

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. All investments involve risks, including the possible loss of principal.

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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

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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)
COMMON STOCKS (100.9%)		
Auto Components (4.7%)		
Huayu Automotive Systems Co., Ltd., Class A	15,719,337	\$ 23,127
Automobiles (9.1%)		
SAIC Motor Corp., Ltd.	19,966,402	44,856
Beverages (7.2%)		
Tsingtao Brewery Co., Ltd., Class A	6,648,039	35,363
Capital Markets (4.8%)		
CITIC Securities Co., Ltd., Class A	8,487,243	13,093
Haitong Securities Co., Ltd., Class A	8,981,200	10,574
		23,667
Chemicals (2.9%)		
Qinghai Salt Lake Industry Co., Ltd., Class A (a)	2,764,868	14,044
Commercial Banks (11.7%)		
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
Construction Materials (5.5%)		
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
Electrical Equipment (1.3%)		
TBEA Co., Ltd.	5,206,869	6,354
Food & Staples Retailing (5.3%)		
	19,314,687	25,931

Wuhan Zhongbai Group Co., Ltd., Class A		
Health Care Providers & Services (3.0%)		
Shanghai Pharmaceutical Holding Co., Ltd., Class A	8,443,004	14,863
Household Durables (3.5%)		
Gree Electric Appliances, Inc., Class A	6,172,836	16,957
	Shares	Value (000)
Insurance (9.7%)		
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
Internet Software & Services (0.3%)		
Sohu.com, Inc. (a)	29,100	1,455
Machinery (3.0%)		
Zhengzhou Yutong Bus Co., Ltd., Class A	3,953,030	14,860
Metals & Mining (3.9%)		
Baoshan Iron & Steel Co., Ltd.	14,557,600	11,218
Shandong Nanshan Aluminum Co., Ltd., Class A	7,973,010	8,018 19,236
Oil, Gas & Consumable Fuels (6.5%)		
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
Pharmaceuticals (2.6%)		
Jiangsu Hengrui Medicine Co., Ltd.	2,775,239	12,981
Real Estate Management & Development (6.6%)		
China Vanke Co., Ltd., Class A	17,299,565	20,532
Shanghai Shimao Co., Ltd. (a)	7,311,049	12,139 32,671
Software (6.7%)		
UFIDA Software Co., Ltd., Class A	11,450,331	32,747
Specialty Retail (2.6%)		

Suning Appliance Co., Ltd., Class A	9,545,209	12,800
TOTAL COMMON STOCKS (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)
SHORT-TERM INVESTMENT (0.1%)		
Investment Company (0.1%)		
Morgan Stanley Institutional Liquidity Funds Money Market Portfolio Institutional Class (See Note F) (Cost \$533)		
	533,185	\$ 533
TOTAL INVESTMENTS (101.0%)	(Cost \$554,641)	496,530
LIABILITIES IN EXCESS OF OTHER ASSETS (-1.0%)		(5,156)
NET ASSETS (100.0%)		\$ 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
	Unadjusted quoted prices (000)	Other significant observable inputs (000)	Significant unobservable inputs (000)	
Assets:				
Common Stocks				
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)

Investment Type	Level 1 Unadjusted quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Assets: (cont'd)				
Common Stocks (cont'd)				
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
Total Common Stocks	495,997			495,997
Short-Term Investment				
Investment Company	533			533
Total Assets	\$ 496,530	\$	\$	\$ 496,530

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.

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

Classification	Percentage of Total Investments
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	
Assets:	
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
Total Assets	506,069
Liabilities:	
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
Total Liabilities	14,695
Net Assets	
Applicable to 21,881,465 Issued and Outstanding \$0.01 Par Value Shares (100,000,000 Shares Authorized)	\$ 491,374
Net Asset Value Per Share	\$ 22.46
Net Assets Consist of:	
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
Net Assets	\$ 491,374

@ Amount is less than \$500.

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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)
Statement of Operations	
Investment Income:	
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
Total Investment Income	5,801
Expenses:	
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
Total Expenses	12,503
Rebate from Morgan Stanley Affiliate (Note F)	(2)
Net Expenses	12,501
Net Investment Loss	(6,700)
Realized Gain (Loss):	
Investments Sold	48,142
Foreign Currency Transactions	383
Net Realized Gain	48,525
Change in Unrealized Appreciation (Depreciation):	
Investments	(152,201)
Foreign Currency Translations	22
Net Change in Unrealized Appreciation (Depreciation)	(152,179)
Total Net Realized Gain and Change in Unrealized Appreciation (Depreciation)	(103,654)
Net Decrease in Net Assets Resulting from Operations	\$ (110,354)

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		
Increase (Decrease) in Net Assets:		
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)
Net Decrease in Net Assets Resulting from Operations	(110,354)	(25,416)
Distributions from and/or in Excess of:		
Net Realized Gain	(8,035)	(37,518)
Total Distributions	(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
Net Increase (Decrease) in Net Assets Resulting from Capital Share Transactions	(72)	141,748
Total Increase (Decrease)	(118,461)	78,814
Net Assets:		
Beginning of Period	609,835	531,021
End of Period (Including Accumulated Net Investment Loss of \$(7) and \$(4))	\$ 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
Net Asset Value, Beginning of Period	\$ 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	\$ 22.46 ‡	\$ 27.87	\$ 32.53	\$ 20.48	\$ 68.22

Net Asset Value, End of Period	\$ 19.35	\$ 27.35	\$ 31.37	\$ 20.45	\$ 50.51
Per Share Market Value, End of Period					
TOTAL INVESTMENT RETURN:					
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%
RATIOS, SUPPLEMENTAL DATA:					
Net Assets, End of Period (Thousands)	\$ 491,374	\$ 609,835	\$ 531,021	\$ 270,482	\$ 893,878
Ratio of Expenses to Average Net Assets	2.13%+	1.78%+	1.74%+	1.80%+	1.73%+
Ratio of Net Investment Loss to Average Net Assets	(1.14)%+	(0.74)%+	(0.55)%+	(0.24)%+	(0.58)%+
Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets	0.00%\$	0.00%\$	0.00%\$	0.00%\$	0.00%\$
Portfolio Turnover Rate	77%	94%	146%	79%	64%

(1) Total investment return based on net asset value per share reflects the effects of changes in net asset value on the performance of the Fund during each period, and assumes dividends and distributions, if any, were reinvested. This percentage is not an indication of the performance of a stockholder's investment in the Fund based on market value due to differences between the market price of the stock and the net asset value per share of the Fund.

† Per share amount is based on average shares outstanding.

+ The Ratios of Expenses and Net Investment Income reflect the rebate of certain Fund expenses in connection with the investments in Morgan Stanley affiliates during the period. The effect of the rebate on the ratios is disclosed in the above table as "Ratio of Rebate from Morgan Stanley Affiliates to Average Net Assets."

§ Amount is less than 0.005%.

‡ Amount is less than \$0.005 per share.

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

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements

The Morgan Stanley China A Share Fund, Inc. (the "Fund") was incorporated in Maryland on July 6, 2006 and is registered as a non-diversified, closed-end management investment company under the Investment Company Act of 1940, as amended (the "1940 Act"). The Fund's investment objective is to seek capital growth. The Fund seeks to achieve its investment objective 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. The prices of A-shares are quoted in Renminbi, and currently only Chinese domestic investors and certain Qualified Foreign Institutional Investors ("QFII") are allowed to trade A-shares. To the extent that the Fund invests in derivative or other instruments that are structured to be positively correlated and linked to China A shares, such investments will be counted for purposes of the Fund's policy as stated above. To the extent the Fund makes such investments, the Fund will be subject to the risks of such derivative or other instruments as described herein.

The Adviser has obtained a QFII license pursuant to which it is authorized to invest in China A-shares and other permitted China securities on behalf of the Fund up to its specified investment quota of \$200,000,000, as updated, modified or renewed from time to time (the "A-share Quota"). The Adviser has received an increase of \$250,000,000 to its A-share Quota, of which approximately \$138,000,000 was utilized through a rights offering in August 2010. There is no guarantee that the A-share Quota will not be modified or revoked in the future.

Securities purchased by the Adviser, in its capacity as a QFII, on behalf of the Fund, are credited to a securities trading account in China. All gains and income that the Fund earns on investments in China A-shares are held in that account, and may only be repatriated if approved by the State Administration of Foreign Exchange ("SAFE"). There is no guarantee that SAFE will approve such repatriation. Failure to gain approval from SAFE on a timely basis could adversely affect the Fund's ability to distribute taxable income and capital gain and cause the Fund to become liable for the payment of U.S. Federal income tax. See Note E. Federal Income Taxes.

A. Significant Accounting Policies: The following significant accounting policies are in conformity with U.S. generally accepted accounting principles ("GAAP"). Such policies are consistently followed by the Fund in the preparation of its financial statements. GAAP may require management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results may differ from those estimates.

1. Security Valuation: Securities listed on a foreign exchange are valued at their closing price except as noted below. Unlisted securities and listed securities not traded on the valuation date for which market quotations are readily available are valued at the mean between the current bid and ask prices. Equity securities listed on a U.S. exchange are valued at the latest quoted sales price on the valuation date. Equity securities listed or traded on NASDAQ, for which market quotations are available, are valued at the NASDAQ Official Closing Price. Short-term debt securities purchased with remaining maturities of 60 days or less are valued at amortized cost, unless the Board of Directors (the "Directors") determines such valuation does not reflect the securities' fair value, in which case these securities will be valued at their fair value as determined in good faith under procedures adopted by the Directors.

All other securities and investments for which market values are not readily available, including restricted securities, and those securities for which it is inappropriate to determine prices in accordance with the aforementioned procedures, are valued at fair value as determined in good faith under procedures adopted by the Directors, although the actual calculations may be done by others. Factors considered in making this determination may include, but are

not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

Most foreign markets close before the New York Stock Exchange ("NYSE"). Occasionally, developments that could affect the closing prices of securities and other assets may occur between the times at which valuations of such securities are determined (that is, close of the foreign market on which the securities trade) and the close of business on the NYSE. If these developments are expected to materially affect the value of the securities, the valuations may be adjusted to reflect the estimated fair value as of the close of the NYSE, as determined in good faith under procedures established by the Directors.

2. 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 mean of the bid and ask prices of such currencies against U.S. dollars last quoted by a major bank as follows:

investments, other assets and liabilities at the prevailing rate 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 rate 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 rate from the fluctuations arising from changes in the market prices of the securities held at period end. Similarly, the Fund does not isolate the effect of changes in the foreign exchange rate from the fluctuations arising from changes in the market prices of securities sold during the period. Accordingly, realized and unrealized foreign currency gains (losses) on investments in securities are included in the reported net realized and unrealized gains (losses) on investment transactions and balances.

Net realized gains (losses) on foreign currency transactions represent net foreign exchange gains (losses) from sales and maturities of foreign currency exchange contracts, disposition of foreign currency gains (losses) realized between the trade and settlement dates on securities transactions, and the difference between the amount of investment income and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent amounts actually received or paid. Net unrealized currency gains (losses) from valuing foreign currency denominated assets and liabilities at period end exchange rates are reflected as a component of unrealized appreciation (depreciation) on investments and foreign currency translations in the Statement of Assets and Liabilities. The change in unrealized currency gains (losses) on foreign currency translations for the period is reflected in the Statement of Operations.

A significant portion of the Fund's net assets consist of securities of issuers located in China which are denominated in foreign currencies. Changes in currency exchange rates will affect the value of and investment income from such securities. In general, Chinese securities are subject to greater price volatility, limited capitalization and liquidity, and higher rates of inflation than securities of companies based in the United States.

In addition, Chinese securities may be subject to substantial governmental involvement in the economy and greater social, economic and political uncertainty. Such securities may be concentrated in a limited number of countries and regions and may vary throughout the year.

3. Structured Investments: The Fund invested a portion of its assets in structured investments. A structured investment is a derivative security designed to offer a return linked to a particular underlying security, currency or

market. Structured investments may come in various forms including notes, warrants and options to purchase securities. The Fund will typically use structured investments to gain exposure to a permitted underlying security, currency or market when direct access to a market is limited or inefficient from a tax or cost standpoint. Investments in structured investments involve risks

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

including counterparty risk and market risk. Holders of structured investments bear risks of the underlying investment and are subject to counterparty risk because the Fund is relying on the creditworthiness of such counterparty and has no rights with respect to the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing the Fund's illiquidity to the extent that the Fund, at a particular time, may be unable to find qualified buyers for these securities.

4. Fair Value Measurement: Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 820, "Fair Value Measurements and Disclosure" ("ASC 820"), defines fair value as the value that the Fund would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent buyer in the principal market, or in the absence of a principal market the most advantageous market for the investment or liability. ASC 820 establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in valuing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in valuing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Fund's investments. The inputs are summarized in the three broad levels listed below.

- Level 1 unadjusted quoted prices in active markets for identical investments
- Level 2 other significant observable inputs (including quoted prices for similar investments, 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. Factors considered in making this determination may include, but are not limited to, information obtained by contacting the issuer, analysts, or the appropriate stock exchange (for exchange-traded securities), analysis of the issuer's financial statements or other available documents and, if necessary, available information concerning other securities in similar circumstances

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities and the determination of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to each security.

In May 2011, FASB issued Accounting Standards Update ("ASU") 2011-04. The amendments in this update are the results of the work of FASB and the International Accounting Standards Board to develop common requirements for measuring fair value and for disclosing information about fair value measurements, which are effective during interim and annual periods beginning after December 15, 2011. Consequently, these amendments improve the comparability of fair value measurements presented and disclosed in the financial statements prepared in accordance with GAAP and International Financial Reporting Standards. At this time, the Fund's management is evaluating the implications of ASU 2011-04.

5. Indemnifications: The Fund enters into contracts that contain a variety of indemnifications. The Fund's maximum exposure under these arrangements is unknown. However, the Fund has not had prior claims or losses pursuant to

these contracts and expects the risk of loss to be remote.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

6. Other: Security transactions are accounted for on the date the securities are purchased or sold. Realized gains (losses) on the sale of investment securities are determined on the specific identified cost basis. Dividend income and distributions are recorded on the ex-dividend date (except certain dividends which may be recorded as soon as the Fund is informed of such dividends) net of applicable withholding taxes.

B. Investment Advisory/Sub-Advisory Fees: Morgan Stanley Investment Management Inc. (the "Adviser" or "MS Investment Management") provides investment advisory services to the Fund under the terms of an Investment Advisory Agreement (the "Agreement"). Under the Agreement, the Adviser is paid a fee computed weekly and payable monthly at an annual rate of 1.50% of the Fund's average weekly net assets.

The Adviser has entered into a Sub-Advisory Agreement with Morgan Stanley Investment Management Company (the "Sub-Adviser"), a wholly-owned subsidiary of Morgan Stanley. The Sub-Adviser provides the Fund with investment advisory services subject to the overall supervision of the Adviser and the Fund's Officers and Directors. The Adviser pays the Sub-Adviser on a monthly basis a portion of the net advisory fees the Adviser receives from the Fund.

C. Administration Fees: MS Investment Management also serves as Administrator to the Fund pursuant to an Administration Agreement. Under the Administration Agreement, the administration fee is 0.08% of the Fund's average weekly net assets. Under a Sub-Administration Agreement between the Administrator and State Street Bank and Trust Company ("State Street"), State Street provides certain administrative services to the Fund. For such services, the Administrator pays State Street a portion of the fee the Administrator receives from the Fund.

D. Custodian Fees: State Street (the "Custodian") and its affiliates serve as Custodian for the Fund. The Custodian holds cash, securities, and other assets of the Fund as required by the Act. Custody fees are payable monthly based on assets held in custody, investment purchases and sales activity and account maintenance fees, plus reimbursement for certain out-of-pocket expenses.

The Fund has entered into an arrangement with its Custodian whereby credits realized on uninvested cash balances were used to offset a portion of the Fund's expenses. If applicable, these custodian credits are shown as "Expense Offset" in the Statement of Operations.

E. Federal Income Taxes: It is the Fund's intention to continue to qualify as a regulated investment company and distribute all of its taxable income. Accordingly, no provision for Federal income taxes is required in the financial statements. Dividend income and distributions to stockholders are recorded on the ex-dividend date.

The Fund may be subject to taxes imposed by countries in which it invests. Such taxes are generally based on income and/or capital gains earned or repatriated. Taxes are accrued and applied to net investment income, net realized gains and net unrealized appreciation as such income and/or gains are earned.

FASB ASC 740-10 "Income Taxes - Overall" sets forth a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. Management has concluded there are no significant uncertain tax positions that would require recognition in the financial statements. If applicable, the Fund recognizes interest accrued related to unrecognized tax benefits in "Interest Expense" and penalties in "Other

Expenses" in the Statement of Operations. The Fund files tax returns with the U.S. Internal Revenue Service, New York and various states. Each of the tax years in the four-year period ended December 31, 2011, remains subject to examination by taxing authorities.

The tax character of distributions paid may differ from the character of distributions shown in the Statements of Changes in

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

Net Assets due to short-term capital gains being treated as ordinary income for tax purposes. The tax character of distributions paid during fiscal 2011 and 2010 was as follows:

2011 Distributions Paid From:		2010 Distributions Paid From:	
Ordinary Income (000)	Long-Term Capital Gain (000)	Ordinary Income (000)	Long-Term Capital Gain (000)
\$ 3,337	\$ 4,697	\$ 20,106	\$ 17,411

The amount and character of income and capital gain distributions to be paid by the Fund are determined in accordance with Federal income tax regulations, which may differ from GAAP. These book/tax differences are considered either temporary or permanent in nature.

Temporary differences are attributable to differing book and tax treatments for the timing of the recognition of gains (losses) on certain investment transactions and the timing of the deductibility of certain expenses.

Permanent differences, primarily due to differing treatments of gains (losses) related to foreign currency transactions, net operating loss, distribution redesignations and nondeductible expenses, resulted in the following reclassifications among the components of net assets at December 31, 2011:

Undistributed (Distributions in Excess of) Net Investment Income (Loss) (000)	Accumulated Net Realized Gain (Loss) (000)	Paid-in Capital (000)
\$ 6,697	\$ (4,911)	\$ (1,786)

At December 31, 2011, the components of distributable earnings for the Fund on a tax basis were as follows:

Undistributed Ordinary Income (000)	Undistributed Long-Term Capital Gain (000)
\$ 8,504	\$ 36,112

At December 31, 2011, the U.S. Federal income tax cost basis of investments was approximately \$556,157,000 and, accordingly, net unrealized depreciation for U.S. Federal income tax purposes was \$59,627,000 of which \$25,868,000 related to appreciated securities and \$85,495,000 related to depreciated securities.

On December 22, 2010, the Regulated Investment Company Modernization Act of 2010 (the "Modernization Act") was signed into law. The Modernization Act modernizes several tax provisions related to Regulated Investment Companies ("RICs") and their shareholders. One key change made by the Modernization Act is that capital losses will generally retain their character as short-term or long-term and may be carried forward indefinitely to offset future gains. These losses are utilized before other capital loss carryforwards that expire. Generally, the Modernization Act is effective for taxable years beginning after December 22, 2010.

The Fund must receive approval from SAFE to repatriate profits made from the sale of China A-shares. However, if the Fund does not receive approval from SAFE to repatriate funds on a timely basis, it will be unable to distribute taxable income and capital gains. Therefore, the Fund reserves the right not to pay any dividends, or to delay the payment thereof, in the event that the Adviser is not satisfied that the Fund can or will be able to fund such dividends through the repatriation of funds from China. This may cause the Fund to become liable for the payment of U.S. federal income tax.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

The Fund submitted a formal repatriation application to SAFE in China to repatriate fund profits. Due to evolving regulatory requirements, the Fund's repatriation application was not approved as of year-end. As a result, the Fund has elected to defer a December 2011 distribution resulting in excise taxes of approximately \$1,786,000. Nonetheless, the Fund intends to pay out the full amount of taxable income earned in fiscal year ended December 31, 2011 by December 31, 2012.

F. Security Transactions and Transactions with Affiliates: For the year ended December 31, 2011, purchases and sales of investment securities for the Fund, other than long-term U.S. Government securities and short-term investments, were approximately \$446,119,000 and \$446,935,000.

The Fund invests in the Institutional Class of the Morgan Stanley Institutional Liquidity Funds Money Market Portfolio (the "Liquidity Funds"), an open-end management investment company managed by the Adviser. Investment Advisory fees paid by the Fund are reduced by an amount equal to its pro-rata share of the advisory and administration fees paid by the Fund due to its investment in the Liquidity Funds. For the year ended December 31, 2011, advisory fees paid were reduced by approximately \$2,000 relating to the Fund's investment in the Liquidity Funds.

A summary of the Fund's transactions in shares of the Liquidity Funds during the year ended December 31, 2011 is as follows:

Value December 31, 2010 (000)	Purchases at Cost (000)	Sales (000)	Dividend Income (000)	Value December 31, 2011 (000)
\$ 5,490	\$ 5,617	\$ 10,574	\$ 1	\$ 533

G. Credit Facility: As of December 23, 2011, the Fund participated in a 60 day committed, unsecured line of credit ("Credit Facility") in the amount of \$15,000,000, for temporary or emergency purposes with State Street. Under the terms of the Credit Facility, the Fund pays a facility fee at the rate of 0.25% on the aggregate amount of the Credit Facility. In addition, the Fund pays interest on borrowings at the higher of the (a) Overnight LIBOR or Federal Funds rate plus a spread or (b) seven day or thirty day LIBOR rate plus a spread. The average daily borrowings and interest rate from December 23, 2011 to December 31, 2011 were \$2,700,000 and 1.40%, respectively. During the same period, the Fund incurred approximately \$1,000 in interest expense associated with the outstanding loans. As of February 23, 2012, the Credit Facility has been renewed in the amount of \$12,600,000 with the same terms as above until June 1, 2012.

H. Other: The Corporate Income Tax ("CIT") Law took effect on 1 January 2008 and repealed the Income Tax Law of the People's Republic of China ("PRC") Concerning Foreign Investment Enterprises and Foreign Enterprises (the Old Foreign Investment Enterprise Income Tax Law) and the Enterprise Income Tax Provisional Rules of the PRC.

The CIT rate under the CIT Law is 25% for PRC tax resident enterprises. Pursuant to the CIT Law and its detailed implementation rules, a non-PRC tax resident who does not establish any permanent establishment in China (or which

have permanent establishment in China but income derived is not effectively connected with such permanent establishment) is subject to PRC Withholding Income Tax ("WIT") at the rate of 10% for dividends, interest and other income (mainly referring to capital gain) from Chinese sources, unless such WIT is subject to reduction or exemption in accordance with the applicable tax treaty signed with China.

In January 2009, the State Administration of Taxation ("SAT") issued the Guoshuihan [2009] No.47 which requires that Chinese tax residents should withhold WIT at the rate of 10% on the payment of dividends, bonus profits and interest to Qualified Foreign Institutional Investors ("QFII"). Accordingly, a 10% WIT is currently payable on dividends on China A shares derived by QFIIs and dividends on B shares derived by foreign investors who are non-PRC tax resident enterprises and have no permanent establishment in the PRC for WIT purposes.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

However, specific rules governing the taxation of capital gains derived by QFIIs and foreign institutional investors from the trading of A-shares and B-shares have yet to be announced. In the absence of such specific rules, the PRC income tax treatment should be governed by the general tax provisions of the CIT Law. Under the CIT Law, for an enterprise that is not a tax resident enterprise and has no permanent establishment in the PRC for PRC WIT purposes, a 10% PRC WIT shall, subject to exemptions of double tax treaty between the PRC and the country in which the QFII/foreign investor is tax resident, apply to capital gains derived from the disposal of China A and B shares. The Fund believes it can avail itself of the U.S. China tax treaty protection but is subject to tax bureaus' review and approval.

The tax law and regulations of China are subject to change, and may be changed with retrospective effect. The interpretation and applicability of tax law and regulations by tax authorities are not as consistent and transparent as those of more developed nations, and may vary from region to region. Accordingly, China taxes and duties payable by the Adviser as the QFII, which are to be reimbursed by the Fund to the extent attributable to the assets held through the A-share Quota, may change at any time.

On June 19, 2007, the Directors approved a share repurchase program for purposes of enhancing stockholder value and reducing the discount at which the Fund's shares trade from their net asset value. Since the inception of the program, the Fund has not repurchased any of its shares. The Fund expects to repurchase its outstanding shares at such time and in such amounts as it believes will further the accomplishment of the foregoing objectives, subject to review by the Directors.

On August 25, 2010, the Fund commenced a rights offering and issued to stockholders of record as of August 18, 2010 one right for each share of common stock held. The rights were transferable and were listed on the New York Stock Exchange. The rights entitled holders to subscribe for an aggregate of 5,440,904 shares of the Fund's common stock. The offer expired on September 14, 2010. Pursuant to this offering, the Fund sold 5,440,904 shares at the subscription price per share of \$26.45, representing 90% of the net asset value per share of the Fund's common stock on the New York Stock Exchange on the expiration date. The total proceeds of the rights offering were \$143,911,911 and the Fund incurred costs associated with the offering of approximately \$5,585,000. Approximately \$5,040,000 was paid to Morgan Stanley & Co. Incorporated, for their role as the Dealer Manager for the offer.

I. Results of Annual Meeting of Stockholders (unaudited): On June 30, 2011, an annual meeting of the Fund's stockholders was held for the purpose of voting on the following matter, the results of which were as follows:

Election of Directors by all stockholders:

	For	Withheld
Kathleen A Dennis	14,504,849	367,479
Joseph J Kearns	14,446,577	423,751
Michael E Nugent	14,486,014	384,314
Fergus Reid	14,432,196	438,132

Federal Income Tax Information (unaudited)

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For Federal income tax purposes, the following information is furnished with respect to the distributions paid by the Fund during its taxable year ended December 31, 2011.

The Fund designated and paid approximately \$4,697,000 as long-term capital gain distribution.

For Federal income tax purposes, the following information is furnished with respect to the Fund's earnings for its taxable year ended December 31, 2011.

The Fund intends to pass through foreign tax credits of approximately \$713,000, and has derived net income from sources within foreign countries amounting to approximately \$6,472,000.

In January, the Fund provides tax information to stockholders for the preceding calendar year.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Notes to Financial Statements (cont'd)

For More Information About Portfolio Holdings (unaudited)

The Fund provides a complete schedule of portfolio holdings in its semi-annual and annual reports within 60 days of the end of the Fund's second and fourth fiscal quarters. The semi-annual reports and the annual reports are filed electronically with the Securities and Exchange Commission (SEC) on Form N-CSRS and Form N-CSR, respectively. Morgan Stanley also delivers the semi-annual and annual reports to Fund stockholders and makes these reports available on its public website, www.morganstanley.com/im. Each Morgan Stanley fund also files a complete schedule of portfolio holdings with the SEC for the Fund's first and third fiscal quarters on Form N-Q. Morgan Stanley does not deliver the reports for the first and third fiscal quarters to stockholders, nor are the reports posted to the Morgan Stanley public website. You may, however, obtain the Form N-Q filings (as well as the Form N-CSR and N-CSRS filings) by accessing the SEC's website, www.sec.gov. You may also review and copy them at the SEC's Public Reference Room in Washington, DC. Information on the operation of the SEC's Public Reference Room may be obtained by calling the SEC toll free at 1(800) SEC-0330. You can also request copies of these materials, upon payment of a duplicating fee, by electronic request at the SEC's e-mail address (publicinfo@sec.gov) or by writing the public reference section of the SEC, Washington, DC 20549-0102.

In addition to filing a complete schedule of portfolio holdings with the SEC each fiscal quarter, the Fund makes portfolio holdings information available by periodically providing the information on its public website, www.morganstanley.com/im.

The Fund provides a complete schedule of portfolio holdings on the public website on a calendar-quarter basis approximately 31 calendar days after the close of the calendar quarter. The Fund also provides Top 10 holdings information on the public website approximately 15 business days following the end of each month. You may obtain copies of the Fund's monthly or calendar-quarter website postings, by calling toll free 1(800) 231-2608.

Proxy Voting Policy and Procedures and Proxy Voting Record (unaudited)

A copy of (1) the Fund's policies and procedures with respect to the voting of proxies relating to the Fund's portfolio securities; and (2) how the Fund voted proxies relating to portfolio securities during the most recent twelve-month period ended June 30, is available without charge, upon request, by calling toll free 1(800) 548-7786 or by visiting our website at www.morganstanley.com/im. This information is also available on the SEC's web site at www.sec.gov.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Report of Independent Registered Public Accounting Firm

**To the Stockholders and Board of Directors of
Morgan Stanley China A Share Fund, Inc.**

We have audited the accompanying statement of assets and liabilities of Morgan Stanley China A Share Fund, Inc. (the "Fund"), including the portfolio of investments, as of December 31, 2011, and the related statement of operations for the year then ended, the statements of changes in 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. These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits 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 and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of December 31, 2011, by correspondence with the custodian and others. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Morgan Stanley China A Share Fund, Inc. at December 31, 2011, 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 U.S. generally accepted accounting principles.

Boston, Massachusetts
February 24, 2012

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Portfolio Management (unaudited)

The Fund is managed within the Emerging Markets Equity team. The teams consists of portfolio managers and analysts. Current members of the team jointly and primarily responsible for the day-to-day management of the Fund's portfolio are James Cheng, a Managing Director of the Sub-Adviser, and Gary Cheung, a Vice President of the Sub-Adviser.

Mr. Cheng has been associated with MSIM Company in an investment management capacity since July 2006 and began managing the Fund in July 2006. Prior to July 2006, Mr. Cheng worked in an investment management capacity at Invesco Asia Limited, Asia Strategic Investment Management Limited and Munich Re Asia Capital Management. Mr. Cheung has been associated with the Sub-Adviser in an investment management capacity since June 2008. Prior to June 2008, Mr. Cheung worked in an investment management capacity at Tudor Investment Corporation. He began managing the Fund in February 2012.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Investment Policy (unaudited)

The Fund may use derivative instruments for a variety of purposes, including hedging, risk management, portfolio management or to earn income. Derivatives are financial instruments whose value is based on the value of another underlying asset, interest rate, index or financial instrument. A derivative instrument often has risks similar to its underlying instrument and may have additional risks, including imperfect correlation between the value of the derivative and the underlying instrument, risks of default by the other party to certain transactions, magnification of losses incurred due to changes in the market value of the securities, instruments, indices or interest rates to which they relate, and risks that the transactions may not be liquid. The use of derivatives involves risks that are different from, and possibly greater than, the risks associated with other portfolio investments. Derivatives may involve the use of highly specialized instruments that require investment techniques and risk analyses different from those associated with other portfolio investments. Certain derivative transactions may give rise to a form of leverage. Leverage associated with derivative transactions may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations or to meet earmarking or segregation requirements, pursuant to applicable SEC rules and regulations, or may cause the Fund to be more volatile than if the Fund had not been leveraged. Although the Investment Adviser seeks to use derivatives to further the Fund's investment objectives, there is no assurance that the use of derivatives will achieve this result.

Following is a description of the derivative instruments and techniques that the Fund may use and their associated risks:

Structured Investments. The Fund also may invest a portion of its assets in structured investments. A structured investment is a derivative security designed to offer a return linked to a particular underlying security, currency or market. Structured investments may come in various forms including notes, warrants and options to purchase securities. The Fund will typically use structured investments to gain exposure to a permitted underlying security, currency or market when direct access to a market is limited or inefficient from a tax or cost standpoint. Investments in structured investments involve risks including counterparty risk and market risk. Holders of structured investments bear risks of the underlying investment and are subject to counterparty risk because the Fund is relying on the creditworthiness of such counterparty and has no rights with respect to the underlying investment. Certain structured investments may be thinly traded or have a limited trading market and may have the effect of increasing the Fund's illiquidity to the extent that the Fund, at a particular point in time, may be unable to find qualified buyers for these securities.

Foreign Currency Forward Contracts. In connection with its investments in foreign securities, the Fund also may enter into contracts with banks, brokers or dealers to purchase or sell securities or foreign currencies at a future date ("forward contracts"). A foreign currency forward contract is a negotiated agreement between the contracting parties to exchange a specified amount of currency at a specified future time at a specified rate. The rate can be higher or lower than the spot rate between the currencies that are the subject of the contract. Forward foreign currency contracts may be used to protect against uncertainty in the level of future foreign currency exchange rates or to gain or modify exposure to a particular currency. In addition, the Fund may use cross currency hedging or proxy hedging with respect to currencies in which the Fund has or expects to have portfolio or currency exposure. Cross currency hedges involve the sale of one currency against the positive exposure to a different currency and may be used for hedging purposes or to establish an active exposure to the exchange rate between any two currencies. A currency exchange contract is marked-to-market daily and the change in market value is recorded by the Fund as unrealized gain or loss. The Fund records realized gains (losses) when the contract is closed equal to the difference between the value of the contract at

the time it was opened and the value at the time it was

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Investment Policy (unaudited) (cont'd)

closed. Hedging the Fund's currency risks involves the risk of mismatching the Fund's objectives under a currency exchange or futures contract with the value of securities denominated in a particular currency. Furthermore, such transactions reduce or preclude the opportunity for gain if the value of the currency should move in the direction opposite to the position taken. There is an additional risk to the effect that currency contracts create exposure to currencies in which the Fund's securities are not denominated. Unanticipated changes in currency prices may result in poorer overall performance for the Fund than if it had not entered into such contracts.

Futures. A futures contract is a standardized agreement between two parties to buy or sell a specific quantity of an underlying instrument at a specific price at a specific future time. The value of a futures contract tends to increase and decrease in tandem with the value of the underlying instrument. Futures contracts are bilateral agreements, with both the purchaser and the seller equally obligated to complete the transaction. Depending on the terms of the particular contract, futures contracts are settled through either physical delivery of the underlying instrument on the settlement date or by payment of a cash settlement amount on the settlement date. A decision as to whether, when and how to use futures involves the exercise of skill and judgment and even a well conceived futures transaction may be unsuccessful because of market behavior or unexpected events. In addition to the derivatives risks discussed above, the prices of futures can be highly volatile, using futures can lower total return, and the potential loss from futures can exceed the Fund's initial investment in such contracts.

Options. If a Fund buys an option, it buys a legal contract giving it the right to buy or sell a specific amount of the underlying instrument or futures contract on the underlying instrument such as a security, currency or index, at an agreed upon price typically in exchange for a premium paid by the Fund. If a Fund sells an option, it sells to another person the right to buy from or sell to the Fund a specific amount of the underlying instrument or futures contract on the underlying instrument at an agreed upon price typically in exchange for a premium received by the Fund. A decision as to whether, when and how to use options involves the exercise of skill and judgment and even a well conceived option transaction may be unsuccessful because of market behavior or unexpected events. The prices of options can be highly volatile and the use of options can lower total returns.

Swaps. A swap contract is an agreement between two parties pursuant to which the parties exchange payments at specified dates on the basis of a specified notional amount, with the payments calculated by reference to specified securities, indexes, reference rates, currencies or other instruments. Most swap agreements provide that when the period payment dates for both parties are the same, the payments are made on a net basis (i.e., the two payment streams are netted out, with only the net amount paid by one party to the other). The Fund's obligations or rights under a swap contract entered into on a net basis will generally be equal only to the net amount to be paid or received under the agreement, based on the relative values of the positions held by each counterparty. Swap agreements are not entered into or traded on exchanges and there is no central clearing or guaranty function for swaps. Therefore, swaps are subject to credit risk or the risk of default or non-performance by the counterparty. Swaps could result in losses if interest rate or foreign currency exchange rates or credit quality changes are not correctly anticipated by the Fund or if the reference index, security or investments do not perform as expected.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Investment Policy (unaudited) (cont'd)

Contracts for Difference ("CFD"). A CFD is a privately negotiated contract between two parties, buyer and seller, stipulating that the seller will pay to or receive from the buyer the difference between the nominal value of the underlying instrument at the opening of the contract and that instrument's value at the end of the contract. The underlying instrument may be a single security, stock basket or index. A CFD can be set up to take either a short or long position on the underlying instrument. The buyer and seller are both required to post margin, which is adjusted daily. The buyer will also pay to the seller a financing rate on the notional amount of the capital employed by the seller less the margin deposit. In addition to the general risks of derivatives, CFDs may be subject to liquidity risk and counterparty risk.

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

Dividend Reinvestment Plan (unaudited)

Pursuant to the Dividend Reinvestment Plan (the Plan), each stockholder will be deemed to have elected, unless Computershare Trust Company, N.A. (the Plan Agent) is otherwise instructed by the stockholder in writing, to have all distributions automatically reinvested in Fund shares.

Dividend and capital gain distributions (Distribution) will be reinvested on the reinvestment date in full and fractional shares. If the market price per share equals or exceeds net asset value per share on the reinvestment date, the Fund will issue shares to participants at net asset value or, if net asset value is less than 95% of the market price on the reinvestment date, shares will be issued at 95% of the market price. If net asset value exceeds the market price on the reinvestment date, participants will receive shares valued at market price. The Fund may purchase shares of its Common Stock in the open market in connection with dividend reinvestment requirements at the discretion of the Board of Directors. Should the Fund declare a Distribution payable only in cash, the Plan Agent will purchase Fund shares for participants in the open market as agent for the participants.

The Plan Agent's fees for the reinvestment of a Distribution will be paid by the Fund. However, each participant's account will be charged a pro rata share of brokerage commissions incurred on any open market purchases effected on such participant's behalf. Although stockholders in the Plan may receive no cash distributions, participation in the Plan will not relieve participants of any income tax which may be payable on such dividends or distributions.

In the case of stockholders, such as banks, brokers or nominees, that hold shares for others who are the beneficial owners, the Plan Agent will administer the Plan on the basis of the number of shares certified from time to time by the stockholder as representing the total amount registered in the stockholder's name and held for the account of beneficial owners who are participating in the Plan.

Stockholders who do not wish to have Distributions automatically reinvested should notify the Plan Agent in writing. There is no penalty for non-participation or withdrawal from the Plan, and stockholders who have previously withdrawn from the Plan may rejoin at any time. Requests for additional information or any correspondence concerning the Plan should be directed to the Plan Agent at:

Morgan Stanley China A Share Fund, Inc.
Computershare Trust Company, N.A.
P.O. Box 43010
Providence, Rhode Island 02940-3010
1 (800) 231-2608

Morgan Stanley China A Share Fund, Inc.

December 31, 2011

U.S. Privacy Policy (unaudited)

An Important Notice Concerning Our U.S. Privacy Policy

This privacy notice describes the U.S. privacy policy of Morgan Stanley Distribution, Inc., and the Morgan Stanley family of mutual funds ("us", "our", "we").

We are required by federal law to provide you with notice of our U.S. privacy policy ("Policy"). This Policy applies to both our current and former clients unless we state otherwise and is intended for individual clients who purchase products or receive services from us for personal, family or household purposes. This Policy is not applicable to partnerships, corporations, trusts or other non-individual clients or account holders, nor is this Policy applicable to individuals who are either beneficiaries of a trust for which we serve as trustee or participants in an employee benefit plan administered or advised by us. This Policy is, however, applicable to individuals who select us to be a custodian of securities or assets in individual retirement accounts, 401(k) accounts, or accounts subject to the Uniform Gifts to Minors Act.

This notice sets out our business practices to protect your privacy; how we collect and share personal information about you; and how you can limit our sharing or certain uses by others of this information. We may amend this Policy at any time, and will inform you of any changes to our Policy as required by law.

We Respect Your Privacy

We appreciate that you have provided us with your personal financial information and understand your concerns about your information. We strive to safeguard the information our clients entrust to us. Protecting the confidentiality and security of client information is an important part of how we conduct our business.

This notice describes what personal information we collect about you, how we collect it, when we may share it with others, and how certain others may use it. It discusses the steps you may take to limit our sharing of certain information about you with our affiliated companies, including, but not limited to our affiliated banking businesses, brokerage firms and credit service affiliates, It also discloses how you may limit our affiliates' use of shared information for marketing purposes.

Throughout this Policy, we refer to the nonpublic information that personally identifies you as "personal information." We also use the term "affiliated company" in this notice. An affiliated company is a company in our family of companies and includes companies with the Morgan Stanley name. These affiliated companies are financial institutions such as broker-dealers, banks, investment advisers and credit card issuers. We refer to any company that is not an affiliated company as a nonaffiliated third party. For purposes of Section 5 of this notice, and your ability to limit certain uses of personal information by our affiliates, this notice applies to the use of personal information by our affiliated companies.

1. What Personal Information Do We Collect From You?

We may collect the following types of information about you: (i) information provided by you, including information from applications and other forms we receive from you, (ii) information about your transactions with us or our affiliates, (iii) information

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about your transactions with nonaffiliated third parties, (iv) information from consumer reporting agencies, (v) information obtained from our websites, and (vi) information obtained from other sources. For example:

- We collect information such as your name, address, e-mail address, telephone/fax numbers, assets, income and investment objectives through applications and other forms you submit to us.
- We may obtain information about account balances, your use of account(s) and the types of products and services you prefer to receive from us through your dealings and transactions with us and other sources.
- We may obtain information about your creditworthiness and credit history from consumer reporting agencies.
- We may collect background information from and through third-party vendors to verify representations you have made and to comply with various regulatory requirements.

2. When Do We Disclose Personal Information We Collect About You?

We may disclose personal information we collect about you in each of the categories listed above to affiliated and nonaffiliated third parties.

A. Information We Disclose to Affiliated Companies. We may disclose personal information that we collect about you to our affiliated companies to manage your account(s) effectively, to service and process your transactions, and to let you know about products and services offered by us and affiliated companies, to manage our business, and as otherwise required or permitted by law. Offers for products and services from affiliated companies are developed under conditions designed to safeguard your personal information.

B. Information We Disclose to Third Parties. We may disclose personal information that we collect about you to nonaffiliated third parties to provide marketing services on our behalf or to other financial institutions with whom we have joint marketing agreements. We may also disclose all of the information we collect to other nonaffiliated third parties for our everyday business purposes, such as to process transactions, maintain account(s), respond to court orders and legal investigations, report to credit bureaus, offer our own products and services, protect against fraud, for institutional risk control, to perform services on our behalf, and as otherwise required or permitted by law.

When we share personal information about you with a nonaffiliated third party, they are required to limit their use of personal information about you to the particular purpose for which it was shared and they are not allowed to share personal information about you with others except to fulfill that limited purpose or as may be permitted or required by law.

3. How Do We Protect the Security and Confidentiality of Personal Information We Collect About You?

We maintain physical, electronic and procedural security measures that comply with applicable law and regulations to help safeguard the personal information we collect about you. We have internal policies governing the proper handling of client information by

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employees. Third parties that provide support or marketing services on our behalf may also receive personal information about you, and we require them to adhere to appropriate security standards with respect to such information.

4. How Can You Limit Our Sharing Certain Personal Information About You With Our Affiliated Companies for Eligibility Determination?

By following the opt-out procedures in Section 6, below, you may limit the extent to which we share with our affiliated companies, personal information that was collected to determine your eligibility for products and services such as your credit reports and other information that you have provided to us or that we may obtain from third parties ("eligibility information"). Eligibility information does not include your identification information or personal information pertaining to our transactions or experiences with you. Please note that, even if you direct us not to share eligibility information with our affiliated companies, we may still share your personal information, including eligibility information, with our affiliated companies under circumstances that are permitted under applicable law, such as to process transactions or to service your account.

5. How Can You Limit the Use of Certain Personal Information About You by Our Affiliated Companies for Marketing?

By following the opt-out instructions in Section 6, below, you may limit our affiliated companies from marketing their products or services to you based on personal information we disclose to them. This information may include, for example, your income and account history with us. Please note that, even if you choose to limit our affiliated companies from using personal information about you that we may share with them for marketing their products and services to you, our affiliated companies may use your personal information that they obtain from us to market to you in circumstances permitted by law, such as if the affiliated party has its own relationship with you.

6. How Can You Send Us an Opt-Out Instruction?

If you wish to limit our sharing of eligibility information about you with our affiliated companies, or our affiliated companies' use of personal information for marketing purposes, as described in this notice, you may do so by:

- Calling us at (800) 548-7786
Monday - Friday between 8a.m. and 5p.m. (EST)

- Writing to us at the following address:

Morgan Stanley Services Company Inc.
c/o Privacy Coordinator
201 Plaza Two, 3rd Floor
Jersey City, New Jersey 07311

If you choose to write to us, your request should include: your name, address, telephone number and account number(s) to which the opt-out applies and whether you are opting out with respect to sharing of eligibility

information (Section 4 above), or information

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used for marketing (Section 5 above), or both. Written opt-out requests should not be sent with any other correspondence. In order to process your request, we require that the request be provided by you directly and not through a third party. Once you have informed us about your privacy preferences, your opt-out preference will remain in effect with respect to this Policy (as it may be amended) until you notify us otherwise. If you are a joint account owner, we will accept instructions from any one of you and apply those instructions to the entire account.

Please understand that if you limit our sharing or our affiliated companies' use of personal information, you and any joint account holder(s) may not receive information about our affiliated companies' products and services, including products or services that could help you manage your financial resources and achieve your investment objectives.

If you have more than one account or relationship with us, please specify the accounts to which you would like us to apply your privacy choices. If you have accounts or relationships with our affiliates, you may receive multiple privacy policies from them, and will need to separately notify those companies of your privacy choices for those accounts or relationships.

7. What If an Affiliated Company Becomes a Nonaffiliated Third Party?

If, at any time in the future, an affiliated company becomes a nonaffiliated third party, further disclosures of personal information made to the former affiliated company will be limited to those described in Section 2(b) above relating to nonaffiliated third parties. If you elected under Section 6 to limit disclosures we make to affiliated companies, or use of personal information by affiliated companies, your election will not apply to use by any former affiliated company of your personal information in their possession once it becomes a nonaffiliated third party.

SPECIAL NOTICE TO RESIDENTS OF VERMONT

The following section supplements our Policy with respect to our individual clients who have a Vermont address and supersedes anything to the contrary in the above Policy with respect to those clients only.

The State of Vermont requires financial institutions to obtain your consent prior to sharing personal information that they collect about you with nonaffiliated third parties, or eligibility information with affiliated companies, other than in certain limited circumstances. Except as permitted by law, we will not share personal information we collect about you with nonaffiliated third parties or eligibility information with affiliated companies, unless you provide us with your written consent to share such information.

SPECIAL NOTICE TO RESIDENTS OF CALIFORNIA

The following section supplements our Policy with respect to our individual clients who have a California address and supersedes anything to the contrary in the above Policy with respect to those clients only.

In response to a California law, if your account has a California home address, your personal information will not be disclosed to nonaffiliated third parties except as permitted by applicable California law, and we will limit sharing such personal information with our affiliates to comply with California privacy laws that apply to us.

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Director and Officer Information (unaudited)

Independent Directors:

Name, Age and Address	Position(s) of Held Length of Time Served*	Principal Occupation(s) During Past 5 Years	Number of Portfolios in Fund Complex Overseen by Independent Director**	Other Directorships Held by Independent Director***
Frank L. Bowman (67) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director Since August 2006	President, Strategic Decisions, LLC (consulting) (since February 2009); Director or Trustee of various Morgan Stanley Funds (since August 2006); Chairperson of the Insurance Sub-Committee of the Compliance and Insurance Committee (since February 2007); served as President and Chief Executive Officer of the Nuclear Energy Institute (policy organization) (February 2005-November 2008); retired as Admiral, U.S. Navy after serving over 38 years on active duty including 8 years as Director of the Naval Nuclear Propulsion Program in the Department of the Navy and the U.S. Department of Energy (1996-2004); served as Chief of Naval Personnel (July 1994-September 1996) and on the joint staff as Director of Political Military Affairs (June 1992-July 1994); Knighted as Honorary Knight Commander of the Most Excellent Order of the British Empire; Awarded the Officer de l'Orde National du Mérite by the French Government; elected to the	102	Director of BP p.l.c.; Director of Naval and Nuclear Technologies LLP; Director of the Armed Services YMCA of the USA and the Naval Submarine League; Director of the American Shipbuilding Suppliers Association; Member of the National Security Advisory Council of the Center for U.S. Global Engagement and a member of the CNA Military Advisory Board; Member of the American Lung Association's President's Council.

National Academy of Engineering
(2009).

Michael Bozic (71) c/o Kramer Levin Naftalis & Frankel LLP Counsel to the Independent Directors 1177 Avenue of the Americas New York, NY 10036	Director since April 1994	Private investor; Chairperson of the Compliance and Insurance Committee (since October 2006); Director or Trustee of various Morgan Stanley Funds (since April 1994); formerly, Chairperson of the Insurance Committee (July 2006-September 2006); Vice Chairman of Kmart Corporation (December 1998-October 2000), Chairman and Chief Executive Officer of Levitz Furniture Corporation (November 1995-November 1998) and President and Chief Executive Officer of Hills Department Stores (May 1991-July 1995); variously Chairman, Chief Executive Officer, President and Chief Operating Officer (1987-1991) of the Sears Merchandise Group of Sears, Roebuck & Co.	104 Director of various business organizations.
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Director and Officer Information (unaudited) (cont'd)

Independent Directors (cont'd):

Name, Age
and

Address of Position(s)

Independent Held with Length of
Director Registrant Time Served*

Principal Occupation(s) During Past 5 Years