



CITY OF LONDON
Investment Management Company Limited

August 10, 2017

Mr. Joe O. Rogers, Chairman
The China Fund, Inc.
2477 Foxwood Drive
Chapel Hill, NC 27514

Dear Mr. Rogers,

City of London Investment Management Company Limited (“City of London”) is, on behalf of our clients, a long-term investor in The China Fund, Inc. (“the Fund”). We are responding to the Board’s announcement on July 25, 2017:

The China Fund, Inc. announces today that at a Special Meeting of Stockholders convened on June 20, 2017, adjourned and then reconvened on July 25, 2017, stockholders of the Fund approved a second adjournment of the Meeting to allow additional time to cast votes on the proposed Investment Advisory and Management Agreement and the proposed Direct Investment Management Agreement, each between the Fund and Open Door Investment Management Ltd.

The new date for the Special Meeting is now August 30, 2017.

The Proposed New Agreements Would Rehire Previously Sanctioned Individuals

As we have previously stated, the Board demonstrated poor judgment in selecting Open Door Investment Management Ltd. (“Open Door, whose principals previously served as the most senior members of the investment team whose actions were central to the 2014 SEC Administrative Proceeding involving The China Fund, Inc. (<https://www.sec.gov/litigation/admin/2014/ic-31066.pdf>)”). Stockholders have, at this juncture, twice voted against this proposal but the Board of Directors continues to pursue its own agenda rather than accepting the voting results.

The Current Vote Tally is Material, Non-Public Information

We believe that the Board is facing a potentially problematic situation by choosing not to reveal the current vote tally. Why is this being kept secret? We believe the Fund should take steps to immediately level the playing field by making a public statement regarding the Vote tally.

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Record Date for the Vote is 120 Days Prior to Next Meeting

The Board of Directors is focused upon self-preservation. As an example, the Fund has taken full advantage of another Stockholder-unfriendly provision of Maryland law which allows the meeting to occur exactly 120 days after the Record Date. The Fund has effectively disenfranchised the Stockholders who have invested in the Fund subsequent to the beginning of May, presumably because the Board believes these investors are unlikely to support the its selection of Open Door.

The Board Approved the Existing Investment Agreements on March 28, 2017

Allianz Global Investors U.S. LLC (“Allianz”) provides investment advisory services to the Fund through two investment agreements. In the Funds’ Semi-Annual Report dated April 30, 2017, the Board published the results of its findings regarding the investment performance, fees and other services provided by Allianz. The general conclusion was that the “services provided by Allianz were appropriate, that the performance of the Fund had been adequate, and that Allianz could be expected to provide services of high quality.” The Board determined the fees paid to Allianz were determined to be “fair and reasonable.”

The Investment Results Delivered by Allianz were Sub-standard

Despite the Board’s conclusion that Allianz delivered “adequate” results, the investment performance was sub-standard, trailing the benchmark index by 2.62% on an annualized basis over the three-year period ended June 30, 2017, according to the Fund’s own fact sheet:

	3 Month	YTD	1 Year	3 Year
NAV	7.48%	18.09%	26.12%	5.35%
MSCI Golden Dragon Index	9.53%	23.49%	30.91%	7.97%

The Board is Using Stockholder Resources to Fight Stockholders’ Interests

The Board is spending Stockholder assets for proxy solicitation services to fight against Stockholder interests. The associated legal fees are also mounting.

The Board Has Lost All Credibility

The Board continues to pursue its own agenda despite two failed attempts to garner sufficient stockholder support for Open Door. The Stockholders have twice voted against Open Door but the Board has not revealed the vote tallies. The Record Date is stale and does not reflect the current Stockholder base. The Board approved the continuation of the Allianz investment agreements on the same day that it decided to select Open Door to replace Allianz. Fund assets are being employed to find votes in support of Open Door and legal fees are mounting.

Liquidation of the Fund will be the Eventual Outcome

For all the reasons discussed above, we believe that the Board has lost all credibility and that this Fund has no future. As we have previously stated, we intend to propose termination of the Fund’s investment agreement regardless of the outcome of the vote on Open Door. The current deadline for the submission of a 14a-8 proposal is September 21, 2017. Our draft proposal to terminate the existing contract is attached, which would be amended if Open Door were selected.

We urge the Board to immediately stop using Stockholder resources to attempt to overturn the result of the proxy votes. The Board should now take steps to begin the process of liquidating the Fund.

Sincerely

A handwritten signature in black ink, appearing to read 'Jeremy Bannister', with a long, sweeping horizontal stroke extending to the right.

Jeremy Bannister
Director, Corporate Governance

Attachment (Stockholder Proposal to The China Fund, Inc.)

<< DRAFT >>

Stockholder Proposal to The China Fund, Inc.

August 10, 2017

RESOLVED: All investment advisory and management agreements between The China Fund, Inc. (“the Fund”) and Allianz Global Investors U.S. LLC (“Allianz”) shall be terminated by the Fund, pursuant to the right of stockholders as embodied in Section 15(a)(3) of the Investment Company Act of 1940 and as required to be included in such agreements, at the earliest date the Fund is legally permitted to do so.

SUPPORTING STATEMENT

The investment results achieved by Allianz, the Fund’s investment manager, did not keep pace with the benchmark index over an extended period. As such, Allianz, in its capacity as Manager, delivered unsatisfactory net asset value (“NAV”) investment performance. Therefore, all investment advisory and management agreements between the Fund and Allianz should be terminated by the Fund.

As outlined in the Fund’s “Semi-Annual Report to Stockholders – April 30, 2017”, the Board considered the renewal of the investment management and portfolio management agreements. The Manager’s affiliate assumed its responsibilities effective April 6, 2012, and thus had crossed the five-year threshold at the date of the Semi-Annual Report.

According to the section of the Semi-Annual Report entitled “Board Deliberations Regarding Approval of Investment Advisory Agreements,” the Board determined that “the Fund underperformed the MSCI Golden Dragon Index for the one-, three- and five-year periods ended December 31, 2016 and outperformed the Index for the 10-year period ended December 31, 2016.” The section went on to state that “The Directors concluded that, despite this general underperformance when compared to the Fund’s benchmark, the performance of the Fund was adequate.”

The facts are that the NAV performance delivered by Allianz for the rolling periods ending June 30, 2017, according to the Fund’s own published investment results, lagged the benchmark index by 4.79% for the 1-year period and 2.62% annualized for the 3-year period, equating to a cumulative underperformance of approximately 7.5%. This is weak investment performance.

The Board deemed Allianz’s performance to be “adequate” on March 28, 2017, but later that same day the Board resolved to select Open Door Investment Management Ltd. as successor to Allianz. Clearly, the Board’s actions and its words on that day stand in opposition to each other.

For the reasons outlined above, we urge stockholders to exercise their right pursuant to Section 15(a)(3) of the Investment Company Act to vote to terminate all investment advisory and management agreements with Allianz Global Investors U.S. LLC.