

THE CHINA FUND

REPORT OF INDEPENDENT AUDITORS



To the members

The China Fund

*(Incorporated in the Cayman Islands as an exempted company
with limited liability)*

We have audited the financial statements on pages 13 to 38 which have been prepared in accordance with International Financial Reporting Standards.

Respective responsibilities of Directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion solely to you, as a body, in accordance with Appendix E of the Code on Unit Trusts and Mutual Funds of Hong Kong, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

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REPORT OF INDEPENDENT AUDITORS (cont'd.)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 March 2004 and of the income and cash flows for the year then ended and have been properly prepared in accordance with the Code on Unit Trusts and Mutual Funds of the Securities and Futures Commission in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Cayman Islands
20 July 2004