



JF CHINA REGION FUND, INC.

*Annual Report  
December 31, 2012*



*This report, including the financial statements herein, is sent to the stockholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.*

**J.P.Morgan**  
Asset Management

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## OBJECTIVES

JF China Region Fund, Inc. (the 'Fund') seeks to achieve long-term capital appreciation through investments primarily in equity securities of companies with substantial assets in, or revenues derived from, the People's Republic of China ('China'), Hong Kong, Taiwan and Macau — collectively, the 'China Region'.

The Fund provides investors with an opportunity to participate in the growing economies of the China Region where the economies of China, Hong Kong, Taiwan and Macau have become increasingly linked over recent years. Hong Kong enterprises have made substantial investments in China, particularly where labor and land prices are lower than in Hong Kong. Similarly, many Chinese companies have Hong Kong based subsidiaries with securities listed on the Hong Kong Stock Exchange. Renminbi denominated China A-shares, which are listed in China, are available for acquisition by the Fund by direct investment up to \$20m and by indirect investment up to 10% of the Fund's total assets through exposure to China A-share investment companies. It is intended that the Fund will maintain a \$20m direct investment in China A-shares. Further details on China A-shares are provided in note 7(iii) of the Notes to Financial Statements on page 22.

The Fund invests to take advantage of the many opportunities that result from this linkage among the markets of the China Region.

## MANAGEMENT

JF International Management Inc. ('JFIMI') is the investment management company appointed to advise and manage the Fund's portfolio (the 'Investment Advisor'). JFIMI is part of JPMorgan Chase & Co. ('JPMC'), one of the world's premier financial services institutions. In asset management, JPMC operates globally under the name of J.P. Morgan Asset Management ('JPMAM'). Funds under management for the global asset management business of JPMAM were US\$1.4 trillion as of December 31, 2012.

The Fund's lead portfolio manager is Emerson Yip, Senior Portfolio Manager within JPMAM's Greater China investment team in Hong Kong.

## FORWARD-LOOKING STATEMENTS

This report contains certain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements regarding the goals, beliefs, plans or current expectations of the Fund and JFIMI and their respective representatives, taking into account the information currently available to them. Forward-looking statements include all statements that do not relate solely to current or historical fact. For example, forward-looking statements include the use of words such as “anticipate,” “estimate,” “intend,” “expect,” “believe,” “plan,” “may,” “should,” “would,” or other words that convey uncertainty of future events or outcomes. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Fund to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could materially and negatively affect the results, performance or achievements of the Fund include changes in economic, political, legal and regulatory conditions in the China Region and elsewhere, changes in interest and exchange rates and related policies and other risks. When evaluating the information included in this report, you are cautioned not to place undue reliance on these forward-looking statements, which reflect the judgment of the Fund, JFIMI or its respective representatives only as of the date hereof. The Fund, JFIMI and their respective representatives undertake no obligation to publicly revise or update these forward-looking statements to reflect events and circumstances that arise after the date hereof.

### MARKET INFORMATION

**The Fund is listed on the New York Stock Exchange (symbol JFC). The share price is published in**

- The Wall Street Journal (daily online at [www.WSJ.com/Free](http://www.WSJ.com/Free))

**The estimated net asset value is published in**

- The Wall Street Journal under “Closed-End Funds” (every Saturday)
- [www.jfchinaregion.com](http://www.jfchinaregion.com)

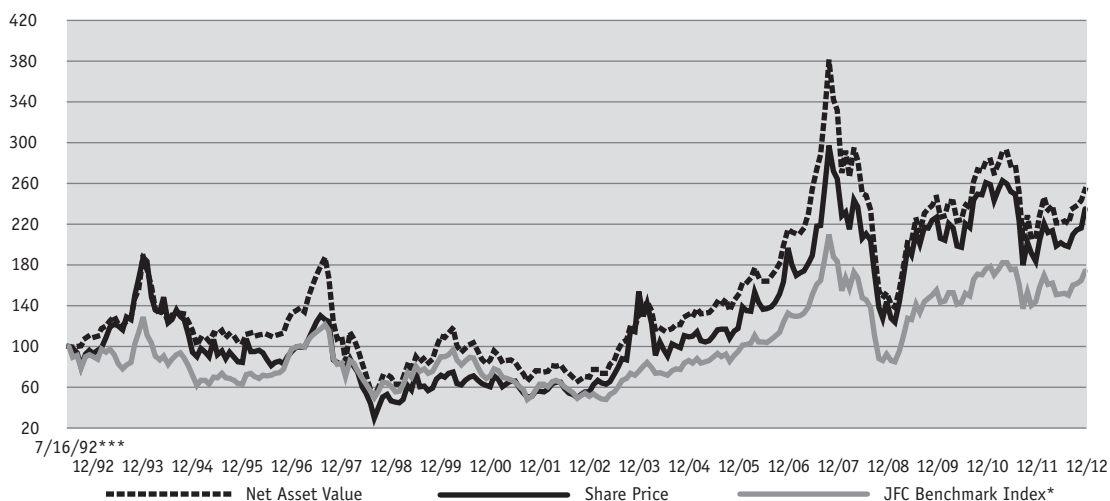
## HIGHLIGHTS (unaudited, except as indicated)

	DECEMBER 31, 2012 US\$	DECEMBER 31, 2011 US\$
Net Assets (Audited)	<b>\$99.7 million</b>	\$82.2 million
Net Asset Value Per Share (Audited)	<b>\$15.47</b>	\$12.75
<b>Market Data</b>		
Share Price on the New York Stock Exchange	<b>\$14.00</b>	\$11.02
Discount to Net Asset Value	<b>9.5%</b>	13.6%

### Total Return for the Year Ended December 31, 2012

Net Asset Value	22.3%
Share Price (Audited)	28.2%
JFC Benchmark Index*	21.0%
Previous Benchmark Index**	22.7%
MSCI Hong Kong Index (Total)	28.3%
MSCI China Index (Total)	23.1%
MSCI Taiwan Index (Total)	17.7%

### Net Asset Value and Share Price vs. Benchmark Index



\* JFC Benchmark Index: 80% MSCI Golden Dragon Index (GDR) + 20% CSI 300 (Total). Prior to April 13, 2012, the MSCI Golden Dragon Index (Total). At December 31, 2011 the MSCI Golden Dragon Index (Total) comprised 24.1% of the MSCI Hong Kong Index (Total), 42.7% of the MSCI China Index (Total) and 33.2% of the MSCI Taiwan Index (Total). Prior to March 2001, 25% Taiwan Weighted Index, 20% BNP Paribas China Index, 50% MSCI Hong Kong, 5% HSBC; Prior to March 1999, 60% Hong Kong All Ordinaries, 30% Credit Lyonnais Securities Asia All China B Index, 10% Taiwan Weighted Index. Prior to January 1997, Peregrine Greater China Index.

\*\* Previous Benchmark Index: MSCI Golden Dragon Index (Total).

\*\*\* Commencement of operations.

Source: J.P. Morgan Asset Management.

## CHAIRMAN'S STATEMENT

### DECEMBER 31, 2012

Dear Fellow Stockholder

#### Performance

The year ended December 31, 2012 was volatile for Greater China markets. Following a roller coaster first half of 2012, the Greater China markets recovered strongly in the second half of the year in response to the positive impact of China's pro-growth policy and improving economic data.

I am pleased to report that the Fund's net asset value ('NAV') total return was 22.3% during the year, outperforming our composite benchmark which increased by 21.0%. Over the same period, the Fund's share price total return was 28.2% as the discount at which the share trades to its NAV narrowed from 13.6% to 9.5%. The Fund's NAV out-performance relative to the benchmark was primarily attributable to positive stock selection in China, Taiwan and Hong Kong and bearing out the validity of the Fund's new investment policy.

#### China A-shares

As previously reported, on April 13, 2012, the Fund initiated a \$20m investment in the domestic China, renminbi denominated, A-share market. Your Board believes the A-share market offers significant investment opportunities for the Fund, providing access to an investment universe of 2,500 Chinese companies with a combined market capitalization second only to the US at \$4,000 billion. Having \$20m of direct access to China A-shares provides the Fund with exposure to a market otherwise restricted to foreign investors and serves as a key differentiating factor for the Fund when compared to its peer group of other listed Greater China region closed ended funds. From the point that the Fund initiated its A-shares investment, that portion of the portfolio returned 5.3% compared to the 1.4% from the China Shanghai Index 300. As of December 31, 2012, the Fund held 29 separate China A-share investments representing 20.1% of its total assets.

#### Leverage

A further differentiating factor of the Fund is in its ability to leverage its portfolio. On February 25, 2013, the Fund renewed its \$17.5m credit facility with Scotiabank (Ireland) Ltd ('Scotiabank') for a further two year period. Under this arrangement, Scotiabank provides a secured, committed credit facility which can be utilized at any time. This financing arrangement gives the Investment Advisor the flexibility to tactically manage borrowed monies at its discretion under the eye of your Board. As at December 31, 2012, \$5m of this facility was drawn.

#### Benchmark

Up to April 12, 2012 the Fund benchmark was the MSCI Golden Dragon Index. As previously reported, with effect from April 13, 2012, the Board adopted a composite benchmark consisting of 80% MSCI Golden Dragon Index and 20% CSI 300 Index in order to reflect the Fund's investment in China A-shares.

#### Merger Proposal

In my last Chairman's Statement I reported on the status of the Fund's merger proposals submitted to the Board of the Greater China Fund, Inc ('GCH'). Your Board believed this approach was in the best interests of the Fund's shareholders and further offered significant potential benefits to GCH shareholders. GCH rebuffed the Fund's approaches and instead opted to change its Investment Advisor and subsequently announced a tender offer to its shareholders. On February 8, 2013, GCH announced that 65.8% of its shareholders had elected to tender their shares and would be satisfied in full. This was a disappointing outcome given that a merger between your Fund and GCH under J.P. Morgan's management had the support of a majority of both your Fund's and GCH's shareholders.

*For more information please refer to the Fund's website at [www.jfchinaregion.com](http://www.jfchinaregion.com)*

## CHAIRMAN'S STATEMENT (continued)

### Total Expense Ratio

Your Board monitors closely the Fund's expenses. For the year ended December 31, 2012, the Fund's ratio of total expenses to average net assets (excluding interest expense) was 2.04%. This figure does, however, include a number of non-recurring expense items relating to the Fund's ability to leverage, China A-share investment and merger proposals submitted to the Board of GCH. In the absence of these non-recurring expenses, the Fund's ratio of total expenses to average net assets (excluding interest expense) would have been 1.99%.

### Outlook

Your Board believes the Greater China Region continues to offer attractive growth opportunities to investors and is encouraged by the improving economic data of late. That said, with China's recovery being largely dependent on exports, macro economic factors will undoubtedly play a key role in determining the extent and sustainability of its recovery from slowing GDP growth. On a positive note, the macro economic environment has shown signs of stability with easing monetary conditions globally and fading concerns over the US fiscal cliff and Eurozone debt crisis, albeit with caution. Your Board believes the Fund is uniquely positioned, through its differentiated portfolio (through investments in China A-shares and ability to leverage), to benefit from a recovery in the Greater China markets.

Respectfully submitted

The Rt. Hon. The Earl of Cromer

Chairman

February 28, 2013

*For more information please refer to the Fund's website at [www.jfchinaregion.com](http://www.jfchinaregion.com)*

## INVESTMENT ADVISOR'S REPORT

Over the 12-month period ended December 31, 2012, the Fund achieved a NAV total return of 22.3%, outperforming the benchmark return of 21.0%, by 1.3%.

The strong performance over the 2012 calendar year was due to strong stock selection in all three markets — China, Taiwan and Hong Kong. As a reminder, our portfolio reflects our incrementally more positive view on China. We believe that the economy has bottomed and the rate of deterioration of earnings/GDP etc has stabilized. We are overweight stocks in all three countries that offer us exposure to China's growth.

### China Review

Chinese equities continued their upward trend in the first quarter of 2012, rising in the first two months on another bank Required Reserved Ratio ('RRR') cut in late February and then fading in March on the lack of demand pick-up post the Chinese New Year as well as generally disappointing fourth quarter results in 2011.

Over the second quarter of 2012, Chinese equities gave back most of the first quarter gains on continuing weak China macro data, renewed concerns surrounding the European debt crisis, and a slowing US economy. The market, again, was volatile, rising slightly in April in anticipation of better seasonal demand recovery only to be disappointed by much worse than expected April and May data, driving the index down by double digits in May and June. However, Government policy was increasingly turning more pro-growth with further RRR cuts, interest rate cuts, home appliance subsidies, as well as accelerated approval of infrastructure projects.

In the third quarter of 2012, Chinese equities had still not recovered gains made at the beginning of the year. Weak interim earnings and lack of further domestic policy easing was holding the market back. However, larger than expected quantitative easing in the US and Europe, as well as the National

Development and Reform Commission's ('NDRC') approval of a large batch of Fixed Asset Investment related projects, lowered the market risk premium, supporting a September rebound. On the macro front, demand readings continued to be weak but showed some stabilization, indicating the Government's efforts to stimulate the economy via infrastructure projects as well as improving property sector fundamentals are slowly having an impact.

Chinese equities finally rose in the fourth quarter of 2012, with the offshore-listed Chinese market (MSCI China Index) leading domestic A-shares (CSI 300 Index) again. MSCI China went up 12.8% quarter-on-quarter, after troughing in early September. On the economic front, the risk premium came down on better than expected data as well as greater hopes for reforms that would spur on sustainable economic growth after the successful conclusion of the National People's Congress of China held in mid November. The December China Manufacturing Purchasing Managers Index at 51.5, made a 19 month high, underpinned by increased monetary easing.

### A-Shares

Over 2012, A-shares performed considerably worse than their off-shore listed counterparts. In the first quarter of 2012, the A-share market fell in line with Hong Kong listed H-shares and swung upwards first and subsequently fell again in March.

It is only towards the end of the second quarter of 2012 where the divergence began in earnest. A-shares outperformed their H-share counterparts until May, though the trend reversed in June when despite the interest rate cut, A-shares lost almost 7% as economic indicators pointed to a further modest contraction in the Chinese economy.

This trend continued well into the third quarter of 2012 and while overseas markets have seen year-to-date or historical highs, the domestic A-share market kept making new lows with the CSI 300 Index down 5.1% quarter-on-quarter. The market con-



## INVESTMENT ADVISOR'S REPORT (continued)

tinued to decline despite China's macro data showing some signs of stabilization and China's ruling party finally announcing the date for its party congress that would effect its once-in-a-decade leadership transition. In the fourth quarter, three months of better than expected economic data finally started pushing up the CSI 300 Index in early December, up almost 11% quarter-on-quarter. Cyclical such as financials, property, commodity, industrials and discretionary led the market recovery, while defensives such as staples, healthcare and telecommunications lagged.

### China Outlook

While negative earnings revisions are a headwind, market expectations are generally muted for China given the lack of meaningful stimulus in recent months. We attribute the lack of policy response to a combination of the leadership transition and the recovering property market. We continue to take a constructive stance on Chinese equities given the abundance of central bank support for asset prices coupled with undemanding valuations. We think external environments remain the key to risk appetite until completion of China's political transition (ending the policy vacuum period) while more visibility of earnings recovery may be required for a more sustainable market rally.

### Hong Kong Review

The rally in the MSCI Hong Kong Index continued into the Chinese New Year on the back of improving global economic momentum coupled with lessening fears of a 'hard landing' in China. However, the rally was halted by the election of CY Leung to the Hong Kong Chief Executive post on a more populist platform. Moreover, the arrest of the two co-chairmen of Sun Hung Kai Properties on potential corruption charges exacerbated market concerns.

Hong Kong equities gave away much of the first quarter gains owing to the deterioration in the

European debt crisis as well as the declining growth momentum in the Chinese economy, but still outperformed the other two Greater China markets. While tourist arrivals continued to hold up, overall retail sales growth slowed given the high base effect and a drop in average spending per tourist hurt consumer stocks.

Hong Kong equities posted a strong move upwards in September led by the surging property sector, further spurred on by global easing in both the U.S. and Europe. As expected, the incoming government administration introduced multiple measures to cool down the property market. However, the incremental near-term impact of these measures was limited given the rigidity of short-term land supply and already tight borrowing conditions. On the macro front, retail sales growth continued to slow down, especially for luxury products. August retail sales year-over-year growth came in below expectations at 4.5%.

The upward momentum for Hong Kong equities continued in the fourth quarter of 2012 owing to continued loose liquidity conditions and improving economic momentum, although it no longer outperformed the region partially due to unprecedented property tightening measures.

### Hong Kong Outlook

The persistent favorable global liquidity regime should provide support for asset pricing, which will be particularly positive for the Hong Kong equities market. However, this round of quantitative easing may have a smaller incremental impact. To note, market turnover on the Hong Kong market spiked at the beginning of September but appears to have settled back to the low level prior to the quantitative easing announcement. Policy easing in China has been held up due to the leadership transition and resilient property demand.

### Taiwan Review

In the first three months of the year, the TWSE Index gained 15.1% in USD terms. The market's response to

## INVESTMENT ADVISOR'S REPORT (continued)

President Ma's re-election was initially disappointing as investors were reluctant to participate ahead of a long, post-election Chinese New Year break. However, the Taiwan market played catch up after Chinese New Year, driven by Chinese Nationalist Party (KMT) victories in the presidential and legislative elections. Strong results from Apple, better global economic data and the European Central Bank boosting liquidity through the Long-Term Refinancing Operation (LTRO) all helped to lift the TWSE in the first two months of the quarter.

Much like the other two Greater China markets, the TWSE gave back much of the year-to-date gains in the second quarter. Domestically, the proposed energy price hikes and capital gain tax for equity trading were in the spotlight over the quarter. This, coupled with increasingly negative news flow on the European debt crisis and weaker than expected data points from the US, weighed on markets. Taiwan export growth has stalled and was expected to persist for the rest of the year due to falling demand from Europe.

For the three months ending September, the TWSE rose strongly thanks to the announcement concerning further monetary easing. The TWSE achieved a total return of 11.3% over the quarter in USD terms. Both retail and institutional buyers were aggressive in adding to their positions, as news surrounding the launch of the iPhone 5 dominated the headlines.

Taiwan was largely flat in the fourth quarter of 2012, but markets initially fell, driven by disappointment in sales outlook for both Apple and

Windows 8 related products as the PC and handset sectors saw downward revisions in guidance. The market managed to claw back most of the losses cheered by optimism that the US fiscal cliff could be averted and suggestions by the Taiwanese government regarding stimulus measures to revive the market.

### Taiwan Outlook

After the launch of the iPhone 5, the next area of interest could be in the new iPad Mini and other new tablets that are expected to be introduced soon. At the same time, low-end smart-phones in China are gaining very strong momentum and the supply chain should benefit from this trend. The non-technology space has seen positive earning revisions in sectors like financials, property and tourism.

### Greater China Outlook

We continue to take a constructive stance on Greater China markets given the abundance of central bank support for asset prices coupled with the nascent housing market recoveries in China and the US. Furthermore, China's growth momentum, held back by aggressive policy tightening domestically, may soon see evidence of re-acceleration or stabilization, following a shift in policy stance and the end of the political transition period.

### Emerson Yip

JF International Management, Inc  
February 28, 2013

**TOP TEN HOLDINGS**  
AT DECEMBER 31, 2012

	<b>% OF NET ASSETS</b>
<p><b>Taiwan Semiconductor Manufacturing Co., Ltd. ('TSMC')</b> Manufactures and markets integrated circuits. The company provides the following services: wafer manufacturing, wafer probing, assembly and testing, mask production and design services. The company's integrated circuits are used in computer, communication, consumer electronics, automotive and industrial equipment industries.</p>	6.8
<p><b>Industrial &amp; Commercial Bank of China</b> Provides a broad range of personal and corporate commercial banking services across China. The bank's businesses include deposit, loan, credit card, fund underwriting and trust, and foreign currency settlement and trading.</p>	4.3
<p><b>China Mobile Ltd.</b> Through its subsidiaries, provides cellular telecommunications and related services in China and Hong Kong.</p>	4.2
<p><b>Tencent Holdings Ltd.</b> Provides internet, mobile, and telecommunication value-added services in China. The company has an instant messaging community in China. Tencent also provides online advertising services.</p>	3.6
<p><b>Cheung Kong Holdings Ltd.</b> Through its subsidiaries, develops and invests in real estate. The company also provides real estate agency and management services, operates hotels, and invests in securities.</p>	3.3
<p><b>AIA Group Ltd.</b> Offers insurance and financial services. The company writes life insurance for individuals and businesses, accident and health insurance, retirement planning, and wealth management services.</p>	3.3
<p><b>CNOOC Ltd.</b> Through its subsidiaries, explores, develops, produces, and sells crude oil and natural gas.</p>	3.1
<p><b>China Construction Bank Corp., 'A'</b> Provides a complete range of banking services and other financial services to individual and corporate customers. The bank's services include retail banking, international settlement, project finance and credit card services.</p>	2.6
<p><b>China Vanke Co., Ltd., 'A'</b> Develops residential properties in Shenzhen, Shanghai, Beijing, Tianjin, Shenyang, Nanjing, and other big cities in China.</p>	2.6
<p><b>CITIC Securities Co., Ltd., 'A'</b> Provides securities brokerage, trading, underwriting, investment banking, asset management, and investment consulting services.</p>	2.4

**INVESTMENT PORTFOLIO**  
AT DECEMBER 31, 2012

DESCRIPTION	HOLDINGS (IN SHARES)	MARKET VALUE (IN US\$)
<b>COMMON STOCK (unless otherwise noted)</b>		
<b>CHINA (49.6%)</b>		
<b>Airlines (0.6%)</b>		
China Eastern Airlines Corp., Ltd., (a)	1,562,000	622,716
<b>Auto Components (0.6%)</b>		
Mintch Group Ltd.	552,000	634,552
<b>Automobiles (1.7%)</b>		
Great Wall Motor Co., Ltd., 'A'	34,986	133,086
Great Wall Motor Co., Ltd.	218,000	687,679
SAIC Motor Corp., Ltd., 'A'	306,224	867,020
		<u>1,687,785</u>
<b>Beverages (0.9%)</b>		
Kweichow Moutai Co., Ltd., 'A'	26,575	891,563
<b>Capital Markets (2.7%)</b>		
CITIC Securities Co., Ltd., 'A'	1,092,937	2,343,649
Haitong Securities Co., Ltd., 'A'	200,000	329,037
		<u>2,672,686</u>
<b>Commercial Banks (10.7%)</b>		
Agricultural Bank of China Ltd., 'A'	3,900,000	1,752,725
China Construction Bank Corp., 'A'	3,538,100	2,612,275
China Minsheng Banking Corp., Ltd., 'A'	689,921	870,388
China Minsheng Banking Corp., Ltd.	973,000	1,124,790
Industrial & Commercial Bank of China Ltd.	6,056,930	4,297,995
		<u>10,658,173</u>
<b>Communications Equipment (0.9%)</b>		
AAC Technologies Holdings, Inc.	250,500	875,846
<b>Construction &amp; Engineering (0.8%)</b>		
China National Chemical Engineering Co., Ltd., 'A'	200,000	264,514
China State Construction Engineering Corp., Ltd., 'A'	400,000	250,389
Suzhou Gold Mantis Construction Decoration Co., Ltd., 'A'	33,209	234,637
		<u>749,540</u>
<b>Construction Materials (3.4%)</b>		
Anhui Conch Cement Co., Ltd., 'A'	381,529	1,129,835
Anhui Conch Cement Co., Ltd.	110,000	400,214
China National Building Material Co., Ltd.	974,000	1,425,026

DESCRIPTION	HOLDINGS (IN SHARES)	MARKET VALUE (IN US\$)
Gansu Qilianshan Cement Group Co., Ltd., 'A'	231,950	394,631
		<u>3,349,706</u>
<b>Diversified Telecommunication Services (0.9%)</b>		
China Telecom Corp., Ltd.	1,586,000	881,924
<b>Electrical Equipment (0.4%)</b>		
Zhuzhou CSR Times Electric Co., Ltd.	115,000	425,824
<b>Energy Equipment &amp; Services (2.0%)</b>		
China Oilfield Services Ltd.	700,000	1,443,197
Yantai Jereh Oilfield Services Group Co., Ltd., 'A'	74,862	572,432
		<u>2,015,629</u>
<b>Food Products (1.8%)</b>		
Bright Dairy & Food Co., Ltd., 'A'	209,861	331,113
Want Want China Holdings Ltd.	1,051,000	1,448,187
		<u>1,779,300</u>
<b>Hotels, Restaurants &amp; Leisure (1.3%)</b>		
Sands China Ltd.	229,200	1,003,934
Shenzhen Overseas Chinese Town Co., Ltd., 'A'	250,000	300,948
		<u>1,304,882</u>
<b>Household Durables (1.4%)</b>		
GoerTek, Inc., 'A'	33,911	205,198
Gree Electric Appliances, Inc., 'A'	282,501	1,156,249
		<u>1,361,447</u>
<b>Insurance (3.0%)</b>		
New China Life Insurance Co., Ltd.	302,900	1,150,894
Ping An Insurance Group Co. of China Ltd., 'A'	252,865	1,838,155
		<u>2,989,049</u>
<b>Internet Software &amp; Services (4.1%)</b>		
Baidu, Inc., ADR (a)	5,528	554,403
Tencent Holdings Ltd.	110,700	3,556,294
		<u>4,110,697</u>
<b>Machinery (0.9%)</b>		
CSR Corp. Ltd., 'A'	290,000	230,872
Hangzhou Hangyang Co., Ltd., 'A'	138,354	220,290
Zoomlion Heavy Industry Science and Technology Co., Ltd.	281,400	414,611
		<u>865,773</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

DESCRIPTION	HOLDINGS (IN SHARES)	MARKET VALUE (IN US\$)
<b>COMMON STOCK — continued</b>		
<b>Metals &amp; Mining (0.1%)</b>		
Shandong Gold Mining Co., Ltd., 'A'	22,000	134,748
<b>Multiline Retail (1.4%)</b>		
Intime Department Store Group Co., Ltd.	743,000	876,164
Springland International Holdings Ltd.	599,000	319,174
Wuhan Department Store Group Co., Ltd., 'A' (a)	121,312	223,920
		<u>1,419,258</u>
<b>Oil, Gas &amp; Consumable Fuels (5.6%)</b>		
China Shenhua Energy Co., Ltd.	174,500	764,339
CNOOC Ltd.	1,429,000	3,093,676
PetroChina Co., Ltd.	1,244,000	1,762,274
		<u>5,620,289</u>
<b>Pharmaceuticals (1.1%)</b>		
China Resources Double Crane Pharmaceutical Co., Ltd., 'A'	158,389	577,088
Kangmei Pharmaceutical Co., Ltd., 'A'	119,973	253,029
Tasly Pharmaceutical Group Co., Ltd., 'A'	30,873	273,879
		<u>1,103,996</u>
<b>Real Estate Management &amp; Development (2.8%)</b>		
China Vanke Co., Ltd., 'A'	1,600,000	2,598,912
Poly Real Estate Group Co., Ltd., 'A'	102,821	224,446
		<u>2,823,358</u>
<b>Software (0.1%)</b>		
Shanda Games Ltd., ADR	25,989	79,007
<b>Textiles, Apparel &amp; Luxury Goods (0.3%)</b>		
China Lilang Ltd.	418,000	247,537
<b>Transportation Infrastructure (0.1%)</b>		
Shanghai International Airport Co., Ltd., 'A'	70,000	139,993
		<u>49,445,278</u>
<b>HONG KONG (33.7%)</b>		
<b>Auto Components (0.3%)</b>		
Xinyi Glass Holdings Ltd.	460,000	283,685

DESCRIPTION	HOLDINGS (IN SHARES)	MARKET VALUE (IN US\$)
<b>Automobiles (0.2%)</b>		
Geely Automobile Holdings, Ltd.	530,000	250,953
<b>Commercial Banks (2.1%)</b>		
BOC Hong Kong Holdings Ltd.	297,000	923,473
Dah Sing Financial Holdings Ltd.	253,700	1,143,980
		<u>2,067,453</u>
<b>Communications Equipment (0.5%)</b>		
VTech Holdings Ltd.	48,600	544,574
<b>Distributors (0.8%)</b>		
Dah Chong Hong Holdings Ltd.	301,000	316,501
Li & Fung Ltd.	304,000	536,550
		<u>853,051</u>
<b>Electric Utilities (1.1%)</b>		
Cheung Kong Infrastructure Holdings Ltd.	180,000	1,103,105
<b>Gas Utilities (1.5%)</b>		
China Resources Gas Group Ltd.	704,000	1,453,260
<b>Hotels, Restaurants &amp; Leisure (2.2%)</b>		
Galaxy Entertainment Group Ltd. (a)	142,000	556,029
Melco Crown Entertainment Ltd., ADR (a)	44,098	742,610
REXLot Holdings Ltd.	5,425,000	412,955
Tsui Wah Holdings Ltd. (a) (e)	1,436,000	466,881
		<u>2,178,475</u>
<b>Household Durables (0.5%)</b>		
Skyworth Digital Holdings Ltd.	920,000	471,226
<b>Industrial Conglomerates (3.0%)</b>		
Hutchison Whampoa Ltd.	124,000	1,294,258
Jardine Matheson Holdings Ltd.	18,628	1,154,936
NWS Holdings Ltd.	188,984	319,409
Shun Tak Holdings Ltd.	470,000	254,075
		<u>3,022,678</u>
<b>Insurance (3.3%)</b>		
AIA Group Ltd.	833,000	3,251,031
<b>Marine (0.6%)</b>		
Orient Overseas International Ltd.	95,000	615,287
<b>Media (0.6%)</b>		
Television Broadcasts Ltd.	75,000	560,261
<b>Multiline Retail (0.8%)</b>		
Lifestyle International Holdings Ltd.	323,500	793,010

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**INVESTMENT PORTFOLIO**  
AT DECEMBER 31, 2012 (continued)

DESCRIPTION	HOLDINGS (IN SHARES)	MARKET VALUE (IN US\$)
<b>COMMON STOCK — continued</b>		
<b>Real Estate Investment Trusts (REITs) (0.8%)</b>		
Yuexiu Real Estate Investment Trust	1,646,000	781,499
<b>Real Estate Management &amp; Development (9.1%)</b>		
Cheung Kong Holdings Ltd.	217,000	3,331,634
China Overseas Land & Investment Ltd.	536,000	1,597,451
China Resources Land Ltd.	362,000	985,466
Midland Holdings Ltd.	1,158,000	552,791
New World Development Co., Ltd.	438,229	679,604
Wharf Holdings Ltd.	248,400	1,942,115
		<u>9,089,061</u>
<b>Specialty Retail (2.1%)</b>		
Belle International Holdings Ltd.	735,000	1,595,012
IT Ltd.	776,000	323,381
Luk Fook Holdings International Ltd.	71,000	223,511
		<u>2,141,904</u>
<b>Wireless Telecommunication Services (4.2%)</b>		
China Mobile Ltd.	359,000	4,180,154
<b>TOTAL HONG KONG</b>		<b><u>33,640,667</u></b>
<b>TAIWAN (20.7%)</b>		
<b>Airlines (0.4%)</b>		
Eva Airways Corp. (a)	613,700	359,272
<b>Chemicals (0.5%)</b>		
Oriental Union Chemical Corp.	410,800	492,298
<b>Commercial Banks (1.4%)</b>		
E.Sun Financial Holding Co., Ltd.	1,362,479	762,432
Mega Financial Holding Co., Ltd.	789,813	614,683
		<u>1,377,115</u>
<b>Computers &amp; Peripherals (0.9%)</b>		
Asustek Computer, Inc.	77,000	865,749
<b>Diversified Financial Services (0.5%)</b>		
Fubon Financial Holding Co., Ltd.	436,989	528,197
<b>Electronic Equipment, Instruments &amp; Components (2.8%)</b>		
Delta Electronics, Inc.	243,000	891,198
Hon Hai Precision Industry Co., Ltd.	352,900	1,080,368
TPK Holding Co., Ltd.	45,349	801,131
		<u>2,772,697</u>

DESCRIPTION	HOLDINGS (IN SHARES)	MARKET VALUE (IN US\$)
<b>Food Products (1.5%)</b>		
Uni-President Enterprises Corp.	817,450	1,500,399
<b>Internet Software &amp; Services (0.3%)</b>		
PChome Online, Inc.	67,025	310,440
<b>Leisure Equipment &amp; Products (0.3%)</b>		
Johnson Health Tech Co., Ltd.	119,595	304,764
<b>Real Estate Management &amp; Development (1.8%)</b>		
Prince Housing & Development Corp.	1,238,270	882,682
Ruentex Development Co., Ltd.	449,000	924,625
		<u>1,807,307</u>
<b>Semiconductors &amp; Semiconductor Equipment (9.9%)</b>		
Advanced Semiconductor Engineering, Inc.	1,310,802	1,137,512
MediaTek, Inc.	79,000	880,075
Novatek Microelectronics Corp.	142,000	574,572
Powertech Technology, Inc.	343,000	554,559
Taiwan Semiconductor Manufacturing Co., Ltd.	2,020,057	6,747,668
		<u>9,894,386</u>
<b>Textiles, Apparel &amp; Luxury Goods (0.4%)</b>		
Pou Chen Corp.	406,000	426,428
<b>TOTAL TAIWAN</b>		<b><u>20,639,052</u></b>
<b>INVESTMENT COMPANY HONG KONG (1.5%)</b>		
JF China Pioneer A-Share Fund (a)*	62,116	1,536,737
<b>TOTAL INVESTMENTS (105.5% of Net Assets) (Cost \$88,557,629)</b>		<b><u>105,261,734</u></b>
<b>Liabilities in excess of other assets (-5.5% of Net Assets)</b>		
		<b><u>(5,533,691)</u></b>
<b>NET ASSETS (100.0%)</b>		<b><u>99,728,043</u></b>
As of December 31, 2012, aggregate cost for Federal income tax purposes was \$89,782,431. The aggregate unrealized gain for all securities is as follows		
Excess of market value over cost		17,269,801
Excess of cost over market value		(1,790,498)
Net unrealized gain		<u>15,479,303</u>

\* No advisor's fee is levied on this investment. Please refer to note 4.i on page 20 for further information.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

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**NOTES TO PORTFOLIO INVESTMENTS :**

ADR – American Depositary Receipt

- (a) Non-income producing security.
  - (e) Security is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. Unless otherwise indicated, this security has been determined to be liquid under procedures established by the Board of Trustees and may be resold in transactions exempt from registration, normally to qualified institutional buyers.
- A China A shares (See Note 7.iii.)

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**STATEMENT OF ASSETS AND LIABILITIES**  
**AT DECEMBER 31, 2012**

(in US\$)

**ASSETS:**

Investments in non-affiliates, at value (cost \$87,169,797)	103,724,997
Investments in affiliates, at value (cost \$1,387,832)	1,536,737
Total investments, at value (cost \$88,557,629)	105,261,734
Foreign currency, at value (cost \$522,978)	523,877
Deposits at broker (See Note 7.iii.)	27,714
Receivable for securities sold	489,647
Dividends receivable	4,490
<b>Total Assets</b>	<b>106,307,462</b>

**LIABILITIES:**

Loan payable to bank (See Note 6)	5,000,000
Due to custodian	1,247
Payables	
Payable for securities purchased	973,549
Accrued liabilities	
Deferred China capital gains tax	272,100
Investment advisory fees	97,916
Other	97,254
Directors' fees and expenses	62,168
Custodian and accounting fees	40,863
Administration fees	21,081
Interest on loan	13,241
<b>Total Liabilities</b>	<b>6,579,419</b>

**Net Assets**

**99,728,043**

*Net assets consist of:*

Common stock, \$0.01 par value (100,000,000 shares authorized; 6,447,637 shares issued and outstanding)	64,476
Paid-in capital	98,994,145
Undistributed net investment income	649,850
Accumulated realized loss on investments and foreign currency transactions	(16,509,374)
Accumulated net unrealized appreciation on investments, foreign currency holdings, and other assets and liabilities denominated in foreign currencies	16,528,946
<b>Net Assets</b>	<b>99,728,043</b>
<b>Net Asset Value Per Share (\$99,728,043 ÷ 6,447,637)</b>	<b>15.47</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.



**STATEMENT OF OPERATIONS**  
FOR THE YEAR ENDED DECEMBER 31, 2012

(in US\$)

**INVESTMENT INCOME:**

Dividends from non-affiliates (net of foreign withholding tax of \$247,110)	2,411,533
Interest income from non-affiliates	2,787
Interest income from affiliates	652
<b>Total Investment Income</b>	<b><u>2,414,972</u></b>

**EXPENSES:**

Investment advisory fees	913,405
Directors' fees and expenses	296,748
Legal fees	248,511
Custodian and accounting fees	114,428
Administration fees	87,741
Interest expense to non-affiliates (See Note 6)	75,398
Audit fees	62,169
Insurance fees	44,787
Shareholder report fees	29,542
NYSE listing fee	24,950
Shareholder service fees	24,745
Lending facility arrangement fee	17,500
Total Expenses	<u>1,939,924</u>
Less amounts waived	<u>(15,502)</u>
<b>Net expenses</b>	<b><u>1,924,422</u></b>
<b>Net Investment Income</b>	<b><u>490,550</u></b>

**REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS, FOREIGN CURRENCY HOLDINGS AND OTHER ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES:**

Net realized gain (loss)	
Investments in non-affiliates (net of China tax of \$83,615 on realized gain)	56,089
Investments in affiliates	(705,085)
Foreign currency transactions	22,895
Net realized gain (loss)	<u>(626,101)</u>
Net change in unrealized appreciation/depreciation	
Investments in non-affiliates (net of China tax of \$176,031 on unrealized appreciation)	17,130,237
Investments in affiliates	1,178,556
Foreign currency translations	(1,123)
Change in net unrealized appreciation/depreciation	<u>18,307,670</u>
<b>Net realized and unrealized gain (loss) on investments, foreign currency holdings and other assets and liabilities denominated in foreign currencies</b>	<b><u>17,681,569</u></b>
<b>Net increase in net assets resulting from operations</b>	<b><u>18,172,119</u></b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**STATEMENT OF CHANGES IN NET ASSETS**  
FOR THE PERIODS INDICATED

	Year Ended December 31, 2012 (in US\$)	Year Ended December 31, 2011 (in US\$)
<b>INCREASE IN NET ASSETS:</b>		
Operations		
Net investment income	490,550	886,463
Net realized gain (loss) on investment transactions	(626,101)	(2,656,679)
Net change in unrealized appreciation (depreciation) on investments, foreign currency holdings and other assets and liabilities denominated in foreign currencies	<u>18,307,670</u>	<u>(27,593,792)</u>
Net increase (decrease) in net assets resulting from operations	<u>18,172,119</u>	<u>(29,364,008)</u>
<b>DISTRIBUTIONS TO STOCKHOLDERS:</b>		
Net investment income	<u>(670,554)</u>	<u>(658,304)</u>
Total distributions to shareholders	<u>(670,554)</u>	<u>(658,304)</u>
<b>Total increase (decrease) in net assets</b>	<b><u>17,501,565</u></b>	<b><u>(30,022,312)</u></b>
<b>NET ASSETS:</b>		
Beginning of period	<u>82,226,478</u>	<u>112,248,790</u>
End of period (including undistributed net investment income of \$649,850 and \$567,494, respectively)	<u>99,728,043</u>	<u>82,226,478</u>
<b>SHARE TRANSACTIONS</b>		
Opening number of shares	<u>6,447,637</u>	<u>6,447,637</u>
Closing number of shares	<u>6,447,637</u>	<u>6,447,637</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**FINANCIAL HIGHLIGHTS**  
FOR THE PERIODS INDICATED

	For the Year Ended December 31, 2012 (in US\$)	For the Year Ended December 31, 2011 (in US\$)	For the Year Ended December 31, 2010 (in US\$)	For the Year Ended December 31, 2009 (in US\$)	For the Year Ended December 31, 2008 (in US\$)
<b>For a share outstanding throughout each year:</b>					
Net asset value, beginning of period	12.75	17.41	15.27	9.50	30.24
Net investment income	0.08	0.14	0.05	0.02	0.32
Net realized and unrealized gain (loss)	2.74	(4.70)	2.11	5.81	(16.36)
Total from investment operations	2.82	(4.56)	2.16	5.83	(16.04)
Dividends from net investment income	(0.10)	(0.10)	(0.02)	(0.06)	(0.01)
Distributions from net realized gains	—	—	—	—	(4.69)
Total distributions	(0.10)	(0.10)	(0.02)	(0.06)	(4.70)
<b>Net asset value, end of period</b>	<b>15.47</b>	<b>12.75</b>	<b>17.41</b>	<b>15.27</b>	<b>9.50</b>
Market value, end of period	14.00	11.02	15.79	13.78	8.77
<b>Total Investment Return</b>					
Per share market value *	28.2%	(29.6%)	14.7%	57.8%	(45.6%)
<b>RATIOS/SUPPLEMENTAL DATA</b>					
Net assets, end of period	99,728,043	82,226,478	112,248,790	98,457,230	61,256,551
Ratios of net expenses to average net assets	2.11%	1.89%	1.99%	2.12%	1.92%
Ratios of net expenses to average net assets, excluding interest expense	2.04%	1.89%	1.99%	2.12%	1.92%
Ratios of net investment income to average net assets	0.54%	0.87%	0.32%	0.19%	0.98%
Ratios of total expenses to average net assets	2.12%	—	—	—	—
Portfolio turnover rate	85.8%	66.8%	76.1%	101.0%	114.8%
Number of shares outstanding at end of period (in thousands)	6,448	6,448	6,448	6,448	6,448

\* The total investment return excludes the effect of commissions. Dividends and distributions, if any, are assumed for the purpose of this calculation to be reinvested at prices obtained under the Fund's dividend reinvestment plan or if specified in accordance with the terms of the distribution.

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

## NOTES TO FINANCIAL STATEMENTS AT DECEMBER 31, 2012

### 1. Organization and Capital

JF China Region Fund, Inc. (the 'Fund') was incorporated in the State of Maryland on May 22, 1992, and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940 ('1940 Act'). The Fund commenced operations on July 16, 1992.

The Fund seeks to achieve long-term capital appreciation through investments primarily in equity securities of companies with substantial assets in, or revenues derived from, the People's Republic of China ('China'), Hong Kong, Taiwan and Macau — collectively, the 'China Region'.

### 2. Significant Accounting Policies

The following significant accounting policies, which are in conformity with accounting principles generally accepted in the United States of America ('GAAP'), are consistently followed by the Fund in the preparation of its financial statements.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reported period. Actual results could differ from these estimates.

i) **Security Valuation** — All securities for which market quotations are readily available are valued at the last sales price prior to the time of determination or, if no sales price is available at that time, at the mean between the last current bid and ask prices. Securities that are traded over-the-counter are valued, if bid and ask quotations are available, at the mean between the current bid and ask prices. Certain investments of the Fund may, depending upon market conditions, trade in relatively thin markets and/or in markets that experience significant volatility. As a result of these conditions, the prices used by the Fund to value securities may differ from the value that would be realized if these securities were sold and the differences could be material. All other securities and assets are valued at fair value as determined in good faith by the Board of Directors. It is possible that the estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and such differences could be material. In valuing the Fund's assets, quotations of foreign securities in a foreign currency are translated to United States ('U.S.') dollar equivalents at the prevailing exchange rate in effect on the valuation date. Investments in open ended mutual funds are valued at current day's closing net asset value per share, with the exception of the JF China Pioneer A-Share Fund, which is valued at the current day's closing bid price.

Valuations reflected in this report are as of the report date. As a result, changes in valuation due to market events and/or issuer related events after the report date and prior to issuance of the report are not reflected herein.

The various inputs that are used in determining the fair value of the Fund's investments are summarized into the three broad levels listed below.

- Level 1 — quoted prices in active markets for identical securities
- Level 2 — other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 — significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input both individually and in the aggregate that is significant to the fair value measurement. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2012 (continued)**

The following table represents each valuation input as presented on the Investment Portfolio:

	<b>Level 1</b> Quoted prices	<b>Level 2</b> Other significant observable inputs	<b>Level 3</b> Significant unobservable inputs	<b>Total</b>
<b>Total Investments in Securities (a)</b>	<u>\$102,662,822</u>	<u>\$2,598,912</u>	<u>\$—</u>	<u>\$105,261,734</u>

(a) All portfolio holdings designated as Level 1 and Level 2 are disclosed individually in the Investment Portfolio. Level 2 consists of a Real Estate Management & Development Industry security for which trading is halted and is priced at its last trade price.

There were no transfers between Levels 1 and 2 during the year ended December 31, 2012.

**ii) Foreign Currency Translation** – The books and records of the Fund are maintained in U.S. dollars. Foreign currency amounts are translated into U.S. dollars at the mid-market price of such currencies against U.S. dollars as follows:

- investments, other assets, and liabilities at the prevailing rates of exchange on the valuation date;
- investment transactions and investment income at the prevailing rates of exchange on the dates of such transactions.

Although the net assets of the Fund are presented at the foreign exchange rates and market values at the close of the period, the Fund does not isolate that portion of the results of operations arising as a result of changes in the foreign exchange rates from the fluctuations arising from changes in the market prices of the securities held or sold during the period. Similarly, the Fund does not isolate the effect of changes in foreign exchange rates from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) are included in the reported net realized and unrealized gains (losses) on investments.

Unrealized currency gains (losses) resulting from valuing foreign currency denominated assets and liabilities at period-end exchange rates are reflected as a component of accumulated net unrealized gain (loss) on investments, foreign currency holdings, and other assets and liabilities denominated in foreign currencies.

**iii) Restricted and Illiquid Securities** – Certain securities held by the Fund may be subject to legal or contractual restrictions on resale or are illiquid. Restricted securities generally may be resold in transactions exempt from registration under the Securities Act of 1933 (the “Securities Act”). An illiquid security is a security which cannot be disposed of promptly (within seven days) and in the usual course of business at approximately its fair value and includes, but is not limited to, repurchase agreements maturing in excess of seven days, time deposits with a withdrawal penalty, non-negotiable instruments and instruments for which no market exists. Disposal of these securities may involve time-consuming negotiations and expense. Prompt sale at the current valuation may be difficult and could adversely affect the net assets of the Fund.

**iv) Distribution of Income and Gains** – The Fund intends to distribute to stockholders, at least annually, substantially all of its net investment income and expects to distribute annually any net long-term capital gains in excess of net short-term capital losses. An additional distribution may be made to the extent necessary to avoid the payment of a 4% Federal excise tax.

Income and capital gain distributions are determined in accordance with Federal income tax regulations and may differ from those determined in accordance with GAAP.

**v) Other** – Security transactions are accounted for on trade date. Realized gains and losses on the sale of investment securities are determined on the identified cost basis. Interest income is recognized on the accrual basis. Dividend income, net of foreign taxes withheld, if any, is recorded on the ex-dividend date or when the Fund first learns of the dividend.

## NOTES TO FINANCIAL STATEMENTS AT DECEMBER 31, 2012 (continued)

**vi) Foreign Taxes** – The Fund may be subject to foreign taxes on income, gains on investments or currency purchases/repatriation, a portion of which may be recoverable. The Fund will accrue such taxes and recoveries as applicable, based upon its current interpretation of tax rules and regulations that exist in the markets in which it invests.

As described in Note 7.iii, the Fund invests in China A-shares, which are separately identified in the Investment Portfolio. Based upon its current interpretation of tax rules in China, the Fund records an estimated deferred tax liability for realized and unrealized gains on Chinese A-share securities sold during, or held at the end of, the reporting period.

### 3. Investment Transactions

During the year ended December 31, 2012, the Fund made purchases of \$84,445,439 and sales of \$78,556,924 of investment securities other than short-term investments. There were no purchases or sales of U.S. Government securities.

### 4. Related party, Other Service Provider Transactions and Directors

i) JF International Management Inc. (the Investment ‘Advisor’), an indirect wholly-owned subsidiary of JPMorgan Chase & Co. (“JPMorgan”) provides investment advisory services to the Fund under the terms of an investment advisory agreement. The Advisor is paid a fee, computed weekly and payable monthly, at the annual rate of 1.00% of the Fund’s weekly managed gross assets\*. Investments in funds on which the Advisor or its affiliates charges a management fee are excluded from the calculation. The Investment Advisor has agreed to waive its entitlement to a management fee on any cash held when borrowings are drawn under a borrowing facility. For the year ended December 31, 2012, the Investment Advisor waived Investment Advisory fees of \$15,502.

ii) During the year ended December 31, 2012, the Fund did not pay any brokerage commissions to JPMorgan companies or affiliated brokers/dealers.

iii) **Other Service Providers** – Pursuant to an Administration Agreement, JPMorgan Chase Bank, N.A. (“JPMCB”), a wholly-owned subsidiary of JPMorgan (the “Administrator”), provides certain administration services to the Fund. The Fund pays an annual administration fee of \$87,741 in respect of tax, compliance, financial reporting and regulatory services.

JPMCB provides portfolio custody and accounting services for the Fund. The amounts paid directly to JPMCB by the Fund for custody and accounting services are included in Custodian and accounting fees in the Statement of Operations. In consideration of the accounting services, JPMCB receives a fee accrued daily and paid monthly at the annual rate of 0.02% of the first \$12.5 billion of the average daily net assets of all funds in the JPMorgan International Fund Complex and 0.0175% of the average daily net assets in excess of \$12.5 billion of all such funds subject to a minimum annual fee of \$35,000. The custodian fees are split between safekeeping and transaction changes and vary by market.

iv) **Directors** – The Fund pays each of its Directors who is not a director, officer or employee of the Advisor, Administrator or any affiliate thereof, an annual fee of \$24,100, the Audit Committee Chairman \$28,500 and the Chairman \$35,000 plus a \$3,300 attendance fee for each Board meeting, Management Engagement Committee meeting and Audit Committee meeting attended. A per diem allowance of \$2,000 per day, or \$1,000 per half day, is paid to Directors in respect of time spent by Directors on Fund business outside normal Board and Committee meetings. In addition, the Fund reimburses all Directors for travel and out-of-pocket expenses incurred in connection with Board of Directors meetings. Under normal circumstances, in order to minimize expenses, the Board expects to hold two meetings a year by telephone.

v) As of December 31, 2012, the Fund had two shareholders, each holding more than 5% of the Fund’s outstanding shares, who held in aggregate approximately 55% of the Fund’s outstanding shares.

\* At the Fund’s Annual Stockholders meeting on May 10, 2012, Shareholders voted in favor of an amendment to the Investment Advisory and Management Agreement to provide that fees paid under the Investment Advisory Agreement will be based on all gross managed assets (previously net assets) effective May 10, 2012.

**NOTES TO FINANCIAL STATEMENTS**  
**AT DECEMBER 31, 2012 (continued)**

**5. Capital Share Transactions**

On September 15, 2011, the Board of Directors renewed an authority for the Fund to purchase shares of its common stock from Fund stockholders, as described below. When shares trade at a discount to net asset value, any purchase of shares by the Fund has the effect of increasing the net asset value per share of the Fund's remaining shares outstanding. All shares purchased by the Fund are thereafter considered authorized and unissued.

**i) Share Repurchase Program** – On September 5, 2012, the Board renewed the Fund's share repurchase authority up to 644,764 shares (10% of its then issued and outstanding shares) in the open market through September 6, 2013. Repurchases can be made only when the Fund's shares are trading at less than net asset value and at such times and amounts as it is believed to be in the best interest of the Fund's stockholders.

During the years ended December 31, 2012 and December 31, 2011, the Fund did not repurchase any shares under the share repurchase program.

**6. Borrowings**

On February 27, 2012, the Fund entered into a financing arrangement with Scotiabank (Ireland) Ltd (the 'Lender'). Under this arrangement, the Lender provides a secured, committed credit facility in the aggregate amount of \$17.5 million to the Fund. No compensating balances are required. The Fund has paid an upfront loan arrangement fee of \$17,500, as required under this agreement. Interest on borrowings, if any, will be payable at 1.20% plus the London Interbank Offered Rate ('LIBOR'). Interest on unutilized amounts will be payable at 0.25% if the unutilized amounts are equal to or less than 50% of the committed amount and 0.35% if the unutilized amounts are greater than 50% of the committed amount. At December 31, 2012, the interest rate on outstanding borrowings was 1.51%. This agreement was in effect until February 25, 2013, at which point it was extended. See Note 9 on page 23 for the renewed terms of the agreement. The credit agreement governing the credit facility includes usual and customary covenants for this type of transaction.

Borrowings outstanding from the secured, committed credit facility and average borrowings from the credit facility for the year ended December 31, 2012, were as follows:

<b>Outstanding Borrowings at December 31, 2012</b>	<b>Weighted Average Borrowings For Days Drawn Upon</b>	<b>Average Interest Rate on Borrowings</b>	<b>Number of Days Outstanding</b>	<b>Interest Expense on Borrowings</b>	<b>Interest Expense on Unutilized Amounts</b>
\$5,000,000	\$7,926,829	1.47%	123	\$39,655	\$35,743

The maximum borrowings during the year ended December 31, 2012 was \$17,500,000, from April 2 to May 2, 2012. Interest expense to non-affiliates in the Statement of Operations includes interest expense on borrowings and unutilized amounts during the year ended December 31, 2012.

**7. Risks and Uncertainties**

**i) China Region** – Investing in securities of "China Region companies" may include certain risks and considerations not typically associated with investing in U.S. securities. In general, China Region companies are those that are organized under the laws of, or have a principal office in, China, Hong Kong, Taiwan and Macau; the principal securities market for which is China or Taiwan; that derives at least 50% of its total revenues or profits from goods or services that are produced or sold, investments made, or services performed in China or Taiwan; or at least 50% of the assets of which are located in China or Taiwan. Such risks include fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, these securities may not be as liquid as U.S.

## NOTES TO FINANCIAL STATEMENTS AT DECEMBER 31, 2012 (continued)

securities. At December 31, 2012, the Fund had 49.6%, 35.2% and 20.7%, based on total net assets, of its total investments invested in China, Hong Kong and Taiwan, respectively.

**ii) Foreign Transactions** – Foreign security and currency transactions may involve certain considerations and risks not typically associated with those of U.S. dollar denominated transactions as a result of, among other factors, the level of governmental supervision and regulation of foreign securities markets and the possibility of political or economic instability.

**iii) Direct Investments in China A-Share Securities** – The China Securities Regulatory Commission (“CSRC”) may grant qualified foreign institutional investor (“QFII”) licenses, which allow foreign investments in A-shares on the Shanghai and Shenzhen Stock Exchanges and certain other securities historically not eligible for investment by non-Chinese investors. Each QFII is authorized to invest in China A-shares only up to a specified quota established by the Chinese State Administration of Foreign Exchange (“SAFE”). JF Asset Management Limited has received a QFII license permitting it to invest a specific portion of the assets of certain funds (which may include the Fund) in local Chinese securities. Although the laws of China permit the use of nominee accounts for clients of QFIIs, the Chinese regulators require the general securities trading and settlement accounts to be maintained in the name of the QFII. As the Fund is permitted to invest in China A-Shares, the Fund’s local custodian bank maintains a specific sub-account for the A-share investments in the name of the Fund. This amount is included in Deposits at broker in the Statement of Assets and Liabilities. However, there is a risk that creditors of the QFII and its affiliates (each, a “JP Morgan Affiliate”) may assert that a JP Morgan Affiliate, and not the Fund, has recourse against the securities and other assets in the account and/or sub-accounts. If a court upholds such an assertion, creditors of a JP Morgan Affiliate could seek payment from the Fund’s A-share investments.

Additional risks for the Fund’s A-share investments include a potential lack of liquidity, greater price volatility, and restrictions on the repatriation of invested capital. Because of low trading volume and various restrictions on the free flow of capital into the A-share market, the China A-share market could be less liquid and trading prices of A-shares could be more volatile than other local securities markets. In addition, net realized profits on fund investments in A-shares may only be repatriated under certain conditions and upon the approval of SAFE. Rules regarding taxation of investments in mainland China are unsettled and may be subject to change. Changes in the taxation of A-shares could materially affect the Fund’s performance.

**iv) Other** – In the normal course of business, the Fund may enter into contracts that provide general indemnifications. The maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated; however, based on experience, the risk of any loss from such claims is considered remote.

### 8. Tax Status

**U.S. Federal Income Taxes** – No provision for federal income taxes is required since the Fund intends to continue to qualify as a regulated investment company under subchapter M of the Internal Revenue Code and distribute substantially all of its taxable income. The Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits or losses will significantly change in the next twelve months. However, the Fund’s conclusions may be subject to future review based on changes in, or the interpretation of, the accounting standards or tax laws and regulations. The Fund’s Federal tax returns for the prior three fiscal years remain subject to examination by the Internal Revenue Service.

The tax character of distributions paid for the year ended December 31, 2012 was \$670,554 from ordinary income.

The tax character of distributions paid for the year ended December 31, 2011 was \$658,304 from ordinary income.



## NOTES TO FINANCIAL STATEMENTS AT DECEMBER 31, 2012 (continued)

At December 31, 2012, the components of net assets (excluding paid-in capital) on a tax basis were as follows:

Tax Basis Ordinary Income	\$ 825,630
Tax Basis Capital Loss Carryover	(15,215,167)
Tax Unrealized Appreciation on Investments and Foreign Currencies	<u>15,304,144</u>
Net Assets (Excluding Paid-In Capital)	<u>\$ 914,607</u>

The cumulative timing differences primarily consist of mark to market of passive foreign investment companies (PFICs), post-October loss deferrals and wash sale loss deferrals.

During the year ended December 31, 2012, the Fund reclassified \$262,360 from accumulated realized gains on investments to undistributed net investment income on investments as a result of permanent book and tax differences primarily relating to foreign currency and PFICs gains and losses. Net assets were not affected by the reclassifications.

Under the Regulated Investment Company Modernization Act of 2010 (the "Act"), net capital losses recognized by the Fund after December 31, 2010, may get carried forward indefinitely, and retain their character as short-term and/or long term losses. Prior to the Act, pre-enactment net capital losses incurred by the Fund were carried forward for eight years and treated as short-term losses. The Act requires that post-enactment net capital losses be used before pre-enactment net capital losses.

At December 31, 2012, the Fund had post-enactment net capital loss carryforwards of \$4,764,340 related to short-term losses.

At December 31, 2012, the Fund had pre-enactment net capital loss carryforwards of \$10,450,827, expiring during 2017, which are available to offset future realized gains.

Net capital losses incurred after October 31 and within the taxable year are deemed to arise on the first business day of the next taxable year. For the year ended December 31, 2012, the Fund deferred to January 1, 2013 post-October short-term capital losses of \$245,185.

### 9. Subsequent Event

On February 25, 2013, the Fund renewed its financing arrangement with Scotiabank (Ireland) Ltd (the 'Lender'). Under this arrangement, the Lender provides a secured, committed credit facility in the aggregate amount of \$17.5 million to the Fund. Interest on borrowings, if any, will be payable at 1.25% plus the London Interbank Offered Rate ('LIBOR'). Interest on unutilized amounts will be payable at 0.25% if the unutilized amounts are equal to or less than 50% of the committed amount and 0.35% if the unutilized amounts are greater than 50% of the committed amount. This agreement is in effect until February 25, 2015. The credit agreement governing the credit facility includes usual and customary covenants for this type of transaction.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of  
JF China Region Fund, Inc.:

In our opinion, the accompanying statement of assets and liabilities, including the investment portfolio, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of JF China Region Fund, Inc. (hereafter referred to as the "Fund") at December 31, 2012, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2012 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP  
New York, New York  
February 28, 2013

## RESULTS OF THE ANNUAL STOCKHOLDERS' MEETING

The Fund held its annual stockholders' meeting on May 10, 2012. At this meeting, stockholders elected The Rt. Hon. The Earl of Cromer and Simon J. Crinage to the Fund's Board of Directors and approved an amendment to the Fund's Investment Advisory and Management Agreement, the results of which are set out below.

### I) Election of Directors

Nominees	Votes For	Votes Against	Votes Withheld	Shares Not Voted	Total Voting Shares
The Rt. Hon. The Earl of Cromer	4,769,518	—	409,662	1,268,457	6,447,637
Simon J. Crinage	4,768,821	—	410,359	1,268,457	6,447,637

### II) Amendments to the Fund's Investment Policies

	Votes For	Votes Against	Votes Withheld	Shares Not Voted	Total Voting Shares
Amendments to the Fund's Investment Advisory and Management Agreement	4,100,373	273,784	13,094	2,060,386	6,447,637

## OTHER INFORMATION

### Fundamental Investment Restriction on Borrowing

On May 12, 2011, shareholders of the Fund approved a change to the Fund's fundamental investment restrictions to permit, *inter alia*, the Fund to borrow up to 20% of its net assets for investment purposes.

This gives the Investment Advisor flexibility to take advantage of additional investment opportunities when it believes that the return from the additional investment would exceed the cost of borrowing. If the Fund borrows money, it may be exposed to additional risks. If the return on securities purchased with borrowed funds is less than the borrowing costs of those funds, then the use of borrowing will detract from Fund performance. In particular, borrowing will magnify losses in times of negative performance. Nonetheless, the Investment Advisor may maintain leverage if it expects that the long-term benefits to investors of maintaining leverage outweigh any current reduced return. Borrowing may also increase the Fund's interest and other expenses. Finally, the use of borrowing would subject the Fund to additional restrictions imposed by lenders and the Investment Company Act of 1940 on the Fund's investments.

The Investment Advisor will utilize borrowed monies at its discretion and under the supervision of the Board. The Investment Advisor has agreed to waive any entitlement to a management fee on any cash held when borrowings are drawn under a borrowing facility.

The entire text of the Fund's fundamental investment restriction on borrowing is as follows:

*"Under its fundamental investment restrictions, the Fund may not: Issue senior securities, borrow or pledge its assets, except that the Fund may (i) borrow from a bank for the purpose of obtaining amounts necessary to make distributions for qualification as a registered investment company to avoid imposition of an excise tax under United States tax law; and (ii) borrow money (including through reverse repurchase agreements) up to the maximum amount permitted under the Investment Company Act of 1940 (a) for temporary or emergency purposes, (b) for such short-term credits as may be necessary for the clearance or settlement of transactions, (c) for repurchases of its Common Stock and (d) for investment purposes, provided that amounts borrowed under this clause shall not exceed 20% on the net assets of the Fund. The Fund may also pledge its assets to secure such borrowings. Notwithstanding the*

## RESULTS OF THE ANNUAL STOCKHOLDERS' MEETING (continued)

*above, initial and variation margin in respect of futures contracts and options thereon and any collateral arrangement in respect of options on securities or indexes will not be prohibited by this paragraph 3 or any other investment restrictions."*

### Information About Portfolio Holdings

The Fund files its complete schedule of portfolio holdings with the U.S. Securities and Exchange Commission (the 'Commission') for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the Commission's website at <http://www.sec.gov> and may be reviewed and copied at the Commission's Public Reference Room in Washington, DC. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330. The Fund's Forms N-Q are also available on the Fund's website at [www.jfchinaregion.com](http://www.jfchinaregion.com).

### Tax Letter (Unaudited)

We are providing this information as required by the Internal Revenue Code. The amounts shown may differ from those elsewhere in this report because of differences between tax and financial reporting requirements. For the fiscal year ended December 31, 2012, certain dividends paid by the Fund may be subject to a maximum tax rate of 15%. 100% of ordinary income distributions were treated as qualified dividends. For the fiscal year ended December 31, 2012, the Fund intends to elect to pass through to shareholders the income tax credit for taxes

paid to foreign countries. Gross foreign source income and foreign tax expenses are \$2,413,329 and \$247,249, respectively.

### Proxy Voting Policies and Procedures and Proxy Voting Record

A description of the policies and procedures that are used by the Fund's investment advisor to vote proxies relating to the Fund's portfolio securities is available (1) without charge, upon request, by calling +44 20 7742 3477; and (2) as an exhibit to the Fund's annual report on Form N-CSR which is available on the website of the Securities and Exchange Commission (the "Commission") at <http://www.sec.gov>. Information regarding how the investment adviser votes these proxies is now available by calling the same number and on the Commission's website. The Fund has filed its report on Form N-PX covering the Fund's proxy voting record for the 12 month period ended June 30, 2012.

### Certifications

Simon J. Crinage, as the Fund's President, has certified to the New York Stock Exchange that, as of June 11, 2012, he was not aware of any violation by the Fund of applicable NYSE corporate governance listing standards. The Fund's reports to the Commission on Forms N-CSR and N-CSRS contain certifications by the Fund's principal executive officer and principal financial officer that relate to the Fund's disclosure in such reports and that are required by Rule 30a-2(a) under the 1940 Act.

## APPROVAL OF INVESTMENT ADVISORY CONTRACT

On November 14, 2012, the Fund's Board of Directors (the "Board") considered and approved the renewal of the Investment Advisory Contract (the "Agreement") between the Fund and JFIMI for an additional term of twelve months. At this meeting, the Board reviewed extensive materials prepared by JFIMI and discussed these materials with representatives of JPMAM. The Directors considered the recommendation of the Management Engagement Committee (the "Committee") that the Agreement be renewed, noting that the Committee had discussed, in executive session with independent counsel, the nature, extent and quality of the advisory services provided to the Fund by JFIMI, the level of advisory fees, the costs of the services provided and the profits realized by JFIMI, the Fund's expense ratio, its relative and absolute performance, any economies of scale with respect to the management of the Fund, any ancillary benefits received by JFIMI and its affiliates as a result of their relationship with the Fund, and various other matters included in the materials provided by JFIMI. In approving the renewal of the Agreement, the Committee, and the Board, concluded that:

- The annual investment advisory fee rate paid by the Fund to JFIMI for investment advisory services was reasonable relative to the Fund's peer group and relative to other non-U.S. funds managed by JFIMI.
- The Committee and the Board were generally satisfied with the nature, quality and extent of other services provided by JFIMI. In reaching this conclusion, the Committee and the Board reviewed, among other things, JFIMI's investment experience in the China region markets and the background and experience of JFIMI's senior management.
- The Fund's performance, particularly in the one-year period, was improving as compared to the Fund's peer group and had outperformed its benchmark, the MSCI Golden Dragon Index. (The Board and the Committee reviewed the Fund's performance in comparison to the peer group and the benchmark for the 1 year, 3 year, 5 year and since inception periods.) Although three-year and five-year performance lagged, it was noted that for certain longer-term periods, the Fund's performance surpassed the benchmark. The Board and Committee noted that the Investment Advisor had made steady progression implementing a strategic repositioning of the portfolio with the Board and Committee's full support. The strategic repositioning included a \$20 million investment in the domestic China, renminbi denominated A-Share market (with effect from April 13, 2012) and the utilization of leverage.
- In light of the costs of providing advisory services to the Fund, the profits and ancillary benefits that JFIMI received, with respect to providing investment advisory services to the Fund, were reasonable. The Board and the Committee noted that beginning in May 2005, the Fund discontinued using JFIMI's affiliates to affect Fund securities trades, unless in exceptional circumstances, effectively eliminating brokerage commissions as an ancillary benefit for JFIMI.
- The Fund's expense ratio remained at an acceptable level.

## FUND MANAGEMENT

Information pertaining to the Directors and officers of the Fund is set forth below.

Name, (DOB), Address and Position(s) with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director*	Other Trusteeships/ Directorships Held by Director
<b>Independent Directors</b>				
The Rt. Hon. The Earl of Cromer (June 3, 1946) Finsbury Dials 20 Finsbury Street London, EC2Y 9AQ United Kingdom Chairman and Class I Director	Three year term ends in 2015; Chairman and Director since 1994.	Chairman of the Board of the Fund; Chairman of the Board, Western Provident Association (insurance), LG India Plus Fund Ltd (financial), Pedder Street Asia Absolute Return Fund Limited (financial); LG Asia Plus Fund Limited (financial); Director, Cheetah Korea Value Fund Ltd (financial) and Chief Executive Officer, Cromer Associates Limited (family business).	1	See Principal Occupation.
Alexander R. Hamilton (October 4, 1941) P.O. Box 12343 General Post Office Hong Kong Class II Director	Three year term ends in 2013; Director since 1994.	Director of Citic Pacific Limited (infrastructure), Cosco International Holdings Limited (shipping), Esprit Holdings Limited (clothing retail), Shangri-La Asia Limited (hotels) and Octopus Cards Limited (financial services). Former Director of China Cosco Holdings Co. Limited (shipping).	1	See Principal Occupation.
Julian M. I. Reid (August 7, 1944) Finsbury Dials, 20 Finsbury Street London, EC2Y 9AQ United Kingdom Class III Director	Three year term ends in 2014; Director since 1998.	Chief Executive Officer of 3a Funds Group (financial); Director and Chairman of Morgan's Walk Properties Limited (property); Director and Chairman of The Korea Fund, Inc. (financial); Director and Chairman of Prosperity Voskhod Fund (financial); Director and Chairman of ASA Limited (financial) and Director of 3a Global Growth Fund Limited (financial).	1	See Principal Occupation.

Name, (DOB), Address and Position(s) with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Director*	Other Trusteeships/ Directorships Held by Director
<b>Independent Directors (continued)</b>				
John R. Rettberg (September 1, 1937) 1 Beacon St. Boston, MA 02108 USA Class II Director	Term ends in 2013; Director since 2008	Former Trustee, JPMorgan Alternative Products mutual fund Board.	1	None.
<b>Interested Director &amp; President of the Fund</b>				
Simon J. Crinage (May 10, 1965) Finsbury Dials, 20 Finsbury Street London, EC2Y 9AQ United Kingdom Class I Director and President	Term as Director ends in 2015; Director since May, 2009 & President since 2003	Managing Director, J.P. Morgan Asset Management.	1	None.

\* The Fund is the only fund in the Fund Complex.

**FUND MANAGEMENT**  
(continued)

Information pertaining to the officers of the Fund is set forth below.

Name, (DOB), Address and Position(s) with Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past 5 Years
<b>Officers who are not Directors</b>		
Michael J. James (May 11, 1967) 8 Connaught Road Central/Hong Kong Treasurer	Since 2006**	Treasurer of the Fund; Executive Director, J.P. Morgan Asset Management.
Christopher D. Legg (March 12, 1982) Finsbury Dials, 20 Finsbury Street London, EC2Y 9AQ United Kingdom Secretary	Since 2008**	Secretary of the Fund; Vice President, J.P. Morgan Asset Management.
Muriel Y.K. Sung (September 25, 1966) 8 Connaught Road Central/Hong Kong Chief Compliance Officer	Since 2004**	Chief Compliance Officer of the Fund; Managing Director, J.P. Morgan Asset Management.

\*\* The officers of the Fund serve at the discretion of the Board.



## **DIVIDEND REINVESTMENT AND CASH PURCHASE PLAN** (Unaudited)

### **The Fund operates an optional Dividend Reinvestment and Cash Purchase Plan (the 'Plan') whereby:**

- a) shareholders may elect to receive dividend and capital gain distributions in the form of additional shares of the Fund (the Share Distribution Plan).
- b) shareholders may make optional payments (any amount between \$100 and \$3,000) which will be used to purchase additional shares in the open market (the Share Purchase Plan).

### **For a copy of the Plan brochure, as well as a dividend reinvestment authorization card, please contact the Plan Agent:**

Computershare Trust Company, N.A.  
P. O. Box 43010  
Providence, RI 02940-3010  
USA Telephone No.: 800-426-5523 (toll-free)  
[www.computershare.com](http://www.computershare.com)

The following should be noted with respect to the Plan:

If you participate in the Share Distribution Plan, whenever the Board of Directors of the Fund declares an income dividend or net capital gain distribution, you will automatically receive your distribution in newly issued shares (cash will be paid in lieu of fractional shares) if the market price of the shares on the date of the distribution is at or above the net asset value of the shares. The number of shares to be issued to you by the Fund will be determined by dividing the amount of the cash distribution to which you are entitled (net of any applicable withholding taxes) by the greater of the net asset value ('NAV') per share on such date or 95% of the market price of a share on such date. If the market price of the shares on such a distribution date is below the NAV, the Plan Agent will, as agent for the participants, buy shares on the open market, on the New York Stock Exchange or elsewhere, for

the participant's account on, or after, the payment date. There is no service charge for purchases under this Plan.

For U.S. federal income tax purposes, shareholders receiving newly issued shares pursuant to the Share Distribution Plan will be treated as receiving income or capital gains in an amount equal to the fair market value (determined as of the distribution date) of the shares received and will have a cost basis equal to such fair market value. Shareholders receiving a distribution in the form of shares purchased in the open market pursuant to the Plan will be treated as receiving a distribution of the cash distribution that such shareholder would have received had the shareholder not elected to have such distribution reinvested and will have a cost basis in such shares equal to the amount of the distribution.

There will be no brokerage charge to participants for shares issued directly by the Fund under the Plan. Each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent's open market purchases of shares in connection with the Plan. The Fund will pay the fees of the Plan Agent for handling the Plan.

You may terminate your account under the Share Distribution Plan by notifying the Plan Agent in writing. The Plan may be terminated by the Plan Agent or the Fund with notice to you at least 30 days prior to any record date for the payment of any distribution by the Fund. Upon any termination, the Plan Agent will deliver a certificate or certificates for the full shares held for you under the Plan and a cash adjustment for any fractional shares.

You also have the option of instructing the Plan Agent to make semi-annual cash purchases of shares in the open market. There is a service charge of \$1.25 for each purchase under this Share Purchase Plan.

## DIRECTORS AND ADMINISTRATION (Unaudited)

Officers and Directors	The Rt. Hon. The Earl of Cromer — Director and Chairman of the Board and Management Engagement Committee Simon J. Crinage — Director and President Alexander R. Hamilton — Director and Chairman of the Audit Committee and Pricing Committee Julian M. I. Reid — Director John R. Rettberg — Director Michael J. James — Treasurer Christopher D. Legg — Secretary Muriel Y.K. Sung — Chief Compliance Officer
Investment Advisor	<b>JF International Management Inc.</b> P.O. Box 3151 Road Town, Tortola British Virgin Islands
Administrator	<b>JPMorgan Chase Bank, N.A.</b> 1 Beacon Street, 18th Floor Boston, Massachusetts 02108 U.S.A.
Custodian	<b>JPMorgan Chase Bank N.A.</b> 1 Beacon Street, 18th Floor Boston, Massachusetts 02108 U.S.A.
Independent Registered Public Accounting Firm	<b>PricewaterhouseCoopers LLP</b> 300 Madison Avenue New York, New York 10017 U.S.A.
Legal Counsel	<b>Dechert LLP</b> <i>New York:</i> 1095 Avenue of the Americas New York, New York 10036 U.S.A.  <i>Hong Kong:</i> 27/F Henley Building 5 Queens Road Central Hong Kong
Registrar, Transfer Agent, and Dividend Paying Agent	<b>Computershare Trust Company, N.A.</b> P. O. Box 43010 Providence, Rhode Island 02940-3010 U.S.A.

*Notice is hereby given in accordance with Section 23(c) of the Investment Company Act of 1940, as amended, that from time to time the Fund may purchase shares of its common stock in the open market.*

*[www.jfchinaregion.com](http://www.jfchinaregion.com)*

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This report, including the financial statements herein, is sent to the stockholders of the Fund for their information. It is not a prospectus, circular or representation intended for use in the purchase or sale of shares of the Fund or of any securities mentioned in this report.

