



THE CHINA FUND

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

2003 INTERIM RESULTS

BUSINESS REVIEW AND OUTLOOK

The China Fund's net asset value per share increased 43.05% in the six months to 30 September 2003. This compares with a 36.5% increase in the CLSA China World Index in the same period. The outperformance was attributable to the Company's overweight position in cyclical and export-related stocks as well as stocks that are geared to strong domestic consumption.

After being hit by SARS in April, China stocks posted a strong rally during the period driven by strong recovery in corporate earnings especially in cyclical stocks and export-related stocks. The rally was also supported by strong liquidity on anticipation of potential appreciation of RMB. Moreover, the opening of the domestic A share market has substantially increased investment choices to foreign investors.

Despite the impact from SARS, China's GDP increased by around 8.5% in the first nine months of 2003, exceeding market expectation of around 8%. Due to concerns on overheating, the government has made some effort to tighten credit such as increasing the reserve ratio for banks by 1% as well as controlling mortgage loans for high-end properties. However, these measures are not expected to have a significant impact on China's growth which should remain strong in the medium term.

As the rally of China stocks has been supported by earnings upgrades, valuations are still at reasonable levels. Despite the strong performance this year, the Company expects earnings momentum of Chinese companies to remain robust going forward. It will focus on stocks that are geared to strong domestic consumption as well as those benefitting from industry consolidation or restructuring. Moreover, the Company is also actively exploring investment opportunities in the domestic A and B share markets.

FINANCIAL HIGHLIGHTS

	30/9/03	31/3/03
	<i>US\$</i>	<i>US\$</i>
Net Asset Value	29,244,634	21,610,709
Net Asset Value per share	US\$26.61	US\$18.80

REVENUE ACCOUNT

	Half-year ended 30/9/03	Half-year ended 30/9/02
	<i>US\$</i>	<i>US\$</i>
INCOME		
Bank interest income	2,360	4,892
Dealing charges received	5,901	3,498
Dividend income	793,822	558,068
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	802,083	566,458
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EXPENSES		
Administration fee	32,376	30,426
Audit fee	8,800	6,790
Bank charges	826	612
Custodian fee	9,171	6,285
Directors' remuneration	7,500	7,500
Investment management fee	93,728	91,964
Other operating expenses	40,355	74,159
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	192,756	217,736
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	30/9/03 <i>US\$</i>	31/3/03 <i>US\$</i>
NET INCOME FOR THE PERIOD BEFORE EQUALIZATION	609,327	348,722
Equalization on repurchase of shares	(20,852)	(4,036)
Equalization on issue of shares	–	1,016
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NET INCOME FOR THE PERIOD AFTER EQUALIZATION	588,475	345,702
INVESTMENT AND EXCHANGE DIFFERENCES		
Net change in unrealized gains/ losses on listed investments	4,964,417	(2,151,223)
Net realized gains/(losses) on sale of listed investments	3,362,283	(116,342)
Net foreign exchange gains/ (losses)	149,873	(1,189)
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	8,476,573	(2,268,754)
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NET INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS	<u>9,065,048</u>	<u>(1,923,052)</u>
EARNINGS/(LOSS) PER SHARE – BASIC	<u>8.0353</u>	<u>(1.5700)</u>

RESERVES

The movements in reserves in the current period are as follows:

	Capital reserve <i>US\$</i>	Revenue reserve <i>US\$</i>
Balance at 1 April 2003	10,292,498	1,410,601
Net gain for the period	–	9,065,048
Dividends	–	(311,225)
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Balance at 30 September 2003	<u>10,292,498</u>	<u>10,164,424</u>

The movements in reserves in the corresponding prior period were as follows:

	Capital reserve <i>US\$</i>	Revenue reserve <i>US\$</i>
Balance at 1 April 2002	11,017,839	1,814,852
Net loss for the period	–	(1,923,052)
Dividends	–	(404,251)
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Balance at 30 September 2002	<u>11,017,839</u>	<u>(512,451)</u>

BALANCE SHEET

	30/9/2003	31/3/2003
	<i>US\$</i>	<i>US\$</i>
LISTED INVESTMENTS	27,892,145	20,095,646
CURRENT ASSETS		
Cash and cash equivalents	957,566	1,276,178
Dividends receivable	165,147	32,399
Amount due from brokers	578,577	423,149
	<u>1,701,290</u>	<u>1,731,726</u>
TOTAL ASSETS	<u>29,593,435</u>	<u>21,827,372</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	53,510	47,673
Amount due to brokers	295,291	168,990
	<u>348,801</u>	<u>216,663</u>
NET ASSETS	<u><u>29,244,634</u></u>	<u><u>21,610,709</u></u>
Financed by:		
SHARE CAPITAL	10,991	11,498
RESERVES	29,233,643	21,599,211
	<u><u>29,244,634</u></u>	<u><u>21,610,709</u></u>
NUMBER OF SHARES IN ISSUE	<u><u>1,099,114</u></u>	<u><u>1,149,752</u></u>
NET ASSET VALUE PER SHARE	<u><u>US\$26.61</u></u>	<u><u>US\$18.80</u></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 China, and in companies with significant assets in, or significant earnings derived from China, including Chinese companies the securities of which either are or will be listed, either directly or indirectly, on any recognized stock exchange.

EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the net income for the period of US\$9,065,048 (2002: net loss of US\$1,923,052) and the weighted average of 1,128,155 (2002: 1,224,838) ordinary shares in issue during the period.

Diluted earnings per share has not been presented as there were no diluting events.

DIVIDEND

The directors do not recommend the payment of an interim dividend for the period ended 30 September 2003 (2002: Nil).

A dividend of US\$0.18 per ordinary share totalling US\$201,314 was paid on 29 August 2003 to all shareholders appearing on the share register of the Company on 18 August 2003. A supplementary dividend of US\$0.10 per ordinary share totalling US\$109,911 was paid on 29 September 2003 to all shareholders whose names appear on the share register of the Company as at the close of business on 25 September 2003.

TAX

Under the current laws of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Company has received an undertaking from the Governor in Council of the Cayman Islands, pursuant to the provisions of Section 6 of the Tax Concessions Law (Revised), which exempts the Company from any such tax at least until the year 2012.

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.

DIRECTORS' INTERESTS

At 30 September 2003, none of the Directors or their associates had an interest, either beneficially or non-beneficially, in the share capital of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company issued and repurchased its own shares as follows:

	Number of shares	Highest price US\$	Lowest price US\$
Subscriptions	–	N/A	N/A
Repurchases	50,638	26.62	18.21

Subscriptions 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 period. No pre-emptive rights exist under Cayman Islands Law in relation to issue of new listed securities by the Company.

CODE OF BEST PRACTICE

In the opinion of the directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the period ended 30 September 2003, except that the independent non-executive directors of the Company are not appointed for specific terms. Independent non-executive directors 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.

**PUBLICATION OF INTERIM RESULTS ON THE WEBSITE
TO THE STOCK EXCHANGE OF HONG KONG LIMITED**

A detailed condensed interim financial statements containing the information required by paragraph 46(1) to 46(6) of Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 28 November 2003

A copy of the interim report and any further information are available from the Assistant Secretary, Fortis Fund Services (Asia) Limited. 3701 Cosco Tower Grand Millennium Plaza, 183 Queen's Road Central Hong Kong. Contact 2847-9511.

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