



THE CHINA FUND

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

(Stock Code: 215)

2004 INTERIM RESULTS

BUSINESS REVIEW AND OUTLOOK

The China Fund's net asset value per share decreased 6.3% in the six months to 30 September, 2004. This compares with a 6.2% decrease in the CLSA China World Index in the same period. The Company's focus on upstream resources stocks as well as transportation and selective consumer stocks have contributed positively to the performance of the portfolio during the period.

China shares were very volatile during the period. They were sold off sharply in April after the government implemented austerity programs, but recovered gradually in the following months as corporate earnings maintained their strong growth momentum. Stocks with good earnings visibility, strong cash flows, and less policy risk were the best performers, including resources and transportation stocks. The Company expects upstream operators will remain out-performers relative to downstream manufacturers who are under increasing margin pressure due to rising raw material costs.

Despite the tightening measures introduced in the second quarter to curb over-investments, economic growth was stronger than expected with GDP up 9.6% and 9.1% in the second and third quarter respectively. The rising Consumer Price Index (CPI), which exceeded 5% in July, has prompted the government to raise one-year benchmark interest rates by 27bps in October. More rate hikes are expected in the next 12 months so as to neutralize negative real interest rates. The Company believes that the tightening measures would not change China's growth prospects in the long term, as policy makers' focus is on fine-tuning existing policies to prevent the economy from overheating whilst still maintaining a robust GDP growth of 7-8% in the coming years.

DIRECTORS

Glyn Owen (*Chairman*)
 Diane Seymour-Williams
 Jimmy Pun Kwok Wing
 Michael Shelley
 Choy Peng Wah

FINANCIAL HIGHLIGHTS

	30/9/04 <i>US\$</i>	31/3/04 <i>US\$</i>
Net Asset Value	34,886,624	39,970,181
Net Asset Value per share	US\$35.33	US\$38.12

REVENUE ACCOUNT

	Half-year ended 30/9/04 <i>US\$</i>	Half-year ended 30/9/03 <i>US\$</i>
INCOME		
Bank interest income	136	2,360
Dealing charges received	10,370	5,901
Dividend income	901,370	793,822
	<hr/>	<hr/>
	911,876	802,083
	<hr/>	<hr/>

	Half-year ended 30/9/04 US\$	Half-year ended 30/9/03 US\$
EXPENSES		
Administration fee	43,076	32,376
Audit fee	9,087	8,800
Bank charges	274	826
Custodian fee	13,180	9,171
Directors' remuneration	7,788	7,500
Investment management fee	132,512	93,728
Liquidation expenses	75,000	–
Other operating expenses	50,292	40,355
	<u>331,209</u>	<u>192,756</u>
NET INCOME FOR THE PERIOD BEFORE EQUALIZATION		
	580,667	609,327
Equalization on repurchase of shares	<u>(21,037)</u>	<u>(20,852)</u>
NET INCOME FOR THE PERIOD AFTER EQUALIZATION		
	559,630	588,475
INVESTMENT AND EXCHANGE DIFFERENCES		
Net change in unrealized gains/ losses on listed investments	(495,978)	4,964,417
Net realized (losses)/gains on sale of listed investments	(2,793,529)	3,362,283
Net foreign exchange gains	38,306	149,873
	<u>(3,251,201)</u>	<u>8,476,573</u>
NET (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO SHAREHOLDERS		
	<u>(2,691,571)</u>	<u>9,065,048</u>
(LOSS)/EARNINGS PER SHARE – BASIC		
	<u>(2.6395)</u>	<u>8.0353</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 2004	10,292,498	22,788,929
Net loss for the period	–	(2,691,571)
Transfer to capital reserve	(2,691,571)	2,691,571
Dividends	–	(375,233)
	<hr/>	<hr/>
Balance at 30 September 2004	<u>7,600,927</u>	<u>22,413,696</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 2003	10,292,498	1,410,601
Net gain for the period	–	9,065,048
Dividends	–	(311,225)
	<hr/>	<hr/>
Balance at 30 September 2003	<u>10,292,498</u>	<u>10,164,424</u>

BALANCE SHEET

	30/9/2004	31/3/2004
	<i>US\$</i>	<i>US\$</i>
LISTED INVESTMENTS	–	38,134,227
CURRENT ASSETS		
Cash and cash equivalents	855,867	3,247,186
Dividends receivable	87,279	–
Amount due from brokers	1,031,904	1,367,700
Listed investments	33,019,038	–
	<u>34,994,088</u>	<u>4,614,886</u>
TOTAL ASSETS	<u>34,994,088</u>	<u>42,749,113</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	107,464	61,498
Repurchase proceeds payable	–	1,252,350
Amount due to brokers	–	1,465,084
	<u>107,464</u>	<u>2,778,932</u>
NET ASSETS	<u>34,886,624</u>	<u>39,970,181</u>
Financed by:		
SHARE CAPITAL	9,875	10,485
RESERVES	34,876,749	39,959,696
	<u>34,886,624</u>	<u>39,970,181</u>
NUMBER OF SHARES IN ISSUE	<u>987,455</u>	<u>1,048,455</u>
NET ASSET VALUE PER SHARE	<u>US\$35.33</u>	<u>US\$38.12</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.

Upon the recommendation of the Directors, the intention to wind up the affairs of the Company will be proposed at an Extraordinary General Meeting (“EGM”) which is to be held on 30 December 2004. Should the winding-up resolution be approved, a liquidator will be appointed by the Company to commence the process of liquidation. The Company’s shares will also be delisted from the Stock Exchange of Hong Kong and the Company’s authorisation by the Securities and Futures Commission will be withdrawn.

Liquidation expenses of US\$75,000 have been accrued in the financial statements as at 30 September 2004. Accordingly, these financial statements have been prepared on the net realization basis rather than on a going concern basis, the principal impact of which has been the reclassification of listed investments to current assets.

The Company will issue a circular to its shareholders explaining the details of the proposed voluntary winding-up of the Company on 30 November 2004.

The interim report and unaudited financial statements for the six months ended 30 September 2004 have been reviewed by the Audit Committee of the Company.

LOSS/EARNINGS PER SHARE – BASIC

The calculation of basic loss/earnings per share is based on the net loss for the period of US\$2,691,571 (30/9/2003: net income of US\$9,065,048) and the weighted average of 1,019,746 (30/9/2003: 1,128,155) ordinary shares in issue during the period.

Diluted loss/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 2004 (30/9/2003: Nil).

A final dividend in relation to the year ended 31 March 2004 of US\$0.38 per ordinary share totalling US\$375,233 was paid on 10 September 2004 to all shareholders appearing on the share register of the Company on 31 August 2004.

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 Hong Kong Inland Revenue Ordinance.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

At 30 September 2004, none of the Directors or their associates had registered an interest or short positions in the share capital of the Company or any associated corporations.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company repurchased 61,000 and did not issue any of its listed ordinary shares. The repurchase price ranged from US\$33.02 to US\$33.24 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 period.

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 period ended 30 September 2004, 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.

POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, upon the recommendation of the Directors, the intention to wind up the affairs of the Company will be proposed at an EGM which is to be held on 30 December 2004. The Company will issue a circular to its shareholders explaining the details of the proposed voluntary wind-up of the Company on 30 November 2004.

**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 PRIME FUND SOLUTIONS (ASIA) LIMITED
Assistant Secretary

Hong Kong, 26 November 2004

A copy of the interim report and any further information are available from the Assistant Secretary, Fortis Prime Fund Solutions (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 - Classified.