



THE CHINA FUND

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

FINAL RESULTS For the year ended 31st March 2003 (Audited)

BUSINESS REVIEW AND OUTLOOK

During the year, the China Fund's net asset value per share decreased 3.1% (as adjusted for dividends), compared with a 10.1% decrease in the CLSA China World Index in the same period. The Fund's overweighting in power and export-related stocks as well as its underweighting in telecommunications and private enterprise sectors have contributed to the out-performance.

China's GDP growth posted a stronger-than-expected 8% growth in 2002, mainly driven by robust growth in exports and fixed asset investments. Industrial production growth was also strong at 12.6% with better corporate profitability. After the exceptionally strong GDP growth of 9.9% in the first quarter of 2003, a slow-down in the economy is expected and inventory is building up. The outbreak of severe acute respiratory syndrome (SARS) will have an adverse impact on domestic consumption in the short term and a more profound impact on exports and foreign direct investment in the longer term.

FINANCIAL HIGHLIGHTS

	31/3/2003 US\$	31/3/2002 US\$
Net Assets	21,610,709	24,265,954
Net Asset Value per share	18.80	19.70

REVENUE ACCOUNT

	Year ended 31/3/2003 US\$	Year ended 31/3/2002 US\$
INCOME		
Bank interest income	8,958	32,058
Dealing charges received	12,046	20,280
Dividend income	655,140	821,422
	676,144	873,760
EXPENSES		
Administration fee	58,672	61,838
Audit fee	17,415	13,750
Bank charges	1,167	984
Custodian fee	12,975	14,386
Directors' remuneration	15,000	15,000
Investment management fee	177,187	176,138
Legal and professional fees	-	4,123
Other operating expenses	138,367	103,683
	420,783	389,902
INCOME FOR THE YEAR BEFORE EQUALIZATION	255,361	483,858
Equalization on issue of shares	1,410	22,296
Equalization on repurchase of shares	(28,035)	(56,836)
INCOME FOR THE YEAR AFTER EQUALIZATION	228,736	449,318
INVESTMENT AND EXCHANGE DIFFERENCES		
Net realized gains on sale of listed investments	558,637	1,517
Net change in unrealized gains/losses on listed investments	(1,509,569)	781,415
Net foreign exchange (losses)/gains	(3,145)	5,357
	(954,077)	788,289
(LOSS)/INCOME BEFORE TAX	(725,341)	1,237,607
TAX	-	-
NET (LOSS)/INCOME FOR THE YEAR	(725,341)	1,237,607
(LOSS)/EARNINGS PER SHARE – BASIC	(0.5938)	1.0134

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.

(LOSS)/EARNINGS PER SHARE – BASIC

The calculation of basic loss per ordinary share is based on the net loss for the year of US\$725,341 (2002: net income of US\$1,237,607) and the weighted average of 1,221,436 (2002: 1,221,284) ordinary shares in issue during the year. Diluted earnings per share have not been presented as there were no diluting events.

DIVIDEND

The Board of Directors recommends the payment of a dividend in the amount of US\$0.18 (2002: US\$0.33) per ordinary share totalling US\$206,955 (2002: US\$406,532), payable on 29 August 2003 to all shareholders whose names appear on the share register of the Company on 18 August 2003. The proposed dividend has not been reflected as a liability in the financial statements as at 31st March 2003.

RESERVES

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

	Capital reserve US\$	Revenue reserve US\$
Balance at 1 April 2001	11,017,839	873,797
Net income for the year	–	1,237,607
Dividend	–	(296,552)
	<hr/>	<hr/>
Balance at 31 March 2002 and 1 April 2002	11,017,839	1,814,852
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Net loss for the year	–	(725,341)
Transfer to capital reserve	(725,341)	725,341
Dividend	–	(404,251)
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Balance at 31 March 2003	<u>10,292,498</u>	<u>1,410,601</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 Hong Kong Inland Revenue Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the Company repurchased 101,149 (2002: 129,671) and issued 18,987 (2002: 89,081) of its listed ordinary shares. The repurchase prices ranged from US\$16.97 to US\$20.74 per share (2002: US\$14.95 to US\$23.19 per share) and the issue prices ranged from US\$18.56 to US\$20.10 per share (2002: US\$17.56 to US\$20.03 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 20 January 1992 (date of incorporation) to 31 March 2002. It is intended that an application will be submitted to the United Kingdom Inland Revenue for certification in respect of the year ended 31 March 2003.

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 31 March 2003, 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.

DIRECTORS' INTERESTS

At 31st March 2003, 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, 16 July, 2003

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 18 August 2003 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 2003.
2. To resolve that a final dividend in the amount of US\$0.18 per ordinary share will be declared.
3. To re-elect Diane Seymour-Williams and Jimmy Pun Kwok Wing 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: 16 July 2003

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 South China Morning Post.