



THE CHINA FUND

(An exempted company incorporated with limited liability in the Cayman Islands)

FINAL RESULTS

For the year ended 31st March 2002

(Audited)

BUSINESS REVIEW AND OUTLOOK

We are pleased to report that despite difficult global equity markets last year, The China Fund rose 4.6%, compared to a decline of 2.5% for the CLSA China World Index. Being underweight in the telecommunication sector and overweight in cyclical stocks contributed to the Fund's out-performance.

Fixed asset investment was the major driver of economic growth in 2001. Continued government investment and a rebound in exports will underpin a strong growth for China's economy this year. Consumer spending, which slackened in the last few months, is also likely to recover later this year.

The volatility of China shares has fallen, with stability of a high priority for the Chinese government in a year of political transition. In this environment, we will maintain a balanced portfolio to gain exposure to both the recovering domestic economy and strengthening global growth.

FINANCIAL HIGHLIGHTS

	31/3/2002	31/3/2001
	<i>US\$</i>	<i>US\$</i>
Net Asset Value	24,265,954	23,964,396
Net Asset Value per share	19.70	18.83

REVENUE ACCOUNT

	Year ended	Year ended
	31/3/2002	31/3/2001
	<i>US\$</i>	<i>US\$</i>
INCOME		
Bank interest income	32,058	75,785
Dealing charges received	20,280	30,517
Dividend income	821,422	611,888
	<u>873,760</u>	<u>718,190</u>
EXPENSES		
Administration fee	61,838	58,361
Audit fee	13,750	13,750
Bank charges	984	1,067
Custodian fee	14,386	13,166
Directors' remuneration	15,000	15,000
Investment management fee	176,138	176,202
Legal and professional fees	4,123	19,145
Other operating expenses	103,683	88,664
	<u>389,902</u>	<u>385,355</u>
INCOME FOR THE YEAR BEFORE EQUALIZATION	483,858	332,835
Equalization on repurchase and issue of shares	<u>(34,540)</u>	<u>(8,312)</u>
INCOME FOR THE YEAR AFTER EQUALIZATION	449,318	324,523
INVESTMENT AND EXCHANGE DIFFERENCES		
Net realized gains on sale of listed investments	1,517	–
Net change in unrealized gains/losses on listed investments	781,415	–
Net foreign exchange gains	5,357	–
	<u>788,289</u>	<u>–</u>
INCOME BEFORE TAX	1,237,607	324,523
TAX	<u>–</u>	<u>–</u>
NET INCOME FOR THE YEAR	<u>1,237,607</u>	<u>324,523</u>
EARNINGS PER SHARE – BASIC	<u>1.0134</u>	<u>0.2633</u>

GENERAL

The Company is an investment fund, whose principal investment objective is the long term capital appreciation of its assets. The Company invests in equity and equity linked securities in the PRC, and in companies with significant assets in, or significant earnings derived from the PRC, including Chinese companies, the securities of which either are or will be listed, either directly or indirectly, on any recognized stock exchange.

IMPACT OF A NEW INTERNATIONAL ACCOUNTING STANDARD

The new International Accounting Standard 39: “Financial Instruments: Recognition and Measurement” (“IAS 39”) has been adopted for the first time in the preparation of the current year’s financial statements.

IAS 39 prescribes the principles for recognizing, measuring and disclosing information on financial instruments. According to the Company’s accounting policy, all investments are classified as available for sale and are stated at fair value, with changes in fair value recognized in the revenue account. Further, on derecognition of financial assets, the realized gains and losses on investments are recognized in the revenue account.

Prior to the adoption of IAS 39, realized and unrealized gains and losses on investments arising from changes in fair value, and foreign exchange gains and losses were recognized in the capital reserve. This accounting policy has been changed and the effect of adopting IAS 39 at 1st April 2001 has been reflected in the statement of movements in reserves as at that date, and represents a reclassification of previously reported unrealized gains on investments of US\$546,679 from the capital reserve to the revenue reserve.

EARNINGS PER SHARE – BASIC

The calculation of basic earnings per ordinary share is based on the net income for the year of US\$1,237,607 (2001: US\$324,523) and 1,221,284 (2001: 1,232,563) ordinary shares in issue during the year, calculated on the weighted average basis. Diluted earnings per share amounts have not been presented as there were no diluting events.

DIVIDEND

The Board of Directors recommend the payment of a dividend in the amount of US\$0.33 (2001: US\$0.24) per ordinary share totalling US\$406,532 (2001: US\$305,401), payable on 28th June 2002 to all shareholders appearing on the share register of the Company on 14th June 2002. The proposed dividend has not been reflected in the financial statements as at 31st March 2002.

RESERVES

Movements in reserves during the prior and current years were as follows:

	Capital reserve	Revenue reserve
	<i>US\$</i>	<i>US\$</i>
Balance at 1st April 2000	12,158,500	2,595
Net realized gains on sale of listed investments	1,243,296	–
Net change in unrealized gains/losses on listed investments	(1,837,496)	–
Net foreign exchange gains	218	–
Net income for the year	–	324,523
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Balance at 31st March 2001 and 1st April 2001	11,564,518	327,118
Reclassification of unrealized gains on listed investments on adoption of IAS 39	(546,679)	546,679
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Restated balance at 1st April 2001	11,017,839	873,797
Net income for the year	–	1,237,607
Dividend	–	(296,552)
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Balance at 31st March 2002	<u>11,017,839</u>	<u>1,814,852</u>

TAX

The Company is incorporated in the Cayman Islands. Under the taxation laws presently in force in the Cayman Islands, no local taxes will be chargeable on any income, profits or capital gains of the Company.

No provision has been made for tax in the People's Republic of China as dividends and gains realized from the sale of "B" shares are not taxable.

No provision for Hong Kong profits tax has been made as the Company is exempted from tax under Section 26A(1A) of the Inland Revenue Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 129,671 (2001: 105,212) and issued 89,081 (2001: 186,094) of its listed ordinary shares. The repurchase prices ranged from US\$14.95 to US\$23.19 per share (2001: US\$17.00 to US\$22.02 per share) and the issue prices ranged from US\$17.56 to US\$20.03 per share (2001: US\$17.64 to US\$21.98 per share). Subscription and repurchases may be made daily at Net Asset Value per share plus or minus a dealing charge.

The Company did not buy back any of its listed ordinary shares on The Stock Exchange of Hong Kong Limited during the year. No pre-emptive rights exist under Cayman Islands law in relation to issue of new listed securities by the Company.

DISTRIBUTOR STATUS

The Company was certified as a distributing fund for the purposes of Chapter V of Part XVII of the United Kingdom Income and Corporation Taxes Act 1988 in respect of the period from 20th January 1992 (date of incorporation) to 31st March 2001. It is intended that an application will be submitted to the United Kingdom Inland Revenue for certification in respect of the year ended 31st March 2002.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year ended 31st March 2002, except that the independent non-executive Directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation and re-election at the Annual General Meeting of the Company in accordance with the provisions of the Company's Articles of Association. The Company has established an audit committee in accordance with paragraph 14 of the Code of Best Practice.

DIRECTORS' INTERESTS

At 31st March 2002, none of the Directors or their associates had an interest, either beneficially or non-beneficially, in the share capital of the Company.

**PUBLICATION OF DETAILED ANNUAL RESULTS ON THE STOCK
EXCHANGE'S WEBSITE**

The annual report of the Company containing all the information required under the Listing Rules will be published on the Stock Exchange's website in due course.

By order of the Board
FORTIS FUND SERVICES (CAYMAN) LIMITED
Secretary

Hong Kong, 14th May, 2002

A copy of the annual report and any further information is available from the Assistant Secretary, Fortis Fund Services (Asia) Limited, 3701 Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong. Contact 2847-9514.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The China Fund (the “Company”) will be held at the office of Fortis Fund Services (Cayman) Limited, Grand Pavilion Commercial Centre, Bougainvillea Way, 802 West Bay Road, Grand Cayman, Cayman Islands, British West Indies on 14th June 2002 at 10:00 a.m. when the following business will be transacted:

Ordinary

1. To receive and consider the financial statements of the Company and the reports of the Directors and the Auditors for the year ended 31st March 2002.
2. To resolve that a final dividend in the amount of US\$0.33 per ordinary share will be declared.
3. To re-elect Michael Shelley and Glyn Owen as Directors.
4. To re-appoint the Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
5. To transact any other business which may be properly transacted at an annual general meeting.

By order of the Board
FORTIS FUND SERVICES (CAYMAN) LIMITED
Secretary

Date: 14th May 2002

Registered Office:

P.O. Box 2003 GT
Grand Pavilion Commercial Centre
Bougainvillea Way
802 West Bay Road
Grand Cayman
Cayman Islands
British West Indies

Notes:

1. Forms of proxy may be deposited at Fortis Fund Services (Cayman) Limited c/o Fortis Fund Services (Asia) Limited at 3701 Cosco Tower, Grand Millennium Plaza, 183 Queen's Road Central, Hong Kong no later than 48 hours before the time specified above for the holding of the meeting.
2. Proxies need not be members of the Company.
3. No Director of the Company has a contract of service with the Company.

Please also refer to the published version of this announcement in the South China Morning Post.