

CHINA FUND INC  
Form DEF 14A  
March 21, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only** (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**The China Fund, Inc.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:



**THE CHINA FUND, INC.**

**c/o State Street Bank and Trust Company**

**P.O. Box 5049, 2 Avenue de Lafayette**

**Boston, Massachusetts 02206-5049**

March 20, 2012

Dear Stockholders:

A Special Meeting of Stockholders (the Meeting ) of The China Fund, Inc. (the Fund ) will be held at 2:00 P.M., Eastern Time, on Thursday, April 5, 2012, at the offices of Clifford Chance US LLP, 31 West 52<sup>nd</sup> Street, New York, New York 10019. A Notice and Proxy Statement regarding the Meeting, proxy card for your vote, and postage prepaid envelope in which to return your proxy card are enclosed.

The matter on which you, as a stockholder of the Fund, are being asked to vote is the approval of the proposed Investment Advisory and Management Agreement and the proposed Direct Investment Management Agreement (the Proposed Agreements ) between the Fund and RCM Asia Pacific Limited. The Board of Directors recommends that you approve the Proposed Agreements.

Respectfully,

Tracie A. Coop  
*Secretary*

**STOCKHOLDERS ARE STRONGLY URGED TO VOTE BY TELEPHONE, BY INTERNET OR BY SIGNING AND MAILING THE ENCLOSED PROXY CARD IN THE ENVELOPE PROVIDED FOR THAT PURPOSE TO ENSURE A QUORUM AT THE MEETING.**

**THE CHINA FUND, INC.**

**NOTICE OF A SPECIAL MEETING OF STOCKHOLDERS**

**April 5, 2012**

**To the Stockholders of**

**The China Fund, Inc.:**

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders (the Meeting ) of The China Fund, Inc. (the Fund ) will be held at the offices of Clifford Chance US LLP, 31 West 52<sup>nd</sup> Street, New York, New York 10019, on Thursday, April 5, 2012, at 2:00 P.M., Eastern Time, for the following purposes:

1. To approve the proposed Investment Advisory and Management Agreement and the proposed Direct Investment Management Agreement (the Proposed Agreements ) between the Fund and RCM Asia Pacific Limited; and
2. To transact such other business as may properly come before the Meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on March 19, 2012 as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting or any adjournments thereof.

You are cordially invited to attend the Meeting. Stockholders who do not expect to attend the Meeting in person are requested to vote by telephone, by Internet or by completing, dating and signing the enclosed form of proxy card and returning it promptly in the envelope provided for that purpose. You may nevertheless vote in person at the Meeting if you choose to attend. The enclosed proxy is being solicited by the Board of Directors of the Fund.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE MEETING ON APRIL 5, 2012:**

This Notice and the Proxy Statement are available on the Internet at [www.edocumentview.com/CHN](http://www.edocumentview.com/CHN).

By order of the Board of Directors,

Tracie A. Coop  
Secretary

March 20, 2012

**THE CHINA FUND, INC.**

**c/o State Street Bank and Trust Company**

**P.O. Box 5049, 2 Avenue de Lafayette**

**Boston, Massachusetts 02206-5049**

**PROXY STATEMENT**

**INTRODUCTION**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of The China Fund, Inc. (the Fund) for use at a special Meeting of Stockholders (the Meeting), to be held at the offices of Clifford Chance US LLP, 31 West Street, New York, New York 10019, on Thursday, April 5, 2012, at 2:00 P.M., Eastern Time, and at any adjournments thereof.

This Proxy Statement and the form of proxy card are being mailed to stockholders on or about March 20, 2012. Any stockholder giving a proxy has the power to revoke it by executing a superseding proxy by phone, Internet or mail following the process described on the proxy card or by submitting a notice of revocation to the Fund or in person at the Meeting. All properly executed proxies received in time for the Meeting will be voted as specified in the proxy or, if no specification is made, for the approval of the Proposed Agreements described in Proposal 1 of this Proxy Statement.

For purposes of determining the presence of a quorum for transacting business at the Meeting, executed proxies returned without marking a vote on Proposal 1 will be treated as shares that are present for quorum purposes. Abstentions are included in the determination of the number of shares present at the Meeting for purposes of determining the presence of a quorum. **If a stockholder is present in person or by proxy at the Meeting but does not cast a vote, the stockholder's shares will count towards a quorum but will have the effect of a vote to disapprove Proposal 1.**

The Board of Directors has fixed the close of business on March 19, 2012 as the record date for the determination of stockholders entitled to notice of and to vote at the Meeting and at any adjournments thereof. Stockholders on the record date will be entitled to one vote for each share held, with no shares having cumulative voting rights. As of the record date, the Fund had outstanding 22,781,762 shares of common stock.

Management of the Fund knows of no item of business other than that mentioned in Proposal 1 of the Notice of Meeting that will be presented for consideration at the Meeting. If any other matter is properly presented, it is the intention of the persons named in the enclosed proxy to vote in accordance with their best judgment.

**The Fund will furnish, without charge, a copy of its annual report for its fiscal year ended October 31, 2011 to any stockholder requesting such report. Requests for the annual report should be made by writing to The China Fund, Inc., c/o The Altman Group, Inc., 1200 Wall Street West, 3<sup>rd</sup> Fl, Lyndhurst, New Jersey 07071, Attention: Tanya Holland, by accessing the Fund's website at [www.chinafundinc.com](http://www.chinafundinc.com) or by calling (800) 249-7105.**

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**IMPORTANT INFORMATION**

The proxy statement discusses important matters affecting the Fund. Please take the time to read the proxy statement, and then cast your vote. **You may obtain additional copies of the Notice of Meeting, Proxy Statement and form of proxy card by calling 1-800-249-7105 or by accessing [www.edocumentview.com/CHN](http://www.edocumentview.com/CHN).** There are multiple ways to vote. Choose the method that is most convenient for you. To vote by telephone or Internet, follow the instructions provided on the proxy card. To vote by mail simply fill out the proxy card and return it in the enclosed postage-paid reply envelope. **Please do not return your proxy card if you vote by telephone or Internet.** To vote in person, attend the Meeting and cast your vote. The Meeting will be held at the offices of Clifford Chance US LLP, 31 West 52<sup>nd</sup> Street, New York, New York 10019. To obtain directions to the Meeting, go to: [www.cliffordchance.com](http://www.cliffordchance.com), click on *About Us* and select *Find People & Offices*. Next, select *New York* from the drop down menu for office. Click on *View Office Details*. Finally, click on *View Map* to see a map of the location. You may also obtain directions by calling 1-212-878-8000.

**PROPOSAL 1**

**APPROVAL OF PROPOSED INVESTMENT ADVISORY AND MANAGEMENT**

**AGREEMENT AND PROPOSED DIRECT INVESTMENT MANAGEMENT**

**AGREEMENT**

On March 8, 2012, the Board of Directors, all of whom are Independent Directors, voted to approve and recommend to shareholders the approval of the proposed Investment Advisory and Management Agreement and the proposed Direct Investment Management Agreement between the Fund and RCM Asia Pacific Limited ( RCM ) (the Proposed Agreements ). The Proposed Agreements, if approved, will replace the interim Investment Advisory and Management Agreement and interim Direct Investment Management Agreement each dated February 10, 2012, between the Fund and RCM (the Current Agreements ). The Current Agreements were submitted to the stockholders for approval at the Annual Meeting of Stockholders of the Fund held on March 8, 2012 but more shares were voted against approval of the Current Agreements than for approval at that meeting. This Special Meeting is being held to permit stockholders to reconsider approval of the Current Agreements. The Current Agreements replaced the interim Investment Advisory and Management Agreement dated November 9, 2011 between the Fund and Martin Currie, Inc. ( Martin Currie ), the interim Sub-Advisory Agreement between Martin Currie and APS Asset Management Pte Ltd ( APS ) dated November 10, 2011 and the Direct Investment Management Agreement between the Fund and Martin Currie dated April 14, 2007, (the Martin Currie Direct Investment Management Agreement ). The interim Investment Advisory and Management Agreement with Martin Currie and the interim Sub-Advisory Agreement between Martin Currie and APS replaced the Investment Advisory and Management Agreement with Martin Currie dated March 19, 2004 (together with the Martin Currie Direct Investment Management Agreement, the Prior Agreements ), which was terminated on November 9, 2011 upon Martin Currie s delegation of management of the Fund s portfolio to APS (an assignment of the contract under Section 15(a)(4) of the 1940 Act resulting in automatic termination). The interim Investment Advisory and Management Agreement with Martin Currie and the interim Sub-Advisory Agreement between Martin Currie and APS were not approved by shareholders. The Investment Advisory and Management Agreement with Martin Currie dated March 19, 2004 was approved by shareholders on March 18, 2004 and the Direct Investment Management Agreement with Martin Currie was approved by shareholders on April 13, 2007.

The terms of the Proposed Agreements are substantially similar to the terms of Prior Agreements.

The Board has concluded that the Proposed Agreements provide for RCM to provide substantially the same investment advisory and management services as provided under the Prior Agreements, except that the proposed Direct Investment Management Agreement, which relates to the investment in unlisted securities or direct investments , does not require RCM to make any new direct investments but rather to supervise the disposition of the Fund s existing direct investments. Also, the fees to be paid to RCM under the proposed Direct Investment Management Agreement are the same as the fees paid under the interim Direct Investment Management Agreement with RCM and lower than those paid to Martin Currie under the prior Direct Investment Management



Agreement, as described below. RCM's duties under the Proposed Agreements include making investment decisions, supervising the acquisition and disposition of investments and selecting brokers or dealers to execute these transactions in accordance with the Fund's investment objective and policies and within the guidelines and directions established by the Fund's Board of Directors.

Under both the Proposed Agreements and the Current Agreements, the Fund bears expenses for legal fees and expenses of counsel to the Fund; auditing and accounting expenses; taxes and governmental fees; New York Stock Exchange listing fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses of the Fund's custodian, sub-custodian, transfer agents and registrars; fees and expenses with respect to administration (except as may be expressly provided otherwise); expenses for portfolio pricing services by a pricing agent, if any; expenses of preparing share certificates and other expenses in connection with the issuance, offering and underwriting of shares issued by the Fund; expenses relating to investor and public relations; expenses of registering or qualifying securities of the Fund for public sale; freight, insurance and other charges in connection with the shipment of the Fund's portfolio securities; brokerage commissions or other costs of acquiring or disposing of any portfolio holding of the Fund; expenses of preparation and distribution of reports, notices and dividends to shareholders; expenses of the Fund's dividend reinvestment and cash purchase plan; costs of stationery; any litigation expenses; and costs of stockholders' and other meetings. Under the Proposed Agreements, as is the case under the Current Agreements, RCM bears all other expenses associated with the performance of its duties (including employee salaries and overhead) other than expenses to be paid by the Fund, as specifically provided above. RCM also would pay the salaries and expenses of such of the Fund's officers and employees and any fees and expenses of such of the Fund's directors who are managers, members, officers or employees of RCM or any of its affiliates, *provided, however*, that the Fund, and not RCM, shall bear travel expenses or an appropriate fraction thereof of directors and officers of the Fund who are managers, members, officers or employees of RCM to the extent that such expenses relate to attendance at meetings of the Board or any committee thereof, and *provided, further*, that such expenses are incurred in accordance with the Fund's travel policy.

The Proposed Agreements may be terminated at any time, without payment of penalty by RCM or by the Fund acting pursuant to a vote of the Board of Directors or by a vote of a majority of the Fund's outstanding securities (as defined in the 1940 Act) upon sixty (60) days' written notice, and will terminate automatically in the event of its assignment (as defined in the 1940 Act) by RCM. The Proposed Agreements will also terminate automatically if RCM ceases to be licensed by the Securities and Futures Commission of Hong Kong.

If approved by stockholders, each of the Proposed Agreements would remain in effect for an initial period of two years from the date it becomes effective. Thereafter, the Proposed Agreements would continue in effect from year to year if their continuance is specifically approved at least annually by (i) a vote of a majority of the Independent Directors, cast in person at a meeting called for the purpose of voting on such approval, and (ii) either a vote of a majority of the Board of Directors as a whole or a majority of the Fund's outstanding shares of common stock as defined in the 1940 Act.

#### **Fee Provisions of the Proposed Agreements**

Under the terms of the interim Investment Advisory and Management Agreement, RCM is entitled to receive fees for its services, computed weekly and payable monthly in US dollars, at the annual rate of 0.70% on the first \$315 million in total net assets under management and 0.50% on total net assets under management over \$315 million. Under the terms of the interim Direct Investment Management Agreement, RCM is entitled to receive fees for its services, computed weekly and payable monthly in US dollars, at the annual rate of weekly and payable monthly, at the annual rate of 1.50% of the average weekly value of the Fund's assets invested in the direct investments. Under the terms of the Proposed Agreements, RCM is entitled to receive the same fee rate payable under the Current Agreements.

For the fiscal year ended October 31, 2011, the aggregate amount of advisory fees paid by the Fund was \$4,984,986. Had the Proposed Agreements been in place for the fiscal year ended October 31, 2011, the fees paid by the Fund would have been \$4,777,146.

No payments were made under the Interim Investment Advisory and Management Agreement with Martin Currie or the interim Sub-Advisory Agreement with APS by the Fund for the fiscal year ended October 31, 2011. No payments were made to RCM by the Fund for the fiscal year ended October 31, 2011.

### **The Factors Considered by the Board of Directors Regarding the Proposed Agreements**

The Board was asked to approve the Proposed Agreements with substantially the same terms and conditions as the Current Agreements, with the exception of the termination provision. The Current Agreements will expire within 150 days from the date on which the Fund entered into the Interim Investment Advisory and Management Agreement with Martin Currie while the Proposed Agreements are legally required to be reviewed and re-approved by the Board once a year, after their initial two year terms. In being asked to approve the Proposed Agreements, the Board was assured by RCM that the Fund would continue to be managed in substantially the same manner under the Proposed Agreements as under the Current Agreements.

### **Approval Process**

At its meeting on July 8, 2011, in anticipation of a change in the personnel at Martin Currie who were managing the Fund's portfolio (the Former Portfolio Managers) the Board of Directors of the Fund (the Board), all of whom are Independent Directors, determined that it would be appropriate for the Board to review the arrangements for the management of the Fund's assets and consider engaging a different investment adviser for the Fund. At that time, the Board retained a consultant to assist the Board in identifying appropriate candidates to serve as investment adviser for the Fund and in preparing a request for proposal to be sent to the candidates. Initially, eight candidates were identified, based on the Board's knowledge of candidates that had experience managing portfolios similar to the Fund's and advice from the consultant. The consultant then evaluated the eight candidates based on a number of factors and reported on its evaluation to the Board at the Board meeting on September 16, 2011. After reviewing the consultant's report, the Board decided that three of those candidates (as well as Martin Currie and the investment management firm established by the Former Portfolio Managers (collectively, the Candidates)) should make a presentation at the December 8, 2011 meeting of the Board of Directors. In advance of that meeting, the Directors discussed the consultant's evaluation of the Candidates that it had reported on. In addition, the Fund's Chief Compliance Officer reviewed information regarding the compliance programs of each of the Candidates. Throughout the process, the Board and the Committee were advised by counsel.

The Board determined that it would be appropriate to enter into interim arrangements with Martin Currie and APS while the Board continued to consider permanent arrangements for the management of the Fund. At the Board meeting on October 31, 2011, the Board approved the interim Investment Advisory and Management Agreement with Martin Currie and the interim Sub-Advisory Agreement between Martin Currie and APS.

At the Board meeting on December 8, 2011, with all Directors present, each of the Candidates made a presentation to the Board and responded to questions from the Board. Following the presentations, the Board discussed the relative merits of each Candidate and determined that further information should be requested from the candidates. At the Board meeting held on January 5, 2012, the Board approved the selection of RCM as the investment adviser for the Fund, approved the Proposed Agreements and agreed to submit the selection of RCM for approval by the Fund's stockholders at the next annual stockholders meeting in March 2012. At the annual meeting of stockholders held on March 8, 2012, the stockholders of the Fund did not approve the Proposed Agreements. At the Board meeting held on March 8, 2012, the Board reapproved the selection of RCM as the investment adviser for the Fund, approved the Proposed Agreements and agreed to re-submit the selection of RCM for approval by the Fund's stockholders at a special stockholders meeting in April 2012. The Board

believes that the Fund can obtain sufficient votes to approve the Proposed Agreements at the April 2012 stockholders meeting and therefore, did not consider liquidating the Fund or consider other potential candidates for investment manager.

In making this selection, the Board noted RCM's experience in providing services to similar funds. The Board also noted that the advisory fee agreed to by RCM compared favorably with fees charged by advisers of other U.S. registered closed-end funds that invest in the China region. The Board also considered the terms and conditions of the Proposed Agreements and the nature, scope and quality of services that RCM is expected to provide to the Fund, including compliance services. The Board also based its decision on the following considerations, among others, although the Board did not identify any consideration that was all important or controlling, and each Director attributed different weights to the various factors.

*Nature, Extent and Quality of the Services provided by the Adviser.* The Board reviewed and considered the nature and extent of the investment management services to be provided by RCM under the Proposed Agreements. The Board also reviewed and considered the nature and extent of the non-investment management, administrative services to be provided by RCM under the Proposed Agreements. The Board determined that RCM appeared to be capable of providing the Fund with investment management and administrative services of above average quality.

*Performance, Fees and Expenses of the Fund.* The Board noted that RCM was not yet providing services to the Fund, therefore, that there were limitations on the Board's ability to evaluate the performance of RCM in managing the Fund. Based, however, on the performance of RCM in managing other products, the Board concluded that there was reason to believe that RCM could achieve above average performance over the long term in managing the Fund. The Board also noted that other expenses of the Fund were not expected to increase as a result of the retention of RCM.

*Economies of Scale.* The Board considered the economy of scale benefits that the Fund's stockholders would be afforded as the management fee rate under the Proposed Agreements declines as the Fund's assets grow.

*Other Benefits of the Relationship.* The Board considered whether there were other benefits that RCM and its affiliates may derive from their relationship with the Fund and concluded that any such benefits were likely to be minimal.

*Resources of the Proposed Investment Adviser.* The Board considered whether RCM is financially sound and has the resources necessary to perform its obligations under the Proposed Agreements, noting that RCM appears to have the financial resources necessary to fulfill its obligations under the Proposed Agreements.

*General Conclusions.* After considering and weighing all of the above factors, the Board concluded that it would be in the best interest of the Fund and its stockholders to approve the Proposed Agreements. In reaching this conclusion, the Board did not give particular weight to any single factor referenced above.

#### **Information About the Proposed Adviser**

RCM Asia Pacific Limited (RCM), the proposed adviser, is a Hong Kong based Asia specialist manager with over \$2.5 billion in assets under management in Greater China mandates. RCM is part of the Allianz Global Investors, which is wholly owned by the Allianz Group. Allianz Global Investors has over \$350 billion in assets under management. RCM's principal offices are located at 27<sup>th</sup> Floor, ICBC Tower, 3 Garden Road, Central, Hong Kong.

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The following table sets forth certain information concerning the principal executive officer and each of the directors of RCM.

<b>Name/Address</b>	<b>Position Held with Proposed Adviser</b>	<b>Since</b>	<b>Principal Occupation or Employment</b>
Andrew Douglas Eu	Chief Executive Officer and Director	2011	Chief Executive Officer, Allianz Global Investors Asia Pacific (Since Aug 2006)
George Alan McKay	Director	2012	Chief Operating Officer, Allianz Global Investors Asia Pacific (Since Nov 2006)
Chi Keung Raymond Chan	Chief Investment Officer and Director	2006	Chief Investment Officer, Asia Pacific and RCM Asia Pacific Limited (Since Sep 1998), before Aug 2006, through predecessor Allianz Global Investors Hong Kong Limited)
Jovita Chow	Chief Compliance Officer	2010	Head of Compliance/Chief Compliance Officer, RCM Asia Pacific Limited (since October 2010); Head of Compliance and Risk, Schroder Investment Management (Hong Kong) Limited (since 2006).

The following table sets forth certain information concerning the individual who is anticipated to serve as the Fund's portfolio manager.

<b>Name/Address</b>	<b>Position Held with Proposed Adviser</b>	<b>Since</b>
Sau Ha Christina Chung	Senior Portfolio Manager	1998

**Required Vote**

The 1940 Act requires that an investment advisory contract between an investment company and an investment adviser be in writing, that such contact specify, among other things, the compensation payable to the adviser pursuant thereto and that such contracts be approved by the holders of a majority of the Fund's outstanding shares of common stock as defined in the 1940 Act and discussed below.

Approval of the Proposed Agreements will require the affirmative vote of a majority of the Fund's outstanding shares of common stock. As defined in the 1940 Act, a majority of the outstanding shares means the lesser of 67% of the voting securities present at the Annual Meeting of Stockholders, if a quorum is present, or 50% of the outstanding securities. For this purpose, abstentions will have the effect of a vote to disapprove the Proposed Agreements. If this proposal is not approved by stockholders, the Fund will continue under the Current Agreements while the Board of Directors considers other steps.

Forms of the Proposed Agreements are attached as Appendix A.

**THE BOARD RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE PROPOSAL TO APPROVE THE PROPOSED AGREEMENTS BETWEEN THE FUND AND RCM.**

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**GENERAL INFORMATION**
**Fund Administration**

State Street Bank and Trust Company acts as Administrator to the Fund pursuant to an Administration Agreement between the Administrator and the Fund. The principal business address of the Administrator is State Street Financial Center, One Lincoln Street, Boston, Massachusetts 02111.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

Set forth below is information with respect to persons who are registered as beneficial owners of more than 5% of the Fund's outstanding shares as of February 29, 2012.

<b>Title Of Class</b>	<b>Name and Address</b>	<b>Shares</b>	<b>Percent of Class</b>
Common Stock	CEDE & CO FAST	22,668,748	96.21%
	C/O Depository Trust Company		
	Box 20		
	New York, NY 10004-9998		

The shares held by Cede & Co. include the accounts set forth below. This information is based on publicly available information such as Schedule 13D and 13G disclosures filed with the SEC or other similar regulatory filings from foreign jurisdictions.

<b>Title Of Class</b>	<b>Name and Address</b>	<b>Shares</b>	<b>Percent of Class</b>
Common Stock	Lazard Asset Management	3,788,407	16.63%
	30 Rockefeller Plaza		
	New York, NY 10112		
Common Stock	City of London	3,446,715	15.13%
	77 Gracechurch Street		
	London EC3V OAS		
	England		

**SECURITY OWNERSHIP OF MANAGEMENT**

Set forth below is information on the ownership of the Fund's outstanding shares by the Directors and Executive Officers of the Fund as of February 29, 2012.

<b>Title Of Class</b>	<b>Name and Address</b>	<b>Shares</b>	<b>Percent of Class</b>
Common Stock	James J. Lightburn	2,569	0%
	13, Rue Alphonse de Neuville		
	75017 Paris, France		
Common Stock	Joe O. Rogers	3,370	0%

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	2477 Foxwood Drive		
	Chapel Hill, NC 27514		
Common Stock	Michael F. Holland	4,225	0%
	375 Park Avenue		
	New York, New York 10152		
Common Stock	William C. Kirby	1,538	0%
	Harvard University		
	CGIS South Building		
	1730 Cambridge Street		
	Cambridge, MA 02138		
Common Stock	Nigel S. Tulloch	1,292	0%
	7 Circe Circle		
	Dalkeith		
	WA6009 Australia		

As of February 29, 2012, Adam Phua and Laura Dell, the President and Treasurer of the Fund, respectively, did not own any shares of the Fund. As of February 29, 2012, the Directors and Executive Officers of the Fund owned less than 1% of the Fund as a group.

#### MISCELLANEOUS

Proxies will be solicited by mail and may be solicited in person or by telephone or facsimile or other electronic means, by officers of the Fund or personnel of the Administrator. The Fund has retained The Altman Group, Inc. to assist in the proxy solicitation. The total cost of proxy solicitation services, including legal and printing fees, is estimated at \$95,000, plus out-of-pocket expenses. The expenses connected with the solicitation of proxies including proxies solicited by the Fund's officers or agents in person, by telephone or by facsimile or other electronic means will be borne by the Fund. The Fund will reimburse banks, brokers, and other persons holding the Fund's shares registered in their names or in the names of their nominees for their expenses incurred in sending proxy material to and obtaining proxies from the beneficial owners of such shares.

In the event that sufficient votes in favor of the proposal set forth in the Notice of this Meeting are not received by April 5, 2012, the persons named as attorneys in the enclosed proxy may propose one or more adjournments of the Meeting to permit further solicitation of proxies. Any such adjournment will require the affirmative vote of the holders of a majority of the shares present in person or by proxy at the session of the Meeting to be adjourned. The persons named as proxies in the enclosed proxy will vote in favor of such adjournment those proxies which they are entitled to vote in favor of the proposal for which further solicitation of proxies is to be made. They will vote against any such adjournment those proxies required to be voted against such proposal. The costs of any such additional solicitation and of any adjourned session will be borne by the Fund.

#### STOCKHOLDER PROPOSALS

In order to submit a stockholder proposal to be considered for inclusion in the Fund's proxy statement for the Fund's 2013 Annual Meeting of Stockholders, stockholder proposals must be received by the Fund (addressed to The China Fund, Inc., c/o Secretary of the Fund/State Street Bank and Trust Company, P.O. Box 5049, 2 Avenue de Lafayette, Boston, Massachusetts 02206-5049) not later than October 18, 2012. Any stockholder who desires to bring a proposal at the Fund's 2013 Annual Meeting of Stockholders without including such proposal in the Fund's Proxy Statement, must deliver written notice thereof to the Secretary of the Fund (addressed to The China Fund, Inc., c/o Secretary of the Fund / State Street Bank and Trust Company, P.O. Box 5049, 2 Avenue de Lafayette, Boston, Massachusetts 02206-5049), not before December 8, 2012 and not later than January 7, 2013.

By order of the Board of Directors,

Tracie A. Coop

Secretary

The China Fund, Inc.

c/o State Street Bank and Trust Company

P.O. Box 5049

2 Avenue de Lafayette

Boston, Massachusetts 02206-5049

March 20, 2012

**INVESTMENT ADVISORY AND MANAGEMENT AGREEMENT**

Agreement, dated as of [ ], 2012 between THE CHINA FUND, INC., a Maryland corporation (the Fund ), and RCM Asia Pacific Limited, a company organized in Hong Kong and registered as an investment adviser with the U.S. Securities and Exchange Commission and licensed by the Securities and Futures Commission of Hong Kong (the Investment Manager ).

WHEREAS, the Fund is a closed-end, non-diversified management investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act ), shares of common stock of which are registered under the Securities Act of 1933, as amended; and

WHEREAS, the Fund's investment objective is long-term capital appreciation which it seeks to achieve by investing primarily in equity securities of China companies (as that term is defined in the Prospectus, dated June 27, 2005 (the Prospectus ) contained in the Fund's Registration Statement on Form N-2 (File No. 333-124392) (the Registration Statement )); and

WHEREAS, the Fund desires to retain the Investment Manager to render interim investment management services with respect to the Fund's assets other than those Fund assets invested in direct investments (as that term is defined below), and the Investment Manager is willing to render such services on an interim basis in accordance with Rule 15a-4 of the 1940 Act.

NOW, THEREFORE, in consideration of the mutual covenants hereafter contained, it is hereby agreed by and between the parties hereto as follows:

1. Appointment of Investment Manager.

(a) The Fund hereby employs the Investment Manager for the period and on the terms and conditions set forth herein, subject at all times to the supervision of the Board of Directors of the Fund, to:

i. Other than with respect to the portion of the Fund's assets invested in direct investments (assets of the Fund that are invested in securities that at the time of such investment are not listed (or approved for listing) on a securities exchange), make all investment decisions for the assets of the Fund (the Listed Assets ) and to manage the investment and reinvestment of the Listed Assets in accordance with the investment objective and policies of the Fund set forth in the Fund's Prospectus, and as such investment objective and policies are amended from time to time by the Fund's Board of Directors, and subject always to the restrictions of the Fund's Articles of Incorporation and By-Laws, as amended or restated from time to time, the provisions of the 1940 Act. Should the Board of Directors for the Fund at any time make any definite determination as to investment policy and notify the Investment Manager thereof, the Investment Manager shall be bound by such determination for the period, if any, specified in such notice or until similarly notified that such determination has been revoked. The Investment Manager shall vote the Fund's proxies in connection with its Listed Assets in accordance with the Fund's proxy voting policies which may be amended from time to time by the Board, however, the Investment Manager will not be required to comply with any such amendment until 30 days after it has been communicated to the Investment Manager. The Investment Manager shall make such reports to the Board concerning such proxy voting as the Board may deem necessary or advisable. It is understood and acknowledged that no assurance has been or can be provided that the investment objective of the Fund can or will be achieved. The Investment Manager shall take, on behalf of the Fund, all actions which it deems necessary to implement the investment policies of the Fund applicable to the Fund's Listed Assets and, with respect to the Fund's Listed Assets, to place all orders for the purchase or sale of portfolio securities for the Fund with brokers or dealers selected by it, and in connection therewith, the Investment Manager is authorized as agent of the Fund to give



instructions to the custodians from time to time of the Fund's Listed Assets as to deliveries of securities and payments of cash for the account of the Fund. In connection with the selection of such brokers or dealers and the placing of such orders, the Investment Manager is directed at all times to seek to use its best efforts to obtain for the Fund the most favorable net results available ( best execution ). In using its best efforts to obtain for the Fund best execution, the Investment Manager shall consider all factors it deems relevant, including, by way of illustration, price, the size of the transaction, the nature of the market security, the amount of the commission, the timing of the transaction taking into account market prices and trends, the reputation, experience and financial stability of the broker or dealer involved and the quality of service rendered by the broker or dealer in other transaction. Subject to such policies as the Fund may communicate to the Investment Manager in writing, the Investment Manager shall not be deemed to have acted unlawfully or to have breached any duty created by this Agreement solely by reason of its having caused the Fund to pay a broker or dealer that provides brokerage and research services to the Investment Manager or its affiliates an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker or dealer would have charged for effecting that transaction, if the Investment Manager determines in good faith that such amount of commission was reasonable. Subject to these requirements and the provision of the 1940 Act, the U.S. Securities Exchange Act of 1934 and any other applicable provisions of law, nothing shall prohibit the Investment Manager from selecting brokers or dealers with which it or the Fund is affiliated;

ii. Prepare and make available to the Fund as reasonably requested by the Board of Directors pertinent research and statistical data; and

iii. Maintain or cause to be maintained for the Fund all books and records required under the 1940 Act, to the extent that such books and records are not maintained or furnished by administrators, custodians or other agents of the Fund.

(b) The Investment Manager accepts such appointment and agrees during the term of this Agreement to render such services, to permit one of its or its affiliate's directors, officers or employees to serve without compensation as a director and/or officer of the Fund if elected to such positions and to assume the obligations herein for the compensation herein provided. The Investment Manager shall for all purposes herein provided be deemed to be an independent contractor, and unless otherwise expressly provided or authorized, shall have no authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund.

(c) The Fund hereby acknowledges (and the Investment Manager hereby acknowledges the Fund has informed it) that the Fund has allocated 25% of the net proceeds of the Offering (as defined in the Prospectus) less 25% of the aggregate repurchase price of any shares of the Fund's Common Stock repurchased by the Fund to direct investments; provided, however, that such allocation shall be subject to review and modification by the Board of Directors of the Fund (the Direct Investment Amount ). The portion of the Direct Investment Amount as is actually invested in direct investments shall be managed by such entity as may be appointed by the Fund to manage the assets of the Fund other than the Listed Assets (the Direct Investment Manager ) in accordance with the terms of a separate investment management and advisory services agreement entered into by and between the Fund and the Direct Investment Manager (the Direct Investment Management Agreement ). The portion of the Direct Investment Amount as is not actually invested in direct investments shall be treated as Listed Assets to be managed by the Investment Manager pursuant to the terms of this Agreement. Whenever the Direct Investment Manager shall recommend the investment of Fund assets in a direct investment, the Fund shall instruct the Investment Manager in writing as to the amount of Fund assets sought to be invested in such direct investment, and the Investment Manager shall, within ten business days thereafter (or such other period of time as the Fund may direct in writing, but such period may not be less than 10 business days), liquidate sufficient portfolio securities to realize such amount and make the net proceeds thereof available for investment in such direct investment Upon the sale of a direct investment, the Direct Investment Manager shall make the net proceeds thereof available as soon as reasonably practicable for investment pursuant to this Agreement by the

Investment Manager. For the avoidance of doubt, the Investment Manager shall not be under any obligation to comply with or to ensure that the amount of direct investments are within the Direct Investment Amount.

(d) The Fund hereby agrees that the Investment Manager shall be entitled to delegate all or any of its functions, powers, discretions, duties and obligations, to any person or persons, and any such delegation may be on such terms and conditions as the Investment Manager thinks fit provided that any such delegation shall not relieve the Investment Manager of its obligations under this Agreement; provided, however, that no delegation of investment management powers and functions may occur unless approved in advance by the Board of Directors of the Fund and, if required by the 1940 Act, by the Fund's stockholders; and provided further that no delegation of any other powers or functions may occur unless the Investment Manager has given the Board of Directors of the Fund at least 30 days prior notice of such delegation.

2. Compensation. For the services and facilities described in Section 1, the Fund agrees to pay in United States dollars to the Investment Manager, a fee in accordance with the schedule set forth as Exhibit A hereto. For the month and year in which this Agreement becomes effective or terminates, there shall be an appropriate proration on the basis of the number of days that this Agreement is in effect during such month and year, respectively.

3. Investment in Fund Stock. The Investment Manager agrees that it will not make a short sale of any capital stock of the Fund, or purchase any share of the capital stock of the Fund.

4. Non-Exclusivity of Services. Nothing herein shall be construed as prohibiting the Investment Manager or any of its affiliates from providing investment advisory services to, or entering into investment advisory agreements with, any other clients (including other registered investment companies), including clients which may invest in Chinese equity securities, so long as the Investment Manager's services to the Fund pursuant to this Agreement are not materially impaired thereby. The Investment Manager is not obligated to purchase or sell for the Fund any security which the Investment Manager or its affiliates may purchase or sell for their own accounts or other clients.

5. Standard of Care; indemnification. The Investment Manager may rely on information reasonably believed by it to be accurate and reliable. Neither the Investment Manager nor its officers, directors, employees, agents or controlling persons (as defined in the 1940 Act) shall be subject to any liability for any act or omission, error of judgment or mistake of law, or for any loss suffered by the Fund, in the course of, connected with or arising out of any services to be rendered hereunder, except by reason of willful misfeasance, bad faith or gross negligence on the part of the Investment Manager in the performance of its duties or by reason of reckless disregard on the part of the Investment Manager of its obligations and duties under this Agreement. Any person, even though also employed by the Investment Manager, who may be or become an employee of the Fund shall be deemed, when acting within the scope of his employment by the Fund, to be acting in such employment solely for the Fund and not as an employee or agent of the Investment Manager. In no event will the Investment Manager have any responsibility for any portion of the Fund other than the Listed Assets or for the acts or omissions of the Direct Investment Manager or any other adviser of the Fund. In particular, the Investment Manager shall have no responsibility for the Fund's being in violation of any applicable law or regulation or investment policy or restriction or instruction applicable to the Fund as a whole or for the Fund's failing to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code), if the Fund's holding of the Listed Assets is such that the Listed Assets would not be in such violation or if the Fund would not fail to qualify if the Listed Assets were deemed a separate series of the Fund or a separate regulated investment company under the Code.

The Fund agrees to indemnify and hold harmless the Investment Manager, its officers, directors, employees, agents, shareholders, controlling persons or other affiliates (each an Indemnified Party), for any losses, costs and expenses incurred or suffered by any Indemnified Party arising from any action, proceeding or claims which may be brought against such Indemnified Party in connection with the performance or non-performance in good

faith of its functions under this Agreement, except losses, costs and expenses resulting from willful misfeasance, bad faith or gross negligence in the performance of such Indemnified Party's duties or from reckless disregard on the part of such Indemnified Party of such Indemnified Party's obligations and duties under this Agreement.

6. Allocation of Charges and Expenses.

(a) The Investment Manager shall assume and pay for maintaining its staff and personnel, and shall at its own expense provide the equipment, office space and facilities, necessary to perform its obligations hereunder. The Investment Manager shall pay the salaries and expenses of such officer of the Fund and any fees and expenses of such Directors of the Fund who, as contemplated by Section 1(b) hereof, is a director, officer or employee of the Investment Manager or any of its affiliates, provided, however, that the Fund, and not the Investment Manager, shall bear travel expenses or an appropriate fraction thereof of any Director and/or officer of the Fund who is a director, officer or employee of the Investment Manager to the extent that such expenses relate to attendance at meetings of the Board of Directors of the Fund or any committee thereof and provided, further, that such expenses are incurred in accordance with the Fund's travel policy.

(b) In addition to the fee of the Investment Manager, the Fund shall assume and pay the following expenses: fees of the Direct Investment Manager; legal fees and expenses of counsel to the Fund; auditing and accounting expenses; taxes and governmental fees; New York Stock Exchange listing fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses of the Fund's custodian, sub-custodian, transfer agents and registrars; fees and expenses with respect to administration, except as may be herein expressly provided otherwise; expenses for portfolio pricing services by a pricing agent, if any; expenses of preparing share certificates and other expenses in connection with the issuance, offering and underwriting of shares issued by the Fund; expenses relating to investor and public relations; expenses of registering or qualifying securities of the Fund for public sale; freight, insurance and other charges in connection with the shipment of the Fund's portfolio securities; brokerage commissions or other costs of acquiring or disposing of any portfolio holding of the Fund; expenses of preparation and distribution of reports, notices and dividends to shareholders; expenses of the Fund's dividend reinvestment and cash purchase plan; costs of stationery; any litigation expenses; and costs of stockholder's and other meetings.

7. Potential Conflicts of Interest.

(a) Subject to applicable statutes and regulations, it is understood that directors, officers or agents of the Fund are or may be interested in the Investment Manager as directors, officers, employees, agents, shareholders or otherwise, and that the directors, officers, employees, agents or shareholders of the Investment Manager may be interested in the Fund as a director, officer, agent or otherwise.

(b) If the Investment Manager considers the purchase or sale of securities for the Fund and other advisory clients of the Investment Manager at or about the same time, transactions in such securities will be made for the Fund and such other clients in accordance with the Investment Manager's trade allocation procedures, as may be amended from time to time, provided that the Board of Directors of the Fund receives at least ten days advance notice of any such amendment.

8. Duration and Termination.

(a) This Agreement shall be effective for a period of two years from the date hereof and will continue in effect from year to year thereafter, provided that such continuance is specifically approved at least annually by (i) a majority of the members of the Fund's Board of Directors who are neither parties to this Agreement nor interested persons of the Fund or of the Investment Manager or of any entity regularly furnishing investment advisory services with respect to the Fund pursuant to an agreement with the Investment Manager, cast in person at a meeting called for the purpose of voting on such approval, and (ii) separately by the Fund's Board of Directors (all Directors voting) or by vote of a majority of the Fund's outstanding voting securities.

(b) This Agreement may nevertheless be terminated at any time, without payment of penalty by the Investment Manager or by the Fund acting pursuant to a vote of its Board of Directors or by vote of a majority of the Fund's outstanding securities upon sixty (60) days' written notice. This Agreement shall automatically be terminated in the event of its assignment, provided, however, that a transaction which does not, in accordance with the 1940 Act, result in a change of actual control or management of the Investment Manager's business shall not be deemed to be an assignment for the purposes of this Agreement. This Agreement shall also be automatically terminated if the Investment Manager ceases to be licensed by the Securities and Futures Commission of Hong Kong.

(c) Termination of this Agreement shall not (i) affect the right of the Investment Manager to receive payments of any unpaid balance of the compensation described in Section 2 earned prior to such termination, or (ii) extinguish the Investment Manager's right of indemnification under Section 5. As used herein, the terms "interested person," "assignment," and "vote of a majority of the outstanding voting securities" shall have the meanings set forth in the 1940 Act.

9. Amendment. This Agreement may be amended by mutual agreement if required by the 1940 Act or other applicable law, provided, that, any such amendment shall only become effective after the affirmative vote of (i) the holders of a majority of the outstanding voting securities of the Fund, and (ii) a majority of the members of the Fund's Board of Directors who are not interested persons of the Fund or of the Investment Manager, cast in person at a meeting called for the purpose of voting on such approval.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, provided, however, that nothing herein shall be construed in a manner inconsistent with the 1940 Act.

11. Notices. Any communication hereunder must be in writing and must be made by letter, telex or facsimile. Any communication or document to be made or delivered by one person to another pursuant to this Agreement shall (unless that other person has by fifteen (15) days' notice to the other specified another address) be made or delivered to that other person at the following relevant address:

If to the Investment Manager:

RCM Asia Pacific Limited

27<sup>th</sup> Floor, ICBC Tower,

3 Garden Road, Central, Hong Kong

Attention: Jovita Chow, Head of Compliance

Telephone No.: +852 2238 8901

Facsimile No.: +852 2526 2940

If to the Fund:

The China Fund, Inc.

c/o State Street Bank and Trust Company

P.O. Box 5409

2 Avenue de Lafayette, Boston, MA 02206-5409

Attention: Tracie A. Coop

Telephone No.: 617-662-1118

Facsimile No.: 617-662-3805

With copies to:

Edgar Filing: CHINA FUND INC - Form DEF 14A

Clifford Chance US LLP

31 West 52<sup>nd</sup> Street

New York, New York 10019-6131

Attention; Leonard Mackey, Esq.

Telephone No.: 212-878-8000

Facsimile No.: 212-878-8375

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and shall, if made by letter, be deemed to have been received when delivered by hand or if sent by mail within two days if both the sender and the addressee are in Hong Kong and within 10 days if the sender and/or the addressee are outside Hong Kong and the letter is sent by prepaid airmail, and shall if made by telex be deemed to have been received when acknowledged by the addressee's correct answer back code, and shall, if sent by facsimile, be deemed to have been received upon production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient and provided that a hard copy of the notice so served by telex or facsimile was posted that same days as the notice was served by electronic means.

12. Jurisdiction. Each party hereto irrevocably agrees that any suit, action or proceeding against either of the Investment Manager or the Fund arising out of or relating to this Agreement shall be subject non-exclusively to the jurisdiction of the United States District Court for the Southern District of New York or the Supreme Court of the State of New York, New York County, and each party hereto irrevocably submits non-exclusively to the jurisdiction of each such court in connection with any such suit, action or proceeding. Each party hereto waives any objection to the laying of venue of any such suit, action or proceeding in either such court, and waives any claim that such suit, action or proceeding has been brought in an inconvenient forum. Each party hereto irrevocably consents to service of process in connection with any such suit, action or proceeding by mailing a copy thereof in English by registered or certified mail, postage prepaid, to their respective addresses as set forth in the Agreement.

13. Representations and Warranties of the Investment Manager. The Investment Manager represents and warrants that: (a) it is duly registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and (b) it is duly licensed by the Securities and Futures Commission of Hong Kong, and that it will use its reasonable efforts to maintain effective such registration and license during the term of this Agreement.

14. Representation and Warranty of the Fund. The Fund represents and warrants that it has full legal right to enter into this Agreement and to perform the obligations hereunder and that it has obtained all necessary consents and approvals to enter into this Agreement.

15. Provision of Certain Information by the Fund. The Fund shall furnish the Investment Manager with copies of the Fund's Articles of Incorporation, By-laws and Registration Statement on Form N-2, as amended or restated from time to time, any press releases made by the Fund and any reports made by the Fund to its shareholders, as soon as practicable after such documents become available. The Investment Manager shall not be bound by the terms of these documents until delivered to the Investment Manager in accordance with Section 11 herein. The Fund shall furnish the Investment Manager with any further documents, materials or information that the Investment Manager may reasonably request to enable it to perform its duties pursuant to this Agreement.

16. Press Releases, Reports, Other Disclosures. Any reports, press releases or other disclosures made by the Fund which contain statements of the Direct Investment Manager about the Investment Manager or about the management of assets by the Investment Manager shall be subject to the prior approval of the Investment Manager.

17. Severability. If any provision of the Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, such finding shall not affect the validity or enforceability of the remaining portions of this Agreement.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Captions. The captions in this Agreement are included for convenience of reference only and in no way define any of the provisions hereof or otherwise affect their construction or effect.

IN WITNESS WHEREOF, the parties have executed this Agreement by their officers thereunto duly authorized as of the day and year first written above.

THE CHINA FUND, INC.

By:  
Name:  
Title:

RCM ASIA PACIFIC LIMITED

By:  
Name:  
Title:

By:  
Name:  
Title:

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**EXHIBIT A**

The Investment Manager shall receive a fee for its services under the Agreement, computed weekly and payable monthly, at the annual rates as set forth below:

0.70% of the first \$315,000,000 of the Fund's average weekly net assets consisting of Listed Assets; and

0.50% of the Fund's average weekly net assets for all Listed Assets in excess of \$315,000,000.

The net asset value of the Listed Assets shall be determined in the manner provided in the Fund's Registration Statement on Form N-2.

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**DIRECT INVESTMENT MANAGEMENT AGREEMENT**

Agreement, dated as of [ ], 2012 between THE CHINA FUND, INC., a Maryland corporation (the Fund ), and RCM Asia Pacific Limited, a company organized in Hong Kong and registered as an investment adviser with the U.S. Securities and Exchange Commission and licensed by the Securities and Futures Commission of Hong Kong (the Investment Manager ).

WHEREAS, the Fund is a closed-end, non-diversified management investment company registered under the U.S. Investment Company Act of 1940, as amended (the 1940 Act ), shares of common stock of which are registered under the Securities Act of 1933, as amended; and

WHEREAS, the Fund's investment objective is long-term capital appreciation which it seeks to achieve by investing primarily in equity securities of China companies (as that term is defined in the Prospectus, dated June 27, 2005 (the Prospectus ) contained in the Fund's Registration Statement on Form N-2 (File No. 333-124392) (the Registration Statement )); and

WHEREAS, the Fund and the Investment Manager are parties to an Investment Advisory and Management Agreement dated as of March , 2012 (the Listed Agreement ) relating to management of the Fund's investments in listed securities; and

WHEREAS, the Fund desires to retain the Investment Manager to render investment management services with respect to investment of certain of the Fund's assets in direct investments (as that term is defined below), and the Investment Manager is willing to render such services.

NOW, THEREFORE, in consideration of the mutual covenants hereafter contained, it is hereby agreed by and between the parties hereto as follows:

1. Appointment of Investment Manager of Direct Investments.

(a) The Fund hereby employs the Investment Manager for the period and on the terms and conditions set forth herein, subject at all times to the supervision of the Board of Directors of the Fund, to:

(i) manage the assets of the Fund that are, on the date of this Agreement, invested in securities that at the time of such investment are not listed (or approved for listing) on a securities exchange ( direct investments ), and

(ii) arrange for the disposition of each of the direct investments at such times and on such terms as the Investment Manager determines is in the best interests of the Fund,

and with respect to clauses (i) and (ii), in each case in accordance with the investment objective and policies of the Fund set forth in the Fund's Prospectus, and as such investment objective and policies are amended from time to time by the Fund's Board of Directors, and subject always to the restrictions of the Fund's Articles of Incorporation and By-Laws, as amended or restated from time to time, and the provisions of the 1940 Act. Should the Board of Directors of the Fund at any time make any definite determination as to investment policy and notify the Investment Manager thereof, the Investment Manager shall be bound by such determination for the period, if any, specified in such notice or until similarly notified that such determination has been revoked. For purposes of this Agreement, direct investments shall not include (a) any investment by the Fund in an instrument, such as, but not limited to, a warrant, swap, structured note or other equity derivative, that provides the Fund with exposure to a security that is listed on a securities exchange or (b) any security owned by the Fund that is listed on a securities exchange even if that security was a direct investment at the time of its purchase by the Fund. The Investment Manager shall vote the Fund's proxies in connection with the direct investments, in accordance with the Fund's proxy voting policies which may be amended from time to time by the Board, however, the Investment Manager will not be required to comply with any such amendment until 30 days after it has been communicated to the

Investment Manager. The Investment Manager shall make such reports to the Board concerning such proxy voting as the Board may deem necessary or advisable. It is understood and acknowledged that no assurance has been or can be provided that the investment objective of the Fund can or will be achieved. The Investment Manager shall take, on behalf of the Fund, all actions which it deems necessary to implement the investment policies of the Fund applicable to the direct investments and to monitor the execution of transactions and the settlement and clearance of the Fund's securities transactions in direct investments. By and in connection therewith, the Investment Manager is authorized as agent of the Fund to give instructions to the custodians from time to time of the direct investments as to deliveries of securities and payments of cash for the account of the Fund;

(iii) Identify regulatory and other governmental requirements (or amendments thereto) that become applicable to the Fund after the date of this Agreement in connection with the direct investment program, but only as far as its duties as a professional investment manager so require;

(iv) Provide information regarding corporate actions, repatriation restrictions, currency restrictions and other matters of which the Investment Manager is aware as may be reasonably requested by the Fund; and

(v) Maintain or cause to be maintained for the Fund all books and records required under the 1940 Act, to the extent that such books and records are not maintained or furnished by administrators, custodians or other agents of the Fund.

(b) The Investment Manager accepts such appointment and agrees during the term of this Agreement to render such services, to permit one of its of its affiliate's directors, officers or employees to serve without compensation as a director and/or officer of the Fund if elected to such positions and to assume the obligations herein for the compensation herein provided. The Investment Manager shall for all purposes herein provided be deemed to be an independent contractor, and unless otherwise expressly provided or authorized, shall have no authority to act for or represent the Fund in any way or otherwise be deemed an agent of the Fund.

(c) The Fund hereby acknowledges (and the Investment Manager hereby acknowledges the Fund has informed it) that the Fund has allocated 25% of the net proceeds of its offerings of its Common Stock less 25% of the aggregate repurchase price of any shares of the Fund's Common Stock repurchased by the Fund to direct investments; *provided, however*, that such allocation shall be subject to review and modification by the Board of Directors of the Fund (the Direct Investment Amount). The portion of the Direct Investment Amount as is invested in direct investments shall be managed by the Investment Manager and such other entity, if any, as may be appointed by the Fund to manage the assets of the Fund invested in direct investments. The portion of the Direct Investment Amount as is not invested in direct investments shall be managed by the Investment Manager pursuant to the terms of the Listed Agreement. Upon the sale of a direct investment, the Investment Manager shall make the net proceeds thereof available as soon as reasonably practicable for investment pursuant to the Listed Agreement. For the avoidance of doubt, the Investment Manager shall not be under any obligation to comply with or to ensure that the amount of direct investments are within the Direct Investment Amount.

(d) The Fund hereby agrees that the Investment Manager shall be entitled to delegate all or any of its functions, powers, discretions, duties and obligations, to any person or persons, and any such delegation may be on such terms and conditions as the Investment Manager thinks fit provided that any such delegation shall not relieve the Investment Manager of its obligations under this Agreement; provided, however, that no delegation of investment management powers and functions may occur unless approved in advance by the Board of Directors of the Fund and, if required by the 1940 Act, by the Fund's stockholders; and provided further that no delegation of any other powers or functions may occur unless the Investment Manager has given the Board of Directors of the Fund at least 30 days prior notice of such delegation.

2. Compensation. For the services and facilities described in Section 1, the Fund agrees to pay in United States dollars to the Investment Manager, a fee in accordance with the schedule set forth as Exhibit A hereto. For the month and year in which this Agreement becomes effective or terminates, there shall be an appropriate proration on the basis of the number of days that this Agreement is in effect during such month and year, respectively.

3. Investment in Fund Stock. The Investment Manager agrees that it will not make a short sale of any capital stock of the Fund, or purchase any share of the capital stock of the Fund.

4. Non-Exclusivity of Services. Nothing herein shall be construed as prohibiting the Investment Manager or any of its affiliates from providing investment advisory services to, or entering into investment advisory agreements with, any other clients (including other registered investment companies), including clients which may invest in Chinese equity securities, so long as the Investment Manager's services to the Fund pursuant to this Agreement are not materially impaired thereby. The Investment Manager is not obligated to purchase or sell for the Fund any security which the Investment Manager or its affiliates may purchase or sell for their own accounts or other clients.

5. Standard of Care: Indemnification. The Investment Manager may rely on information reasonably believed by it to be accurate and reliable. Neither the Investment Manager nor its officers, directors, employees, agents or controlling persons (as defined in the 1940 Act) shall be subject to any liability for any act or omission, error of judgment or mistake of law, or for any loss suffered by the Fund, in the course of, connected with or arising out of any services to be rendered hereunder, except by reason of willful misfeasance, bad faith or gross negligence on the part of the Investment Manager in the performance of its duties or by reason of reckless disregard on the part of the Investment Manager of its obligations and duties under this Agreement. Any person, even though also employed by the Investment Manager, who may be or become an employee of the Fund shall be deemed, when acting within the scope of his employment by the Fund, to be acting in such employment solely for the Fund and not as an employee or agent of the Investment Manager. In no event will the Investment Manager have any responsibility under this Agreement for any portion of the Fund other than the Investment Manager's Direct Investments or for the acts or omissions of any other manager of direct investments for the Fund or any other adviser of the Fund. In particular, the Investment Manager shall have no responsibility for the Fund's being in violation of any applicable law or regulation or investment policy or restriction or instruction applicable to the Fund as a whole or for the Fund's failing to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the Code), if the Fund's holding of the direct investments is such that the direct investments would not be in such violation or if the Fund would not fail to qualify if the direct investments were deemed a separate series of the Fund or a separate regulated investment company under the Code.

The Fund agrees to indemnify and hold harmless the Investment Manager, its officers, directors, employees, agents, shareholders, controlling persons or other affiliates (each an Indemnified Party), for any losses, costs and expenses incurred or suffered by any Indemnified Party arising from any action, proceeding or claims which may be brought against such Indemnified Party in connection with the performance or non-performance in good faith of its functions under this Agreement, except losses, costs and expenses resulting from willful misfeasance, bad faith or gross negligence in the performance of such Indemnified Party's duties or from reckless disregard on the part of such Indemnified Party of such Indemnified Party's obligations and duties under this Agreement.

6. Allocation of Charges and Expenses.

(a) The Investment Manager shall assume and pay for maintaining its staff and personnel, and shall at its own expense provide the equipment, office space and facilities, necessary to perform its obligations hereunder. The Investment Manager shall pay the salaries and expenses of such officer of the Fund and any fees and expenses of such Director of the Fund who, as contemplated by Section 1(b) hereof is a director, officer or employee of the Investment Manager or any of its affiliates, *provided, however*, that the Fund, and not the Investment Manager, shall bear travel expenses or an appropriate fraction thereof of any Director and/or officer of the Fund who is a director, officer or employee of the Investment Manager to the extent that such expenses relate to attendance at meetings of the Board of Directors of the Fund or any committee thereof and *provided, further*, that such expenses are incurred in accordance with the Fund's travel policy.

(b) In addition to the fee of the Investment Manager under this Agreement, the Fund shall assume and pay the following expenses: fees of the Investment Manager under the Listed Agreement; fees of any manager of the

Fund's direct investments other than the Investment Manager; legal fees and expenses of counsel to the Fund; auditing and accounting expenses; taxes and governmental fees; New York Stock Exchange listing fees; dues and expenses incurred in connection with membership in investment company organizations; fees and expenses of the Fund's custodian, sub-custodian, transfer agents and registrars; fees and expenses with respect to administration, except as may be herein expressly provided otherwise; expenses for portfolio pricing services by a pricing agent, if any; expenses of preparing share certificates and other expenses in connection with the issuance, offering and underwriting of shares issued by the Fund; expenses relating to investor and public relations; expenses of registering or qualifying securities of the Fund for public sale; freight, insurance and other charges in connection with the shipment of the Fund's portfolio securities; brokerage commissions or other third-party costs of acquiring or disposing of any portfolio holding of the Fund; expenses of preparation and distribution of reports, notices and dividends to shareholders; expenses of the Fund's dividend reinvestment and cash purchase plan; costs of stationery; any litigation expenses; and costs of stockholder's and other meetings.

7. Potential Conflicts of Interest.

(a) Subject to applicable statutes and regulations, it is understood that directors, officers or agents of the Fund are or may be interested in the Investment Manager as directors, officers, employees, agents, shareholders or otherwise, and that the directors, officers, employees, agents or shareholders of the Investment Manager may be interested in the Fund as a director, officer, agent or otherwise.

(b) If the Investment Manager considers the sale of direct investments for the Fund and/or other advisory clients of the Investment Manager, transactions in such direct investments will be made for the Fund and/or such other clients in accordance with the Investment Manager's allocation procedures for direct investments, as may be amended from time to time provided that the Board of Directors of the Fund receives at least ten days advance notice of such amendment.

8. Duration and Termination.

(a) This Agreement shall be effective for a period of two years from the date hereof and will continue in effect from year to year thereafter, provided that such continuance is specifically approved at least annually by (i) a majority of the members of the Fund's Board of Directors who are neither parties to this Agreement nor interested persons of the Fund or of the Investment Manager or of any entity regularly furnishing investment advisory services with respect to the Fund pursuant to an agreement with the Investment Manager, cast in person at a meeting called for the purpose of voting on such approval, and (ii) separately by the Fund's Board of Directors (all Directors voting) or by vote of a majority of the Fund's outstanding voting securities.

(b) This Agreement may nevertheless be terminated at any time, without payment of penalty by the Investment Manager or by the Fund acting pursuant to a vote of its Board of Directors or by vote of a majority of the Fund's outstanding securities upon sixty (60) days' written notice. This Agreement shall automatically be terminated in the event of its assignment, provided, however, that a transaction which does not, in accordance with the 1940 Act, result in a change of actual control or management of the Investment Manager's business shall not be deemed to be an assignment for the purposes of this Agreement. This Agreement shall also be automatically terminated if the Investment Manager ceases to be licensed by the Securities and Futures Commission of Hong Kong.

(c) Termination of this Agreement shall not (i) affect the right of the Investment Manager to receive payments of any unpaid balance of the compensation described in Section 2 earned prior to such termination, or (ii) extinguish the Investment Manager's right of indemnification under Section 5. As used herein, the terms "interested person," "assignment," and "vote of a majority of the outstanding voting securities" shall have the meanings set forth in the 1940 Act.

9. Amendment. This Agreement may be amended by mutual agreement if required by the 1940 Act or other applicable law, *provided*, that, any such amendment shall only become effective after the affirmative vote of

(i) the holders of a majority of the outstanding voting securities of the Fund, and (ii) a majority of the members of the Fund's Board of Directors who are not interested persons of the Fund or of the Investment Manager, cast in person at a meeting called for the purpose of voting on such approval.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, *provided, however*, that nothing herein shall be construed in a manner inconsistent with the 1940 Act.

11. Notices. Any communication hereunder must be in writing and must be made by letter, telex or facsimile. Any communication or document to be made or delivered by one person to another pursuant to this Agreement shall (unless that other person has by fifteen (15) days' notice to the other specified another address) be made or delivered to that other person at the following relevant address:

If to the Investment Manager:

RCM Asia Pacific Limited

27<sup>th</sup> Floor, ICBC Tower,

3 Garden Road, Central, Hong Kong

Attention: Jovita Chow, Head of Compliance

Telephone No.: +852 2238 8901

Facsimile No.: +852 2526 2940

If to the Fund:

The China Fund, Inc.

c/o State Street Bank and Trust Company

P.O. Box 5409

2 Avenue de Lafayette

Boston, MA 02206-5409

Attention: Tracie A. Coop

Telephone No.: 617-662-2797

Facsimile No.: 617-662-3732

With copies to:

Clifford Chance US LLP

31 West 52<sup>nd</sup> Street

New York, NY 10019

Attention: Leonard Mackey, Esq.

Telephone No.: 212-878-8000

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Facsimile No.: 212-878-8375

and shall, if made by letter, be deemed to have been received when delivered by hand or if sent by mail within two days if both the sender and the addressee are in Hong Kong and within 10 days if the sender and/or the addressee are outside Hong Kong and the letter is sent by prepaid airmail, and shall if made by e-mail be deemed to have been received upon production of a read receipt, and shall, if sent by facsimile, be deemed to have been received upon production of a transmission report by the machine from which the facsimile was sent which indicates that the facsimile was sent in its entirety to the facsimile number of the recipient and provided that a hard copy of the notice so served by facsimile was posted that same days as the notice was served by electronic means.

12. Jurisdiction. Each party hereto irrevocably agrees that any suit, action or proceeding against either of the Investment Manager or the Fund arising out of or relating to this Agreement shall be subject non-exclusively to

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the jurisdiction of the United States District Court for the Southern District of New York or the Supreme Court of the State of New York, New York County, and each party hereto irrevocably submits non-exclusively to the jurisdiction of each such court in connection with any such suit, action or proceeding. Each party hereto waives any objection to the laying of venue of any such suit, action or proceeding in either such court, and waives any claim that such suit, action or proceeding has been brought in an inconvenient forum. Each party hereto irrevocably consents to service of process in connection with any such suit, action or proceeding by mailing a copy thereof in English by registered or certified mail, postage prepaid, to their respective addresses as set forth in the Agreement.

13. Representation and Warranty of the Investment Manager. The Investment Manager represents and warrants that it is: (a) duly registered as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended, and (b) duly licensed by the Securities and Futures Commission of Hong Kong and that it will use its reasonable efforts to maintain effective such registration and license during the term of this Agreement.

14. Representation and Warranty of the Fund. The Fund represents and warrants that it has full legal right to enter into this Agreement and to perform the obligations hereunder and that it has obtained all necessary consents and approvals to enter into this Agreement.

15. Provision of Certain Information by the Fund. The Fund shall furnish the Investment Manager with copies of the Fund's Articles of Incorporation, By-laws and Registration Statement on Form N-2, as amended or restated from time to time, any press releases made by the Fund and any reports made by the Fund to its stockholders, as soon as practicable after such documents become available. The Investment Manager shall not be bound by the terms of these documents until delivered to the Investment Manager in accordance with Section 11 herein. The Fund shall furnish the Investment Manager with any further documents, materials or information that the Investment Manager may reasonably request to enable it to perform its duties pursuant to this Agreement.

16. Press Releases, Reports, Other Disclosures. Any reports, press releases or other disclosures made by the Fund which contain statements of the Investment Manager about the Investment Manager or about the management of assets by the Investment Manager shall be subject to the prior approval of the Investment Manager.

17. Severability. If any provision of the Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, such finding shall not affect the validity or enforceability of the remaining portions of this Agreement.

18. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

19. Captions. The captions in this Agreement are included for convenience of reference only and in no way define any of the provisions hereof or otherwise affect their construction or effect.

IN WITNESS WHEREOF, the parties have executed this Agreement by their officers thereunto duly authorized as of the day and year first written above.

**THE CHINA FUND, INC.**

By:  
Name:  
Title:

**RCM ASIA PACIFIC LIMITED**

By:  
Name:  
Title:

By:  
Name:  
Title:

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**EXHIBIT A**

The Investment Manager shall receive a fee for its services under the Agreement, computed weekly and payable monthly, at the annual rate of 1.50% of the average weekly value of the Fund's assets invested in the direct investments.

The net asset value of Investment Manager's Direct Investments shall be determined in the manner provided in the Fund's Prospectus.

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THE CHINA FUND, INC.

00000000.000000 ext 00000000.000000 ext

MR A SAMPLE

00000000.000000 ext 00000000.000000 ext

DESIGNATION (IF ANY)

00000000.000000 ext 00000000.000000 ext

ADD 1

ADD 2

ADD 3

ADD 4

ADD 5

ADD 6

## Electronic Voting Instructions

**Available 24 hours a day, 7 days a week!**

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

**Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Central Time, on April 5, 2012.**

### Vote by Internet

Go to [www.envisionreports.com/CHN](http://www.envisionreports.com/CHN)

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

### Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

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Using a **black ink** pen, mark your votes with an **X** as **X** shown in this example. Please do not write outside the designated areas.

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

**A** Proposals The Board of Directors recommends a vote FOR Proposal 1.  
For Against Abstain

+

1. The approval of the proposed Investment Advisory and Management Agreement and Direct Investment Management Agreement between the Fund and RCM Asia Pacific Limited.      "      "      "

**B** Non-Voting Items

**Change of Address** Please print new address below.

**Comments** Please print your comments below.

**C** Authorized Signatures This section must be completed for your vote to be counted. Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

/ /

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

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Proxy THE CHINA FUND, INC.

This proxy is solicited on behalf of the Board of Directors

Special Meeting of Stockholders April 5, 2012

The stockholder of The China Fund, Inc. (the Fund ) signing on the reverse hereof (the undersigned ) hereby appoints Laura F. Dell, Tracie A. Coop and Francine S. Hayes or any of them, proxies of the undersigned, with full power of substitution to vote and to act for and in the name and stead of the undersigned at the Special Meeting of Stockholders of the Fund, to be held at the offices of Clifford Chance US LLP, 31 West 52nd Street, New York, NY 10019 at 2:00 P.M., local time, on April 5, 2012, and at any and all adjournments thereof, according to the number of votes the undersigned would be entitled to cast if personally present.

The shares represented by this proxy will be voted in accordance with the instructions given by the stockholder, but if no instructions are given, this proxy will be voted in favor of Proposal 1 as set forth in this proxy. In addition, this proxy will be voted, in the discretion of such proxies, upon such other business as may properly come before the meeting or any adjournments thereof. The undersigned revokes any and all proxies with respect to such shares heretofore given by the undersigned. The undersigned acknowledges receipt of the Proxy Statement dated March 20, 2012.

PLEASE VOTE, DATE AND SIGN ON REVERSE AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE.