

Morgan Stanley China A Share Fund, Inc.  
Form N-CSR  
March 12, 2012

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

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED  
MANAGEMENT INVESTMENT COMPANIES**

Investment Company Act file number 811-21926

Morgan Stanley China A Share Fund, Inc.  
(Exact name of registrant as specified in charter)

522 Fifth Avenue, New York, New York  
(Address of principal executive offices)

10036  
(Zip code)

Arthur Lev

522 Fifth Avenue, New York, New York 10036  
(Name and address of agent for service)

Registrant's telephone number, including area code: 212-296-6990

Date of fiscal year end: December 31, 2011

Date of reporting period: December 31, 2011

---

Item 1 - Report to Shareholders

---

Morgan Stanley China A Share Fund, Inc.

**Directors**

Michael E. Nugent

Frank L. Bowman

Michael Bozic

Kathleen A. Dennis

James F. Higgins

Dr. Manuel H. Johnson

Joseph J. Kearns

Michael F. Klein

W. Allen Reed

Fergus Reid

**Officers**

Michael E. Nugent

*Chairman of the Board and Director*

Arthur Lev

*President and Principal Executive Officer*

Stefanie V. Chang Yu

*Vice President*

Francis J. Smith

*Treasurer and Principal Financial Officer*

Mary Ann Picciotto

*Chief Compliance Officer*

Mary E. Mullin

*Secretary*

**Investment Adviser and Administrator**

Morgan Stanley Investment Management Inc.

522 Fifth Avenue

New York, New York 10036

**Custodian**

State Street Bank and Trust Company

One Lincoln Street

Boston, Massachusetts 02111

**Stockholder Servicing Agent**

Computershare Trust Company, N.A.

250 Royall Street

Canton, Massachusetts 02021

**Legal Counsel**

Dechert LLP

1095 Avenue of the Americas

New York, New York 10036

**Independent Registered Public Accounting Firm**

Ernst & Young LLP

200 Clarendon Street

Boston, Massachusetts 02116

For additional Fund information, including the Fund's net asset value per share and information regarding the investments comprising the Fund's portfolio, please call toll free 1 (800) 231-2608 or visit our website at [www.morganstanley.com/im](http://www.morganstanley.com/im). All investments involve risks, including the possible loss of principal.

© 2012 Morgan Stanley

CECAFANN

IU12-00325P-Y12/11

INVESTMENT MANAGEMENT

Morgan Stanley

China A Share Fund, Inc.

(CAF)

Morgan Stanley

Investment Management Inc.

Investment Adviser

**Annual  
Report**

December 31, 2011

---

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Table of Contents

Letter to Stockholders	3
Portfolio of Investments	5
Statement of Assets and Liabilities	8
Statement of Operations	9
Statements of Changes in Net Assets	10
Financial Highlights	11
Notes to Financial Statements	12
Report of Independent Registered Public Accounting Firm	20
Portfolio Management	21
Investment Policy	22
Dividend Reinvestment Plan	25
U.S. Privacy Policy	26
Director and Officer Information	30

Morgan Stanley China A Share Fund, Inc.

Overview

Letter to Stockholders (unaudited)

## Performance

For the year ended December 31, 2011, the Morgan Stanley China A Share Fund, Inc. (the "Fund") had total returns of -17.63%, based on net asset value, and -27.94% based on market value per share (including reinvestment of distributions), compared to its benchmarks, the Morgan Stanley Capital International (MSCI) China A Index (the "Index"), which returned -22.91%, and the "China Blended Index", a custom blend of 80% of the MSCI China A Index and 20% of the MSCI China Index, which returned -21.73%. On December 31, 2011, the closing price of the Fund's shares on the New York Stock Exchange was \$19.35, representing a 13.8% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

## Factors Affecting Performance

- During 2011, the government maintained the tightening policy that began in 2009 due to concerns about potential risk in local government financing vehicle (LGFV) loans, escalating asset prices, and rising inflation. These concerns continued to weigh on the market throughout the year, which caused the market to remain sluggish despite healthy earnings growth.
- In the fourth quarter of 2011, inflation started to come down and became less of a worry for the government, while economic growth slowed slightly. However, monetary and fiscal policies remained tight, which was negative for market liquidity, revenue growth, and profit margins. Going forward, we expect the tight monetary and fiscal policies to moderate, but remain prudent.
- The Fund's outperformance for the fiscal year period mainly came from stock selection in the industrials, consumer discretionary, and information technology (IT) sectors; sector allocation also contributed to performance with an overweight in the consumer staples sector and underweights in the industrials and materials sectors.
- In contrast, the Fund's stock selections in the energy and health care sectors were the primary performance detractors.
- The Fund occasionally utilizes structured investments to gain access to China's A-share market. Structured investments exposure is intended to mirror the performance of the underlying stock.

## Management Strategies

- The Fund seeks to achieve its investment objective of capital growth by investing, under normal circumstances, at least 80% of its assets in A-shares of Chinese companies listed on the Shanghai and Shenzhen Stock Exchanges, either by investing directly in A-shares through a licensed qualified foreign institutional investor or by gaining exposure to the A-share market through the use of derivatives.
- Over the course of the period, the Fund held overweight positions in the consumer staples, health care, and consumer discretionary sectors. We believe China is likely to change its economic growth structure over the next decade, i.e. from one that is more investment and export driven to a more domestic consumption driven one. In addition, we believe that rapid income growth and continuous urbanization should not only boost volume growth but also lead to ongoing demand as consumers trade





Morgan Stanley China A Share Fund, Inc.

Overview

Letter to Stockholders (unaudited) (cont'd)

up to more expensive items and brands. Specifically, we like consumer staples with strong brand recognition and pricing power, and consumer retailers with competitive distribution networks.

- We are positive on the health care sector as we believe expanding social medical coverage and facilities construction are likely to boost Chinese health care spending in the future.
- We are also positive on selected information technology companies as we believe many Chinese corporates have been growing on a scale that requires capital expenditures in upgrading their IT systems to optimize operations and cost management.
- We held an underweight position in the industrials and materials sectors on concerns over sluggish demand, overcapacities, and margin pressures, on expectation of a slowdown in fixed-asset investment resulting from the government's tightening and weak overseas demand.
- We are negative on the utilities and telecommunications sectors given their limited growth potential, tight profit margins, high capital expenditures cost and demanding valuation, in our opinion.

Sincerely,

Arthur Lev  
President and Principal Executive Officer January 2012



Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Portfolio of Investments

	Shares	Value (000)
<b>COMMON STOCKS (100.9%)</b>		
<b>Auto Components (4.7%)</b>		
Huayu Automotive Systems Co., Ltd., Class A	15,719,337	\$ 23,127
<b>Automobiles (9.1%)</b>		
SAIC Motor Corp., Ltd.	19,966,402	44,856
<b>Beverages (7.2%)</b>		
Tsingtao Brewery Co., Ltd., Class A	6,648,039	35,363
<b>Capital Markets (4.8%)</b>		
CITIC Securities Co., Ltd., Class A	8,487,243	13,093
Haitong Securities Co., Ltd., Class A	8,981,200	10,574
		23,667
<b>Chemicals (2.9%)</b>		
Qinghai Salt Lake Industry Co., Ltd., Class A (a)	2,764,868	14,044
<b>Commercial Banks (11.7%)</b>		
Agricultural Bank of China, Ltd.	30,663,900	12,764
Bank of Communications Co., Ltd., Class A	20,424,181	14,538
China Merchants Bank Co., Ltd., Class A	15,840,032	29,873
		57,175
<b>Construction Materials (5.5%)</b>		
Anhui Conch Cement Co., Ltd.	3,160,018	7,857
Tangshan Jidong Cement Co., Ltd. (a)	1,963,694	5,201
Xinjiang Tianshan Cement Co., Ltd., Class A	4,133,751	13,944
		27,002
<b>Electrical Equipment (1.3%)</b>		
TBEA Co., Ltd.	5,206,869	6,354
<b>Food &amp; Staples Retailing (5.3%)</b>		
	19,314,687	25,931

Wuhan Zhongbai Group Co., Ltd., Class A		
<b>Health Care Providers &amp; Services (3.0%)</b>		
Shanghai Pharmaceutical Holding Co., Ltd., Class A	8,443,004	14,863
<b>Household Durables (3.5%)</b>		
Gree Electric Appliances, Inc., Class A	6,172,836	16,957
	<b>Shares</b>	<b>Value (000)</b>
<b>Insurance (9.7%)</b>		
China Pacific Insurance Group Co., Ltd., Class A	11,580,552	\$ 35,345
Ping An Insurance Group Co. Class A	2,271,452	12,429 47,774
<b>Internet Software &amp; Services (0.3%)</b>		
Sohu.com, Inc. (a)	29,100	1,455
<b>Machinery (3.0%)</b>		
Zhengzhou Yutong Bus Co., Ltd., Class A	3,953,030	14,860
<b>Metals &amp; Mining (3.9%)</b>		
Baoshan Iron & Steel Co., Ltd.	14,557,600	11,218
Shandong Nanshan Aluminum Co., Ltd., Class A	7,973,010	8,018 19,236
<b>Oil, Gas &amp; Consumable Fuels (6.5%)</b>		
China Petroleum & Chemical Corp., Class A	15,389,743	17,556
Shanxi Xishan Coal & Electricity Power Co., Ltd., Class A	6,284,511	14,578 32,134
<b>Pharmaceuticals (2.6%)</b>		
Jiangsu Hengrui Medicine Co., Ltd.	2,775,239	12,981
<b>Real Estate Management &amp; Development (6.6%)</b>		
China Vanke Co., Ltd., Class A	17,299,565	20,532
Shanghai Shimao Co., Ltd. (a)	7,311,049	12,139 32,671
<b>Software (6.7%)</b>		
UFIDA Software Co., Ltd., Class A	11,450,331	32,747
<b>Specialty Retail (2.6%)</b>		

Suning Appliance Co., Ltd., Class A	9,545,209	12,800
<b>TOTAL COMMON STOCKS</b> (Cost \$554,108)		495,997

The accompanying notes are an integral part of the financial statements.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Portfolio of Investments (cont'd)

	Shares	Value (000)
<b>SHORT-TERM INVESTMENT (0.1%)</b>		
<b>Investment Company (0.1%)</b>		
Morgan Stanley Institutional Liquidity Funds Money Market Portfolio Institutional Class (See Note F) (Cost \$533)		
	533,185	\$ 533
<b>TOTAL INVESTMENTS (101.0%)</b>	(Cost \$554,641)	496,530
<b>LIABILITIES IN EXCESS OF OTHER ASSETS (-1.0%)</b>		(5,156)
<b>NET ASSETS (100.0%)</b>		\$ 491,374

(a) Non-income producing security.

**Fair Value Measurement Information:**

The following is a summary of the inputs used to value the Fund's investments as of December 31, 2011. (See Note A-4 to the financial statements for further information regarding fair value measurement.)

Investment Type	Level 1	Level 2	Level 3	Total (000)
	Unadjusted quoted prices (000)	Other significant observable inputs (000)	Significant unobservable inputs (000)	
<b>Assets:</b>				
<b>Common Stocks</b>				
Auto				
Components	\$ 23,127	\$	\$	\$ 23,127
Automobiles	44,856			44,856
Beverages	35,363			35,363
Capital				
Markets	23,667			23,667
Chemicals	14,044			14,044
Commercial				
Banks	57,175			57,175
Construction				
Materials	27,002			27,002
Electrical				
Equipment	6,354			6,354
Food & Staples	25,931			25,931

Retailing		
Health Care Providers & Services	14,863	14,863

**Fair Value Measurement Information: (cont'd)**

<b>Investment Type</b>	<b>Level 1 Unadjusted quoted prices (000)</b>	<b>Level 2 Other significant observable inputs (000)</b>	<b>Level 3 Significant unobservable inputs (000)</b>	<b>Total (000)</b>
<b>Assets: (cont'd)</b>				
<b>Common Stocks (cont'd)</b>				
Household Durables	\$ 16,957	\$	\$	\$ 16,957
Insurance	47,774			47,774
Internet Software & Services	1,455			1,455
Machinery	14,860			14,860
Metals & Mining	19,236			19,236
Oil, Gas & Consumable Fuels	32,134			32,134
Pharmaceuticals	12,981			12,981
Real Estate Management & Development	32,671			32,671
Software	32,747			32,747
Specialty Retail	12,800			12,800
<b>Total Common Stocks</b>	<b>495,997</b>			<b>495,997</b>
<b>Short-Term Investment</b>				
Investment Company	533			533
<b>Total Assets</b>	<b>\$ 496,530</b>	<b>\$</b>	<b>\$</b>	<b>\$ 496,530</b>

Transfers between investment levels may occur as the markets fluctuate and/or the availability of data used in an investment's valuation changes. The Fund recognizes transfers between the levels as of the end of the period. As of December 31, 2011, the Fund did not have any significant investments transfer between investment levels.

Edgar Filing: Morgan Stanley China A Share Fund, Inc. - Form N-CSR  
The accompanying notes are an integral part of the financial statements.



Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Portfolio of Investments (cont'd)

**Portfolio Composition**

<b>Classification</b>	<b>Percentage of Total Investments</b>
Other*	32.5%
Commercial Banks	11.5
Insurance	9.6
Automobiles	9.0
Beverages	7.1
Software	6.6
Real Estate Management & Development	6.6
Oil, Gas & Consumable Fuels	6.5
Construction Materials	5.4
Food & Staples Retailing	5.2
Total Investments	100.0%

\* Industries representing less than 5% of total investments.

The accompanying notes are an integral part of the financial statements.



Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Financial Statements

	December 31, 2011
	(000)
Statement of Assets and Liabilities	
<b>Assets:</b>	
Investments in Securities of Unaffiliated Issuers, at Value (Cost \$554,108)	\$ 495,997
Investment in Security of Affiliated Issuer, at Value (Cost \$533)	533
Total Investments in Securities, at Value (Cost \$554,641)	496,530
Foreign Currency, at Value (Cost \$9,365)	9,501
Receivable from Affiliate	@
Other Assets	38
<b>Total Assets</b>	<b>506,069</b>
<b>Liabilities:</b>	
Payable for Line of Credit	8,102
Payable for Investment Advisory Fees	4,234
Payable for Excise Tax	1,786
Payable for Administration Fees	226
Payable for Custodian Fees	160
Payable for Professional Fees	156
Payable for Directors' Fees and Expenses	7
Payable for Stockholder Servicing Agent Fees	1
Other Liabilities	23
<b>Total Liabilities</b>	<b>14,695</b>
<b>Net Assets</b>	
Applicable to 21,881,465 Issued and Outstanding \$0.01 Par Value Shares (100,000,000 Shares Authorized)	\$ 491,374
<b>Net Asset Value Per Share</b>	<b>\$ 22.46</b>
<b>Net Assets Consist of:</b>	
Common Stock	\$ 219
Paid-in-Capital	506,037
Accumulated Net Investment Loss	(7)
Accumulated Net Realized Gain	43,100
Unrealized Appreciation (Depreciation) on:	
Investments	(58,111)
Foreign Currency Translations	136
<b>Net Assets</b>	<b>\$ 491,374</b>

@ Amount is less than \$500.

Edgar Filing: Morgan Stanley China A Share Fund, Inc. - Form N-CSR  
The accompanying notes are an integral part of the financial statements.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Financial Statements (cont'd)

	<b>Year Ended December 31, 2011 (000)</b>
Statement of Operations	
<b>Investment Income:</b>	
Dividends from Securities of Unaffiliated Issuers (Net of \$713 of Foreign Taxes Withheld)	\$ 5,759
Dividends from Security of Affiliated Issuer	1
Interest from Securities of Unaffiliated Issuers	41
<b>Total Investment Income</b>	<b>5,801</b>
<b>Expenses:</b>	
Investment Advisory Fees (Note B)	8,806
Excise Tax (Note E)	1,786
Custodian Fees (Note D)	969
Administration Fees (Note C)	470
Professional Fees	297
Stockholder Reporting Expenses	90
Directors' Fees and Expenses	18
Stockholder Servicing Agent Fees	6
Administrative Fees on Line of Credit (Note G)	6
Commitment Fee (Note G)	1
Interest Expense on Line of Credit (Note G)	1
Other Expenses	53
<b>Total Expenses</b>	<b>12,503</b>
Rebate from Morgan Stanley Affiliate (Note F)	(2)
<b>Net Expenses</b>	<b>12,501</b>
<b>Net Investment Loss</b>	<b>(6,700)</b>
<b>Realized Gain (Loss):</b>	
Investments Sold	48,142
Foreign Currency Transactions	383
<b>Net Realized Gain</b>	<b>48,525</b>
<b>Change in Unrealized Appreciation (Depreciation):</b>	
Investments	(152,201)
Foreign Currency Translations	22
<b>Net Change in Unrealized Appreciation (Depreciation)</b>	<b>(152,179)</b>
<b>Total Net Realized Gain and Change in Unrealized Appreciation (Depreciation)</b>	<b>(103,654)</b>
<b>Net Decrease in Net Assets Resulting from Operations</b>	<b>\$ (110,354)</b>

The accompanying notes are an integral part of the financial statements.



Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Financial Statements (cont'd)

	Year Ended December 31, 2011 (000)	Year Ended December 31, 2010 (000)
Statements of Changes in Net Assets		
<b>Increase (Decrease) in Net Assets:</b>		
Operations:		
Net Investment Loss	\$ (6,700)	\$ (3,739)
Net Realized Gain	48,525	14,861
Net Change in Unrealized Appreciation (Depreciation)	(152,179)	(36,538)
<b>Net Decrease in Net Assets Resulting from Operations</b>	(110,354)	(25,416)
Distributions from and/or in Excess of:		
Net Realized Gain	(8,035)	(37,518)
<b>Total Distributions</b>	(8,035)	(37,518)
Capital Share Transactions:		
Common Stock Issued Through Rights Offering (0 and 5,440,904 shares, net of expenses \$0 and \$5,585,000)		138,327
Reinvestment of Distributions (0 and 117,847 shares)		3,407
Expenses Recouped/(Incurred) from the 2010 and 2009 Rights Offerings	(72)	14
<b>Net Increase (Decrease) in Net Assets Resulting from Capital Share Transactions</b>	(72)	141,748
<b>Total Increase (Decrease)</b>	(118,461)	78,814
<b>Net Assets:</b>		
Beginning of Period	609,835	531,021
<b>End of Period (Including Accumulated Net Investment Loss of \$(7) and \$(4))</b>	\$ 491,374	\$ 609,835

The accompanying notes are an integral part of the financial statements.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Financial Highlights

*Selected Per Share Data and Ratios*

	Year Ended December 31,				
	2011	2010	2009	2008	2007
<b>Net Asset Value, Beginning of Period</b>	\$ 27.87	\$ 32.53	\$ 20.48	\$ 68.22	\$ 26.71
Net Investment Loss†	(0.30)	(0.21)	(0.17)	(0.10)	(0.31)
Net Realized and Unrealized Gain (Loss)	(4.74)	(1.74)	16.68	(41.78)	51.43
Total from Investment Operations	(5.04)	(1.95)	16.51	(41.88)	51.12
Distributions from and/or in excess of:					
Net Investment Income				(0.16)	(0.16)
Net Realized Gain	(0.37)	(1.72)	(4.26)	(5.70)	(9.45)
Total Distributions	(0.37)	(1.72)	(4.26)	(5.86)	(9.61)
Dilutive Effect of Shares Issued through Rights Offering and Offering Costs	‡	(0.99)	(0.20)		
<b>Net Asset Value, End of Period</b>	\$ 22.46	\$ 27.87	\$ 32.53	\$ 20.48	\$ 68.22
<b>Per Share Market Value, End of Period</b>	\$ 19.35	\$ 27.35	\$ 31.37	\$ 20.45	\$ 50.51
<b>TOTAL INVESTMENT RETURN:</b>					
Market Value	(27.94)%	(7.55)%	77.80%	(51.22)%	99.63%
Net Asset Value(1)	(17.63)%	(9.15)%	84.28%	(63.87)%	212.93%
<b>RATIOS, SUPPLEMENTAL DATA:</b>					
<b>Net Assets, End of Period (Thousands)</b>					