

Morgan Stanley China A Share Fund, Inc.
Form N-CSR
March 10, 2009

[ANNOTATED FORM N-CSR FOR ANNUAL REPORTS]

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, NY
(Address of principal executive offices)

10036
(Zip code)

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

Registrant's telephone number, including area code: 1-800-221-6726

Date of fiscal year end: 12/31

Date of reporting period: 12/31/08

Form N-CSR is to be used by management investment companies to file reports with the Commission not later than 10 days after the transmission to stockholders of any report that is required to be transmitted to stockholders under Rule 30e-1 under the Investment Company Act of 1940 (17 CFR 270.30e-1). The Commission may use the information provided on Form N-CSR in its regulatory, disclosure review, inspection, and policymaking roles.

A registrant is required to disclose the information specified by Form N-CSR, and the Commission will make this information public. A registrant is not required to respond to the collection of information contained in Form N-CSR unless the Form displays a currently valid Office of Management and Budget ("OMB") control number. Please direct comments concerning the accuracy of the information collection burden estimate and any suggestions for reducing the burden to Secretary, Securities and Exchange Commission, 450 Fifth Street, NW, Washington,

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DC 20549-0609. The OMB has reviewed this collection of information under the clearance requirements of 44 U.S.C. Section 3507.

ITEM 1. REPORTS TO STOCKHOLDERS.

The Fund's annual report transmitted to shareholders pursuant to Rule 30e-1 under the Investment Company Act of 1940 is as follows:

2008 Annual Report

December 31, 2008

Morgan Stanley
China A Share Fund, Inc.
(CAF)

Morgan Stanley
Investment Management Inc.
Investment Adviser

Morgan Stanley China A Share Fund, Inc.

Overview (unaudited)

Letter to Stockholders

Performance

For the year ended December 31, 2008, the Morgan Stanley China A Share Fund, Inc. (the Fund) had total returns of -63.87%, based on net asset value, and -51.22% based on market value per share (including reinvestment of distributions), compared to its benchmark, the Morgan Stanley Capital International (MSCI) China A Share Index (the Index), which returned -61.81%. On December 31, 2008, the closing price of the Fund's shares on the New York Stock Exchange was \$20.45, representing a 0.1% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- The A-share market declined 62% in 2008 on economic slowdown, corporate earnings downgrades and the floating of lock-up shares (that is, non-tradable shares converting to tradable shares after the expiration of a lock-up period).
- China maintained a tightening policy during the first through third quarters of 2008, due to spiking inflationary pressure. These tightening measures brought deteriorating external demand and a weakening domestic property market, and finally caused a sharp slowdown in economic activity in the fourth quarter of the year.
- After shooting up in 2007, the A share market was trading at over 30 times its forward price-to-earnings (P/E) ratio at the beginning of 2008. The major swing in economic conditions triggered a significant downgrade in earnings and valuations, contributing to negative sentiment and further downward pressure on the market.
- The A share market is a very consensus-driven market, which has tended to overshoot on both the upside and the downside when sentiment turns. The floating of lock-up shares in 2008 also added to the bearish sentiment in the market.
- The Fund's overweight in cash and stock selection in the financials sector were large positive contributors to relative performance. Within financials, the Fund held an overweight to large-cap banks, which outperformed mid-

and small-cap banks as well as the Index during the period. The Fund also had zero exposure to an insurance company that significantly underperformed due to losses stemming from the company's investment in a Western bank seeking bailout. Finally, an underweight in the weak-performing properties segment of the financial sector further supported relative performance.

- By contrast, holdings in the industrials sector, which included a mix of machinery, shipping and infrastructure companies, detracted from relative returns. Machinery stocks dampened performance as they faced a margin squeeze in 2008 amid escalating raw material prices, while shipping stocks lagged due to the collapsing Baltic Dry Index, a common gauge of dry container shipping prices.

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 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 had an overweighted position in the industrials sector and a significant underweight in consumer discretionary. In industrials, the Fund's portfolio included globally competitive equipment manufacturers that we believe may be poised to benefit from China's increasing competitiveness in the capital goods arena. The Fund's industrials holdings also included infrastructure names, which we believe have relatively high earnings visibility, steady cash flows, and attractive dividend yields in an economic downturn.

Morgan Stanley China A Share Fund, Inc.

Overview (unaudited)

Letter to Stockholders (cont d)

- During the period, we reduced the Fund's overweight in industrials by eliminating our exposure to shipping stocks. In addition, we added to select sectors and companies that we believe may directly benefit from the government's stimulus package.

Sincerely,

Randy Takian
President and Principal Executive Officer

January 2009

Morgan Stanley China A Share Fund, Inc.

December 31, 2008

Portfolio of Investments

	Shares	Value (000)
COMMON STOCKS (86.7%) (Unless Otherwise Noted)		
Beverages (6.2%)		
Kweichow Moutai Co., Ltd., Class A	1,049,774	\$ 16,836
Commercial Banks (13.6%)		
China Construction Bank Corp., Class A	21,230,919	11,970
China Merchants Bank Co., Ltd.	7,300,296	13,095
Industrial & Commercial Bank of China Ltd., Class A	22,625,462	11,791 36,856
Construction Materials (9.1%)		
Anhui Conch Cement Co., Ltd., Class A (a)	5,012,402	19,166
Huaxin Cement Co., Ltd., Class A	2,480,856	5,437 24,603
Electrical Equipment (1.3%)		
China South Locomotive & Rolling Stock Corp., Class H (a)	6,694,000	3,662
Engineering & Contracting Services (2.2%)		
China Railway Construction Corp., Class A (a)	3,986,960	5,900
Food & Staples Retailing (0.1%)		
Beijing Hualian Hypermarket Co., Ltd, Class A (a)	220,000	199
Independent Power Producers & Energy Traders (3.9%)		
Huadian Power International Corp., Class A	10,086,600	5,687
Huaneng Power International Inc, Class A	4,701,600	4,795 10,482
Insurance (3.0%)		
China Life Insurance Co., Ltd., Class A	2,967,358	8,212
Machinery (9.4%)		
Guangxi Liugong Machinery Co., Ltd., Class A	7,246,962	10,102
Zhengzhou Yutong Bus Co., Ltd., Class A	11,569,074	15,329 25,431
Metals & Mining (5.2%)		
Wuhan Iron & Steel Co., Ltd., Class A	19,820,275	14,003
Oil, Gas & Consumable Fuels (5.2%)		
Shanxi Xishan Coal & Electricity Power Co., Ltd., Class A	8,201,700	14,179
Real Estate (13.5%)	5,182,362	9,999

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China Merchants Property Development Co., Ltd.		
China Vanke Co., Ltd., Class A	19,674,805	18,778
Gemdale Corp., Class A	8,054,189	7,724
		36,501
Road & Rail (5.4%)		
Daqin Railway Co., Ltd., Class A	12,246,300	14,507
Specialty Retail (1.7%)		
GOME Electrical Appliances Holdings Ltd.	32,146,000	4,645
Transportation Infrastructure (6.9%)		
Guangzhou Baiyun International Airport Co., Ltd.	3,335,418	3,470
Jiangxi Ganyue Expressway Co., Ltd.	13,207,886	15,177
		18,647
TOTAL COMMON STOCKS (Cost \$235,146)		234,663
SHORT-TERM INVESTMENT (13.9%)		
Investment Company (13.9%)		
Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class (Cost \$37,569) (b)	37,569,086	37,569
TOTAL INVESTMENTS (100.6%) (Cost \$272,715) (c)		272,232
LIABILITIES IN EXCESS OF OTHER ASSETS (-0.6%)		(1,750)
NET ASSETS (100%)		\$270,482

- (a) Non-income producing security.
- (b) See Note G within the Notes to Financial Statements regarding investment in Morgan Stanley Institutional Liquidity Money Market Portfolio Institutional Class.
- (c) The approximate market value and percentage of total investments, \$230,018,000 and 84.5%, respectively, represent the securities that have been fair valued under the fair valuation policy for international investments as described in Note A within the Notes to Financial Statements.

Morgan Stanley China A Share Fund, Inc.

December 31, 2008

Portfolio of Investments (cont d)

Portfolio Composition

Classification	Percentage of Total Investments
Commercial Banks	13.5%
Real Estate	13.4
Machinery	9.3
Construction Materials	9.0
Transportation Infrastructure	6.9