook PCs and other IT equipment. Other companies held in the direct investment portfolio have performed satisfactorily.

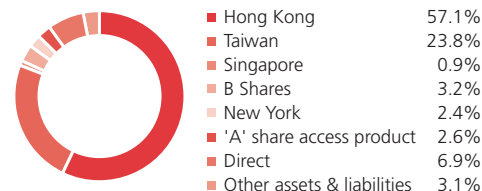
KOH Kuek Chiang, Asian Direct Capital Management

FUND DETAILS

Market cap	US\$295.4m
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.

ASSET ALLOCATION



Source: State Street Corporation

SECTOR ALLOCATION

	The China Fund, Inc	MSCI Golden Dragon
Industrials	21.1%	12.6%
Information technology	16.4%	22.9%
Consumer discretionary	14.8%	7.2%
Utilities	10.3%	6.5%
Consumer staples	7.9%	0.6%
Telecommunications	7.5%	8.0%
Materials	7.3%	6.4%
Financials	4.6%	30.1%
Healthcare	3.8%	0.1%
'A' share access product	2.6%	-
Energy	0.6%	5.6%
Other assets & liabilities	3.1%	-
Total	100.0%	100.0%

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

PERFORMANCE

(US\$ RETURNS)

	NAV %	Market price %
One month	-1.5	6.6
Year to date	3.8	-10.5
3 years (annualized)	20.3	32.5

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

DIRECT INVESTMENTS (6.9%)

CDW Holdings Ltd	Information technology	4.3%
Captive Finance	Financials	1.2%
Global e Business	Information technology	1.2%
teco Optronics	Information technology	0.2%

15 LARGEST LISTED INVESTMENTS (46.9%)

Chaoda Modern Agriculture	Consumer staples	5.4%
Anhui Expressway	Utilities	3.7%
Xinao Gas	Utilities	3.6%
Taiwan Green Point	Information technology	3.2%
China International Marine	Industrials	3.2%
Weichai Power	Consumer discretionary	3.2%
Shenzhen Expressway	Utilities	3.0%
Synnex Technologies	Consumer discretionary	3.1%
Solomon Systech	Information technology	3.0%
BYD	Industrials	2.9%
Comba Telecom Systems	Telecommunications	2.9%
Merry Electronics	Consumer discretionary	2.8%
TPV Technology	Industrials	2.5%
China Netcom	Telecommunications	2.3%
TCL Multimedia	Consumer discretionary	2.1%

Source: State Street Corporation

FUND PERFORMANCE (BASED ON NET ASSET VALUE)

(US\$ RETURNS)

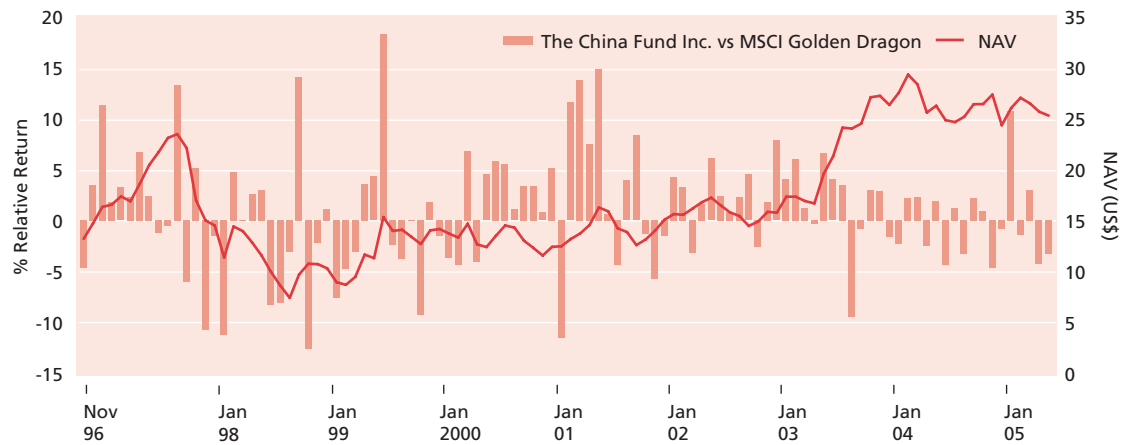
	One month %	Three months %	Calendar year to date %	One year %	Three years % pa	Five years % pa	Since launch % pa
The China Fund, Inc.	-1.5	-6.4	3.8	8.1	20.3	19.5	8.1
MSCI Golden Dragon	1.9	-1.9	-0.1	16.3	10.2	-0.8	n/a
Hang Seng Chinese Enterprise	-1.2	-10.6	-3.2	7.0	29.3	22.1	n/a

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.

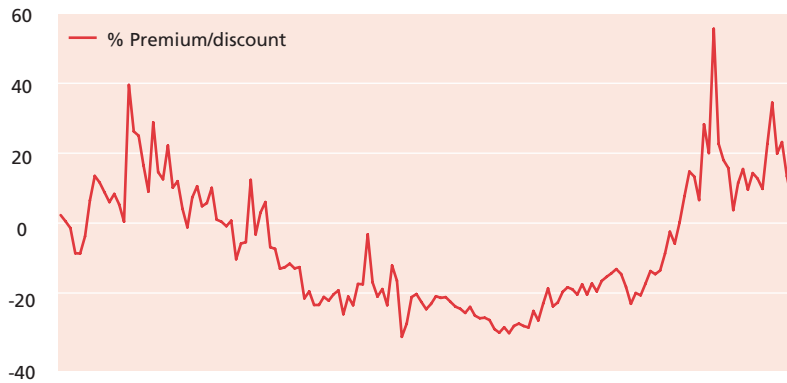
Source for index data: MSCI for the MSCI Golden Dragon and Copyright 2005 Bloomberg LP for the Hang Seng Chinese Enterprise.

PERFORMANCE IN PERSPECTIVE



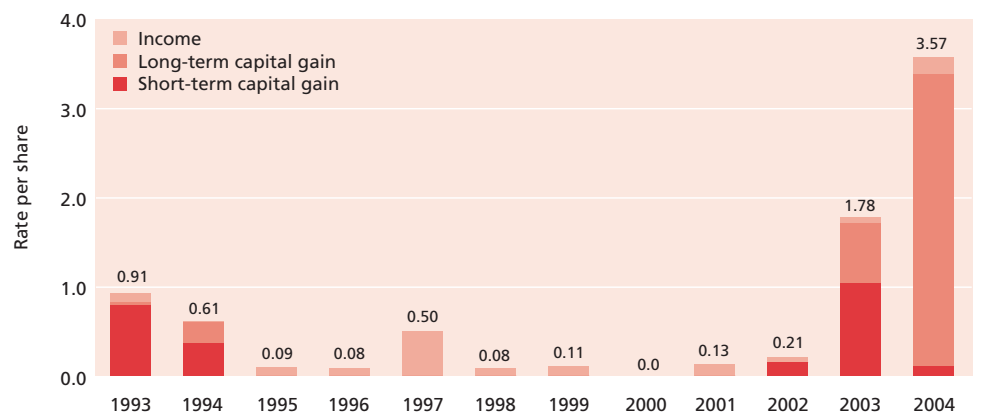
Past performance is not a guide to future returns.
Source: Martin Currie Inc as of May 31, 2005.

THE CHINA FUND INC. PREMIUM/DISCOUNT



Past performance is not a guide to future returns.
Source: Martin Currie Inc as of May 31, 2005.

DIVIDEND HISTORY CHART



	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
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
Hong Kong					57.1%
Chaoda Modern Agriculture	682 HK	HK\$3.2	34,089,900	13,913,529	5.4%
Anhui Expressway	995 HK	HK\$5.3	13,938,000	9,406,490	3.7%
Xinao Gas	2688 HK	HK\$5.2	13,976,000	9,072,816	3.6%
Weichai Power	2338 HK	HK\$24.7	2,536,000	8,068,941	3.2%
Shenzhen Expressway	548 HK	HK\$2.8	21,494,000	7,805,551	3.0%
Solomon Systech	2878 HK	HK\$2.9	20,698,000	7,649,518	3.0%
BYD	1211 HK	HK\$18.0	3,225,000	7,441,527	2.9%
Comba Telecom Systems	2342 HK	HK\$3.6	16,118,000	7,407,217	2.9%
TPV Technology	903 HK	HK\$5.0	9,968,000	6,406,870	2.5%
China Netcom	906 HK	HK\$10.6	4,253,000	5,767,873	2.3%
TCL International	1070 HK	HK\$1.4	29,970,000	5,393,648	2.1%
Li Ning	2331 HK	HK\$3.6	11,400,000	5,312,277	2.1%
Golden Meditech	8180 HK	HK\$1.5	27,900,000	5,308,035	2.1%
Zijin Mining	2899 HK	HK\$1.6	24,800,000	5,068,934	2.0%
China Fire Safety	8201 HK	HK\$0.7	50,380,000	4,403,874	1.7%
Sinotrans	598 HK	HK\$2.3	12,835,000	3,753,575	1.5%
Fountain Set	420 HK	HK\$4.2	6,714,000	3,646,498	1.4%
Semiconductor Manufacturing	981 HK	HK\$1.5	17,604,000	3,417,088	1.3%
China Travel	308 HK	HK\$2.2	10,000,000	2,795,935	1.1%
Ocean Grand Chemicals	2882 HK	HK\$1.2	17,379,000	2,658,518	1.1%
Asia Aluminium	930 HK	HK\$0.9	23,250,000	2,570,332	1.0%
Natural Beauty Bio-Technology	157 HK	HK\$0.6	32,780,000	2,401,882	0.9%
FU JI Food & Catering	1175 HK	HK\$6.4	2,844,000	2,339,793	0.9%
Guangshen Railway	525 HK	HK\$2.6	7,000,000	2,339,587	0.9%
China Shineway Pharmaceutical	2877 HK	HK\$3.7	4,435,000	2,066,662	0.8%
Beiren Printing Machinery	187 HK	HK\$2.2	7,000,000	1,957,155	0.8%
China Rare Earth	769 HK	HK\$1.0	15,254,000	1,921,665	0.8%
Yanzhou Coal Mining	1171 HK	HK\$6.2	1,887,600	1,516,554	0.6%
Asia Zirconium	395 HK	HK\$0.8	13,196,000	1,374,027	0.5%
Nanjing Dahe Outdoor Media	8243 HK	HK\$0.2	37,500,000	1,123,195	0.5%
Sino Golf	361 HK	HK\$0.8	10,303,000	1,046,306	0.4%
Arcontech	8097 HK	HK\$0.1	18,386,000	236,350	0.1%
Taiwan					23.8%
Taiwan Green Point	3007 TT	NT\$118.5	2,155,749	8,192,952	3.2%
Synnex Technologies	2347 TT	NT\$46.9	5,165,604	7,769,943	3.1%
Merry Electronics	2439 TT	NT\$74.3	3,012,016	7,177,447	2.8%
Tripod Technology	3044 TT	NT\$55.3	2,778,413	4,927,718	1.9%
EVA Airways	2618 TT	NT\$15.6	9,400,000	4,703,015	1.8%
Cathay Financial	2882 TT	NT\$60.0	2,331,000	4,485,568	1.7%
Fubon Financial	2881 TT	NT\$29.8	4,453,952	4,256,824	1.7%
Cheng Shin Rubber	2105 TT	NT\$34.8	3,805,974	4,247,848	1.7%
Wintek	2384 TT	NT\$42.3	2,421,104	3,280,681	1.3%
Data Systems Consulting	2447 TT	NT\$22.4	4,237,987	3,044,609	1.2%
Taiwan FamilyMart	5903 TT	NT\$53.0	1,567,231	2,663,991	1.0%
Chicony Electronics	2385 TT	NT\$31.3	2,452,152	2,461,589	1.0%
Waffer Technology	6235 TT	NT\$38.0	1,900,000	2,315,587	0.9%
Yieh United Steel	9957 TT	NT\$11.7	3,500,000	1,313,342	0.5%
Singapore					0.9%
Bio-Treat Technology	BIOT SP	SG\$0.6	6,389,000	2,323,203	0.9%
B Shares					3.2%
China International Marine	200039 CH	HK\$9.8	6,445,390	8,128,044	3.2%
New York					2.4%
China Techfaith Wireless	CNFT US	US\$17.4	197,700	3,439,980	1.4%
UTStarcom	UTSIE	US\$7.4	322,000	2,369,920	0.9%
Chindex International	CHDX US	US\$5.0	69,987	347,135	0.1%
'A' share access product					2.6%
Shenergy Access Product		US\$0.8	4,500,000	3,424,500	1.4%
Shanghai Airlines Access Product		US\$0.5	7,350,000	3,160,500	1.2%
Direct					6.9%
CDW Holdings Ltd			60,000,000	10,841,147	4.3%
Captive Finance			2,000,000	3,045,000	1.2%
Global e Business			40,000	3,042,162	1.2%
teco Optronics			1,861,710	603,550	0.2%
Other assets & liabilities					3.1%

OBJECTIVE

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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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 closedended 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.

Investors are advised that they will not generally benefit from the rules and regulations of the United Kingdom Financial Services and Markets Act 2000 and the FSA for the protection of investors, nor benefit from the United Kingdom Financial Services Compensation Scheme, nor have access to the Financial Services Ombudsman in the event of a dispute. Investors will also have no rights of cancellation under the FSA's Conduct of Business Sourcebook of the United Kingdom.

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The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased.

It should not be assumed that any of the securities transactions or holdings discussed here were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

Past performance is not a guide to future returns. Markets and currency movements may cause the value of investments and income from them to fall as well as rise and you may get back less than you invested when you decide to sell your investments. There can be no assurance that you will receive comparable performance returns, or that investments will reflect the performance of the stock examples, contained in this presenter. Movements in foreign exchange rates may have a separate effect, unfavorable as well as favorable, on the gain or loss otherwise experienced on an investment.

It should be noted that investment in the fund carries a higher degree of risks when investing in China and should be regarded as long term. Funds which invest in one country carry a higher degree of risk than those with portfolios diversified across a number of markets.

Investing in the fund involves certain considerations in addition to the risks normally associated with making investments in securities. The value of the shares issued by the fund, and the income from them, may go down as well as up and there can be no assurance that upon sale, or otherwise, investors will receive back the amount originally invested. Past performance is not necessarily a guide to future returns. Accordingly, the fund is only suitable for investment by investors who are able and willing to withstand the total loss of their investment. In particular, prospective investors should consider the following risks:

- ➔ The companies quoted on Greater Chinese stock exchanges are exposed to the risks of political, social and religious instability, expropriation of assets or nationalization, rapid rates of inflation, high interest rates, currency depreciation and fluctuations and changes in taxation, which may affect income and the value of investments.
- ➔ At present, the securities market and the regulatory framework for the securities industry in China is at an early stage of development. The CSRC is responsible for supervising the national securities markets and producing relevant regulations. The Investment Regulations, under which the fund invests in the People's Republic of China ('PRC') and which regulate repatriation and currency conversion, are new. The Investment Regulations give CSRC and SAFE wide discretions and there is no precedent or certainty as to how these discretions might be exercised, either now or in the future. The fund may, from time to time, obtain access to the securities markets in China via Access Products. Such products carry additional risk and may be less liquid than the underlying securities which they represent.
- ➔ During the past 15 years, the PRC government has been reforming the economic and political systems of the PRC, and these reforms are expected to continue, as evidenced by the recently announced changes. The fund's operations and financial results could be adversely affected by adjustments in the PRC's state plans, political, economic and social conditions, changes in the policies of the PRC government such as changes in laws and regulations (or the interpretation thereof), measures which may be introduced to control inflation, changes in the rate or method of taxation, imposition of additional restrictions on currency conversion and the imposition of additional import restrictions.
- ➔ PRC's disclosure and regulatory standards are in many respects less stringent than standards in certain OECD countries, and there may be less publicly available or less reliable information about PRC companies than is regularly published by or about companies from OECD countries.

The Shanghai Stock Exchange and Shenzhen Stock Exchange have lower trading volumes than most OECD exchanges and the market capitalisations of listed companies are small compared to those on more developed exchanges in developed markets. The listed equity securities of many companies in the PRC are accordingly materially less liquid, subject to greater dealing spreads and experience materially greater volatility than those of OECD countries. These factors could negatively affect the fund's NAV.
- ➔ The fund invests primarily in securities denominated in other currencies but its NAV will be quoted in US Dollars. Accordingly, a change in the value of such securities against US Dollars will result in a corresponding change in the US Dollar NAV.
- ➔ The marketability of quoted shares may be limited due to foreign investment restrictions, wide dealing spreads, exchange controls, foreign ownership restrictions, the restricted opening of stock exchanges and a narrow range of investors. Trading volume may be lower than on more developed stockmarkets, and equities are less liquid. Volatility of prices can also be greater than in more developed stockmarkets. The infrastructure for clearing, settlement and registration on the primary and secondary markets may be underdeveloped. Under certain circumstances, there may be delays in settling transactions in some of the markets.