

Edgar Filing: CHINA FUND INC - Form 8-K

CHINA FUND INC  
Form 8-K  
November 15, 2001

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

October 1, 2001  
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 October 2001 Monthly Update on the Fund by the Fund's Investment Manager.

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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: November 13, 2001

By: /s/ Ann Casey

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Name: Ann Casey  
Title: Secretary

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 Insight  
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The China Fund, Inc. (CHN)  
 October 2001

In brief...

at 3

Net Asset Value per share*	US\$13.19		China Fund NAV	MSCI
Market Price*	US\$10.74	1 month return*	4.3%	
Premium/Discount*	-18.6%	1 year return*	6.6%	
Fund size*	US\$132.9m	*Source: State Street Corporation/Martin Currie Inc		

Manager's Comments  
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Visits made during the month showed those companies concentrating on the domestic market continuing to report good sales growth. Exporters, on the other hand, are already being affected by the sharp slowdown in global growth post "911". After some time lag, we believe weaker external demand will put a brake on domestic consumption. Sentiment in the local "A" share market is gloomy. A modest decline in the index is already putting pressure on the weak financial sector. The government's attitude to the market decline is ambivalent. After contributing to the market fall in its attempts to crack down on irregular activities in the stock market, the authorities sought to prop up the market by announcing a block on the sale of state-owned shares. However, with WTO entry now only weeks away, and the looming prospect of greater foreign access, the CSRC knows that local financial markets and institutions need to be cleaned up and strengthened. The cash requirements of China's social security system also mean that the block on SOE shares sales can only be temporary.

All is not gloom, however. The continued competitiveness of China's exports, and its success in attracting foreign direct investment, meant that foreign exchange

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reserves topped US\$200bn in October. Progress in reform of the housing sector is impressive. This is stimulating demand for residential property and home-related products, particularly in coastal cities with higher average incomes. This trend is being aided by low interest rates and the keenness of local banks to develop mortgage portfolios. The increase in the number of people owning their own homes is also being accompanied by the "motorization" of the Chinese middle class and increased leisure spending. We will aim to concentrate our portfolio in these areas.

### Investment strategy:

Your fund is currently 94.5% invested with holdings in 47 companies. We continue to believe that the best combination of value and growth can be found amongst private sector companies listed in Hong Kong and Taiwan-listed enterprises deriving the bulk of their profits from China. There is a bias towards companies which can offer a high and relatively secure cash yield in these difficult times, such as China Petroleum (estimated yield 6.4%\*) and Chunghwa Telecom (12.5%\*).

In October we increased holdings in Euro-Asia (orchid grower based in Shenyang), Life Tech (liver cell re-growth drug maker) and Brilliance China (China's largest minivan maker. Sedan production will start soon). In the B share market, we added to holdings in Shanghai Friendship (China's largest convenience store operator) and Luthai Textile (a beneficiary of WTO entry). In Taiwan we have shifted some cash into China's leading uninterruptible power supply maker, Phoenixtec. With the fund's financial year closing at the end of October, your managers sold a number of loss-making positions, to offset profits taken earlier in the year. This is to ensure that your fund is as tax efficient for U.S. investors as possible.

### Fund Details\*

### Asset allocation (%)\*

Market cap	US\$201m	[PIE CHART]	
Shares outstanding	10,073,173 shares	Cash	5.5%
Exchange listed	NYSE	Hong Kong	45.3%
Listing date	July 10, 1992	Taiwan	32.3%
Investment manager	Martin Currie Inc	B shares	6.4%
Direct investment manager	Asian Direct Capital Management	New York	2.6%
		Direct	5.1%
		Singapore	2.8%

### Ten Largest Listed Investments (37.1%)\*

### Direct Investments\*

China Petroleum & Chemical	Energy	5.1%	A-S China Plumbing Product
Taipei Bank	Financials	4.8%	Moulin International Hold
Yanzhou Coal Mining	Energy	4.4%	New World Sun City
TCL International	Information Technology	3.9%	
Huaneng Power Intl	Energy	3.8%	
Zhejiang Expressway	Utilities	3.5%	
Chunghwa Telecom	Telecoms	3.4%	
Brilliance China	Consumer Discretionary	2.9%	
Phoenixtech	Consumer Staples	2.7%	
Chinadotcom	Information Technology	2.6%	

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Sector allocation (%)*	Performance (in US\$ term)*		
	% of net assets	MSCI Golden Dragon %	As at 31 October 2001
Consumer Discretionary	14.4	5.8	One month
Energy	13.4	2.6	Calendar year to date
Financials	13.4	29.6	3 years **
Industrials	11.9	17.0	
Information Technology	11.4	21.5	Dividend History*
Consumer Staples	9.3	0.5	US\$
Telecoms	6.6	10.6	0.1110
Materials	6.1	3.2	0.0780
Utilities	5.4	9.1	0.5003
Other	5.1	0.0	0.0834
Health Care	2.9	0.0	0.0910
Cash	0.1	-	0.6099
			0.9103
Total	100.0	100.0	0.0550

### Fund Performance

Fund performance	One Month	Three Months	Year To date	One Year
The China Fund, Inc.	4.3	-7.5	5.8	6.6
MSCI Golden Dragon	5.7	-16.5	-28.0	-31.5
Hang Seng Chinese Enterprise Index	8.5	-5.9	14.9	4.1

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

### Performance in perspective

The China Fund, Inc.

The China Fund Inc.  
vs MSCI Golden Dragon

Date	NAV
17-Jul-92	13.83
31-Jul-92	13.17
31-Aug-92	13.20
30-Sep-92	13.17
31-Oct-92	13.51
30-Nov-92	14.23
31-Dec-92	13.00
31-Jan-93	14.25
28-Feb-93	14.80
31-Mar-93	14.97

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30-Apr-93		15.55
31-May-93		15.60
30-Jun-93		14.97
31-Jul-93		14.32
31-Aug-93		15.15
30-Sep-93		15.29
31-Oct-93		17.35
30-Nov-93		18.05
27-Dec-93		19.28
31-Dec-93		20.18
31-Jan-94		18.21
28-Feb-94		17.09
31-Mar-94		15.64
30-Apr-94		14.52
31-May-94		14.96
30-Jun-94		14.16
31-Jul-94		14.85
31-Aug-94		15.44
30-Sep-94		15.50
31-Oct-94		15.25
30-Nov-94		13.76
23-Dec-94		12.62
31-Dec-94		12.60
31-Jan-95		11.17
28-Feb-95		11.75
31-Mar-95		11.78
30-Apr-95		11.45
31-May-95		12.36
30-Jun-95		12.21
31-Jul-95		12.65
31-Aug-95		12.31
30-Sep-95		12.49
31-Oct-95		12.87
30-Nov-95		12.41
29-Dec-95		12.23
31-Dec-95		12.23
31-Jan-96		13.44
29-Feb-96		13.49
31-Mar-96		12.82
30-Apr-96		12.70
31-May-96		12.94
30-Jun-96		12.87
31-Jul-96		12.83
31-Aug-96		13.33
30-Sep-96		13.60
31-Oct-96	-4.60	13.24
30-Nov-96	3.37	14.73
31-Dec-96	11.07	16.33
31-Jan-97	1.80	16.55
28-Feb-97	3.16	17.35
31-Mar-97	2.27	16.87
30-Apr-97	6.61	18.57
31-May-97	2.35	20.38
30-Jun-97	-1.21	21.62
31-Jul-97	-0.57	23.00
31-Aug-97	13.03	23.37
30-Sep-97	-5.88	22.02
31-Oct-97	5.05	16.97
30-Nov-97	-10.54	15.03
31-Dec-97	-4.75	14.53
31-Jan-98	-10.98	11.45
28-Feb-98	4.66	14.44

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31-Mar-98	0.05	13.99
30-Apr-98	2.52	12.88
31-May-98	2.90	11.63
30-Jun-98	-8.15	10.05
31-Jul-98	-7.95	8.72
31-Aug-98	-3.05	7.54
30-Sep-98	13.76	9.80
31-Oct-98	-12.33	10.84
30-Nov-98	-2.13	10.80
28-Dec-98	0.52	10.28
31-Dec-98	1.07	10.39
31-Jan-99	-7.49	9.05
28-Feb-99	-4.68	8.80
31-Mar-99	-2.99	9.57
30-Apr-99	3.48	11.72
31-May-99	4.21	11.38
30-Jun-99	17.91	15.35
31-Jul-99	-2.38	14.01
31-Aug-99	-3.69	14.12
30-Sep-99	0.04	13.43
31-Oct-99	-9.09	12.74
30-Nov-99	1.71	14.06
28-Dec-99	-5.57	14.41
31-Dec-99	-1.48	14.20
31-Jan-00	-3.64	13.75
29-Feb-00	-4.26	13.37
31-Mar-00	6.65	14.71
30-Apr-00	-4.02	12.71
31-May-00	4.42	12.45
30-Jun-00	5.72	13.53
31-Jul-00	5.43	14.54
31-Aug-00	1.04	14.32
30-Sep-00	3.29	13.07
31-Oct-00	3.31	12.37
30-Nov-00	0.76	11.63
31-Dec-00	5.03	12.47
31-Jan-01	-11.30	12.53
28-Feb-01	11.33	13.23
31-Mar-01	13.53	13.76
30-Apr-01	7.31	14.58
31-May-01	14.53	16.28
30-Jun-01	0.63	15.90
31-Jul-01	-4.32	14.26
31-Aug-01	3.83	13.90
30-Sep-01	8.15	12.64
31-Oct-01	-1.32	13.19

The China Fund, Inc. Premium/discount

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The China Fund, Inc. Premium/discount

07/10/1992 - 10/31/2001

DATE                      Premium/Discount  
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31-Jul-92                      14.07%

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28-Aug-92	-4.54%
25-Sep-92	-13.67%
30-Oct-92	-1.55%
27-Nov-92	1.40%
25-Dec-92	-1.53%
29-Jan-93	-7.02%
26-Feb-93	-7.09%
26-Mar-93	-7.44%
30-Apr-93	7.72%
28-May-93	14.58%
25-Jun-93	14.09%
30-Jul-93	11.31%
27-Aug-93	9.78%
24-Sep-93	5.40%
29-Oct-93	6.63%
26-Nov-93	-0.47%
31-Dec-93	39.99%
28-Jan-94	27.52%
25-Feb-94	20.04%
25-Mar-94	20.87%
29-Apr-94	10.19%
27-May-94	24.92%
24-Jun-94	15.21%
29-Jul-94	13.64%
26-Aug-94	18.85%
30-Sep-94	11.29%
28-Oct-94	12.43%
25-Nov-94	7.45%
30-Dec-94	0.20%
27-Jan-95	11.91%
24-Feb-95	11.11%
31-Mar-95	6.11%
28-Apr-95	6.99%
26-May-95	8.39%
30-Jun-95	2.38%
28-Jul-95	1.94%
25-Aug-95	1.73%
29-Sep-95	2.08%
27-Oct-95	-5.64%
24-Nov-95	-2.66%
29-Dec-95	-3.92%
26-Jan-96	14.58%
23-Feb-96	-1.68%
29-Mar-96	4.33%
26-Apr-96	-3.69%
31-May-96	-5.33%
28-Jun-96	-5.79%
26-Jul-96	-11.89%
30-Aug-96	-10.92%
27-Sep-96	-10.19%
25-Oct-96	-13.92%
29-Nov-96	-10.90%
27-Dec-96	-18.15%
31-Jan-97	-17.67%
28-Feb-97	-21.47%
28-Mar-97	-20.12%
25-Apr-97	-23.57%
30-May-97	-20.26%
27-Jun-97	-20.61%
25-Jul-97	-20.69%
29-Aug-97	-24.05%
26-Sep-97	-17.05%



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31-Oct-97	-21.73%
28-Nov-97	-15.59%
26-Dec-97	-16.28%
30-Jan-98	-1.75%
27-Feb-98	-15.17%
27-Mar-98	-18.52%
24-Apr-98	-19.54%
29-May-98	-21.54%
26-Jun-98	-13.16%
31-Jul-98	-14.71%
28-Aug-98	-21.35%
25-Sep-98	-30.42%
30-Oct-98	-19.43%
27-Nov-98	-15.57%
25-Dec-98	-23.53%
29-Jan-99	-22.65%
26-Feb-99	-21.16%
26-Mar-99	-19.23%
30-Apr-99	-19.48%
28-May-99	-19.27%
25-Jun-99	-20.63%
30-Jul-99	-21.93%
27-Aug-99	-24.14%
24-Sep-99	-24.04%
29-Oct-99	-22.00%
26-Nov-99	-20.28%
31-Dec-99	-25.17%
28-Jan-00	-26.63%
25-Feb-00	-23.62%
31-Mar-00	-28.19%
28-Apr-00	-29.20%
26-May-00	-24.45%
30-Jun-00	-29.33%
28-Jul-00	-24.71%
25-Aug-00	-26.60%
29-Sep-00	-27.31%
27-Oct-00	-28.35%
24-Nov-00	-26.14%
29-Dec-00	-25.82%
26-Jan-00	-21.88%
23-Feb-01	-18.80%
30-Mar-01	-21.88%
27-Apr-01	-21.94%
25-May-01	-19.39%
29-Jun-01	-16.54%
27-Jul-01	-19.60%
31-Aug-01	-18.56%
28-Sep-01	-15.66%
26-Oct-01	-17.97%

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The performance and premium/discount are based on 31 October 2001  
\*Source: State Street Corporation

The portfolio - in full

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Sector		Company (code)	P
Hong Kong 45.3%	China Petroleum & Chemical, Corp	0386.HK	HK\$
	Yanzhou Coal Mining Co.	1171.HK	HK\$
	TCL International Holdings Ltd	1070.HK	HK\$
	Huaneng Power International, Inc.	0902.HK	HK\$
	Zhejiang Expressway Co., Ltd	0576.HK	HK\$
	Brilliance China Automotive Holdings, Ltd	1114.HK	HK\$
	China Rare Earth Holdings, Ltd	0769.HK	HK\$
	TPV Technology, Ltd	0903.HK	HK\$
	Shangri-La Asia, Ltd	0069.HK	HK\$
	Euro - Asia Agriculture (Holdings) Co., Ltd	0932.HK	HK\$
	Beijing Capital International Airport Co., Ltd	0697.HK	HK\$
	Asia Satellite Telecommunications Holdings, Ltd	1135.HK	HK\$
	Global Bio-chem Technology Group Co., Ltd	0809.HK	HK\$
	Xiniao Gas Holdings, Ltd	8149.HK	HK\$
	China Overseas Land & Investment, Ltd	0688.HK	HK\$
	Life Tech Group, Ltd	1180.HK	HK\$
	Fountain Set (Holdings) Ltd	0420.HK	HK\$
	Arcontech, Corp	8097.HK	HK\$
	Chen Hsong Holding, Ltd	0057.HK	HK\$
	Automated Systems Holdings, Ltd	0771.HK	HK\$
Taiwan 32.3%	Taipei Bank	2830.TW	NT\$
	Chunghwa Telecom Co., Ltd	2412.TW	NT\$
	Phoenixtech Power Co., Ltd	2411.TW	NT\$
	Uni-President Enterprises Co.	1216.TW	NT\$1
	Pacific Construction Co., Ltd	2506.TW	NT\$
	Premier Image Technology, Corp	2394.TW	NT\$
	Ho Tung Chemical, Corp	1714.TW	NT\$
	Taiwan Secom	9917.TW	NT\$
	Polaris Securities Co., Ltd	6011.TW	NT\$
	Choice Lithograph, Inc	9929.TW	NT\$1
	China Synthetic Rubber, Corp	2104.TW	NT\$
	Teco Electric & Machinery Co., Ltd	1504.TW	NT\$
	Synnex Technologies International, Corp	2347.TW	NT\$
Advantech Co., Ltd	2395.TW	NT\$	
Giant Manufacturing Co., Ltd	9921.TW	N	
B shares 6.4%	Shanghai Friendship Group Co., Inc	90923.SS	US\$0
	Eastern Communications Co., Ltd	900941.SS	US\$
	Luthai Textile Co., Ltd	2726.SZ	HK\$
	Shanghai Matsuoka, Co	900955.SS	US\$
New York 2.6%	Chinadotcom, Corp	China.O	US\$1.
Direct 5.1%	A-S China Plumbing Products, Ltd		
	Moulin International Holdings, Ltd		
	New World Sun City, Ltd		
Singapore 2.8%	Want Want Holdings, Ltd	WANT.SI	US\$
	Asia Dekor Holdings, Ltd	ADEK.SI	US\$
Cash 5.5%			

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 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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Boston, MA 02110  
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