

Morgan Stanley China A Share Fund, Inc.  
Form 497  
August 18, 2010  
PROSPECTUS

**5,440,904 Shares**

**MORGAN STANLEY CHINA A SHARE FUND, INC.**

**COMMON STOCK**

**Issuable Upon Exercise of Transferable Rights  
to Subscribe for Shares of Common Stock**

*Morgan Stanley China A Share Fund, Inc. (the "Fund") is issuing to its common stockholders of record as of August 18, 2010 transferable rights. These rights will allow you to subscribe for one share of the Fund's common stock for each three rights held. You will receive one right for each whole share of common stock that you hold of record as of August 18, 2010. You need three rights to purchase one share at the subscription price. The Fund will not issue fractional shares upon the exercise of less than three rights. If you fully exercise all rights issued to you, you will be entitled to subscribe, subject to certain limitations and subject to allotment, for additional shares that were not subscribed for by other holders of rights. The shares of common stock of the Fund are listed for trading on the New York Stock Exchange under the symbol "CAF." The rights are transferable and will be listed for trading on the New York Stock Exchange under the symbol "CAF RT" during the course of the offer, which may afford non-subscribing record date stockholders the opportunity to sell their rights for cash value. See "Transferability and Sale of Rights." The subscription price per share will be 90% of the average of the last reported sales price per share of the Fund's common stock on the New York Stock Exchange on the date on which the offer expires and the four preceding trading days (the "Formula Price"); provided, however, that in no event shall the subscription price be less than 90% of the net asset value per share of the Fund's common stock at the close of trading on the New York Stock Exchange on the date on which the offer expires. If the Formula Price is less than 90% of the net asset value per share of the Fund's common stock at the close of trading on the date on which the offer expires, the subscription price will be 90% of the net asset value per share on that day. See "Risk Factors and Special Considerations Risks Related to the Offer." The subscription price per share will include a sales load.*

*THE OFFER WILL EXPIRE AT 5:00 P.M., NEW YORK TIME, ON SEPTEMBER 14, 2010, UNLESS EXTENDED. The Fund announced the offer after the close of business on the New York Stock Exchange on July 1, 2010. The net asset value per share at the close of business on July 1, 2010 and August 12, 2010 was \$24.04 and \$27.05, respectively. Because the expiration date and the date upon which the price of the rights will be determined will be the same date, stockholders and persons who purchase rights in the secondary market who exercise their rights will not know the subscription price of the shares when they make their investment decision. Once you subscribe for shares and the Fund receives payment or a guarantee of payment, you will not be able to change your decision even if the subscription price is higher than the market price of a share of common stock on the expiration date.*

*The Fund is a non-diversified, closed-end management investment company incorporated under the laws of the State of Maryland. 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. See "The Fund's Investments Investment Objective and Policies." There can be no assurance that the Fund's investment objective will be achieved. Morgan Stanley Investment Management Inc. acts as the Fund's adviser and administrator. The address of the Fund is 522 Fifth Avenue, New York, New York 10036, and the Fund's telephone number is (800) 231-2608.*

***Investment in the Fund's common stock involves certain risks that are not typically associated with investments in the securities of U.S. issuers, arising in part from the Fund's investments in securities of Chinese companies. Investment in the rights involves additional risks. See "Risk Factors and Special Considerations."***

*As a result of the offer, stockholders of record on the record date who do not fully exercise their rights should expect that they will, upon completion of the offer, own a smaller proportional interest in the Fund than would otherwise be the case. The completion of the offer will result in immediate voting dilution for such stockholders. Furthermore, if the subscription price per share is less than the Fund's net asset value, stockholders of record will experience immediate dilution of net asset value per share as a result of the offer. See "Risk Factors and Special Considerations Risks Related to the Offer" and "The Offer Terms of the Offer."*

*Please read this Prospectus carefully before investing and keep it for future reference. It sets forth concisely important information that a prospective investor should know before investing in the Fund. All questions and inquiries relating to the offer should be directed to the Information Agent, Georgeson Inc., 199 Water Street, 26th Floor, New York, New York 10038 or toll-free at (866) 628-6023. The Fund has filed additional information about the Fund and the offer with the U.S. Securities and Exchange Commission (<http://www.sec.gov>). Copies of the*

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Fund's annual and semiannual reports may be obtained upon request, without charge, by writing to Morgan Stanley China A Share Fund, Inc., c/o State Street Bank and Trust Company, One Lincoln Street, Boston, Massachusetts 02111-2101, or by calling (800) 231-2608 and also will be made available on the Fund's website at [www.morganstanley.com/im](http://www.morganstanley.com/im). You may also call this toll-free telephone number to request additional information about the Fund or to make stockholder inquiries.

**The U.S. Securities and Exchange Commission has not approved or disapproved these securities or passed upon the accuracy of this Prospectus. Any representation to the contrary is a criminal offense.**

	<i>Estimated Subscription Price(1)</i>	<i>Estimated Sales Load(1)(2)</i>	<i>Estimated Proceeds to the Fund(3)</i>
<i>Per Share</i>	\$ 25.72	\$ 0.90	\$ 24.72
<i>Total (4)</i>	\$ 139,940,051	\$ 4,897,902	\$ 134,522,149

(footnotes on inside front cover)

**MORGAN STANLEY**

August 12, 2010

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*(footnotes from front cover)*

(1) The estimated subscription price is based upon 90% of the last reported sale price per share of the Fund's common stock on the New York Stock Exchange on August 12, 2010 and the four preceding trading days.

(2) In connection with the offer, Morgan Stanley & Co. Incorporated, the dealer manager for the offer (the "Dealer Manager") will receive a fee from the Fund for its financial structuring, marketing and soliciting services equal to 3.50% of the subscription price per share for each share issued pursuant to the exercise of rights and the over-subscription privilege. The Dealer Manager will reallocate to broker-dealers included in the selling group, if any, formed and managed by the Dealer Manager selling fees equal to 2.50% of the subscription price per share for each share issued pursuant to the offer as a result of their selling efforts. In addition, the Dealer Manager will reallocate to other broker-dealers that have executed and delivered a soliciting dealer agreement and have solicited the exercise of rights solicitation fees equal to 0.50% of the subscription price per share for each share issued pursuant to the exercise of rights as a result of their soliciting efforts, subject to a maximum fee based on the number of shares held by each broker-dealer through DTC on the record date. The Fund has also agreed to reimburse the Dealer Manager up to an aggregate of \$100,000 for a portion of its reasonable out-of-pocket expenses incurred in connection with the offer. These fees and expenses of the offer, including the dealer manager fee, will be borne by all of the Fund's stockholders, including those stockholders who do not exercise their rights. Morgan Stanley & Co. Incorporated is deemed to be acting as an underwriter for federal securities law purposes in connection with the offer. Prior to the expiration of the offer, the Dealer Manager and its affiliates may independently offer and sell the rights and shares in market-making transactions at negotiated prices related to prevailing market prices at the time of sale or otherwise. The Dealer Manager and its affiliates may realize profits or losses in connection with such market-making transactions independent of any fees described in this prospectus. The Fund and its investment advisers have agreed to indemnify the Dealer Manager or contribute to losses arising out of certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "1933 Act"). See "Distribution Arrangements."

(3) After deduction of expenses payable by the Fund, estimated at US\$520,000.

(4) Assumes that all rights are exercised in the Primary Subscription (as defined herein).

*(continued from previous page)*

**Investment Policies.** The Fund is a non-diversified, closed-end management investment company. 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 Fund may invest in warrants or other Strategic Transactions (as defined herein). These investments will be deemed to be counted towards the Fund's 80% policy to the extent that these investments are structured to be positively correlated and linked to China A-shares. The Fund may also invest up to 20% of its assets in other types of investments, including B-shares of companies listed on the Shanghai and Shenzhen Stock Exchanges, shares ("H-shares") of companies incorporated in mainland China and listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), shares of companies ("Red Chip companies") with controlling Chinese shareholders that are incorporated outside mainland China and listed on the Hong Kong Stock Exchange, shares of China-related companies listed on the Hong Kong Stock Exchange, the Stock Exchange of Singapore (the "Singapore Stock Exchange") or other exchanges, and assets which may or may not be China-related, including shares of open- and closed-end investment companies, common stocks, bonds, convertible securities, money market and other short-term debt securities, cash equivalents and Strategic Transactions, which may include participation notes, warrants, options, futures, forwards, swaps or various other strategic investment transactions. For purposes of the Fund's policies, "China" means the People's Republic of China, which includes Hong Kong, and a "China-related" company is a company that (i) is organized in, or for which the principal securities trading market is in, China or (ii) derives or that is expected to derive 50% or more of its annual revenues primarily from either goods produced, sales made or services performed in China. Certain "China-related" companies that fall within category (ii) above may or may not ultimately, although at the time of purchase the Adviser and/or Sub-Adviser expected that such company would do so, derive 50% or more of its annual revenues primarily from either goods produced, sales made or services performed in China. See "Appendix A Geographic, Political and Economic Developments in the People's Republic of China." The Fund's investment objective and 80% policy may be changed without stockholder approval; however, stockholders will be notified of any changes. There can be no assurance that the Fund's investment objective will be achieved.

**Risks of Investing in Chinese Companies.** An investment in the Fund should be considered speculative. Investments in Chinese companies involve certain risks and special considerations not typically associated with the United States, such as greater government control over the economy, political and legal uncertainty, currency fluctuations or blockage, the risk that the Chinese government may decide not to continue to support economic reform programs and the risk of nationalization or expropriation of assets. Additionally, the Chinese securities markets are emerging markets characterized by relatively low trading volume, resulting in substantially less liquidity and greater price volatility. These risks may be more pronounced for the A-share market than for Chinese securities markets generally because the A-share market is subject to greater government restrictions and control. See "Risk Factors and Special Considerations Risks Associated with Investments in Chinese Companies Investments in A-shares." Moreover, information available about Chinese companies may not be as complete, accurate or timely as information about listed U.S. companies. See "Risk Factors and Special Considerations."

The information set forth in this prospectus regarding China, its economy, and the Shanghai, Shenzhen, Hong Kong and Singapore Stock Exchanges has been extracted from various government and private publications. The Fund and its Board of Directors (the "Board") have not

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attempted to verify the statistical information presented in this Prospectus. In this Prospectus, unless otherwise specified, all references to "U.S. dollars," "US\$" or "\$" are to United States dollars, to "RMB" or "renminbi" are to Chinese renminbi and to "H.K. dollars" or "HK\$" are to Hong Kong dollars. On August 12, 2010, the exchange rates published in The Wall Street Journal were RMB6.7749 = US\$1.00 and HK\$7.7646 = US\$1.00 and, unless otherwise specified, all renminbi and H.K. dollar amounts have been converted to U.S. dollars at such exchange rates. No

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representation is made that the renminbi, H.K. dollar or U.S. dollar amounts in this Prospectus could have been or could be converted into renminbi, H.K. dollars or U.S. dollars, as the case may be, at any particular rate or at all. See "Appendix A Geographic, Political and Economic Developments in the People's Republic of China Exchange Rates" for information regarding historical rates of exchange between the renminbi and the U.S. dollar. The fiscal years of the Fund referred to in this Prospectus are years ending December 31.

Certain numbers and percentages have been rounded for ease of presentation, which may result in amounts not totaling precisely.

Shares of the Fund do not represent a deposit or obligation of, and are not guaranteed by or endorsed by, any bank or other insured depository institution, and are not federally insured by the U.S. Federal Deposit Insurance Corporation, the Federal Reserve Board or any other government agency.

### TABLE OF CONTENTS

	<b>Page</b>
Forward-Looking Statements	iii
Prospectus Summary	1
Fee Table	10
Financial Highlights	11
The Offer	12
The Fund	19
Use of Proceeds	19
The Fund's Investments	19
Risk Factors and Special Considerations	33
Investment Restrictions	44
Management of the Fund	45
Compensation	54
Portfolio Transactions and Brokerage	59
Net Asset Value	60
Dividends and Distributions; Dividend Reinvestment Plan	60
Description of Common Shares	62
Certain Provisions of Maryland Law and of the Fund's Charter and By-Laws	64
Tax Matters	67
Dividend Paying Agent, Transfer Agent and Registrar	76
Custodian and Sub-Custodian	76
Code of Ethics	76
Proxy Voting Policy and Procedures	76
Distribution Arrangements	76
Selling Restrictions	77
Legal Matters	79

## Edgar Filing: Morgan Stanley China A Share Fund, Inc. - Form 497

Independent Registered Public Accounting Firm	79
Additional Information	79
Financial Statements	80
Appendix A Geographic, Political and Economic Developments in the People's Republic of China	A-1
Appendix B Morgan Stanley Investment Management Proxy Voting Policy and Procedures	B-1

**The information contained in this Prospectus speaks only as of the date of this Prospectus unless the information specifically indicates that another date applies. No dealer, salesperson or other person has been authorized to give any information or to make any representations other than those contained in this Prospectus in connection with the offer contained herein and, if given or made, such information or representations must not be relied upon as having been authorized by the Fund.**

### FORWARD-LOOKING STATEMENTS

The Fund may not claim the safe harbor for forward-looking statements contained in the federal securities laws of the United States because that safe harbor does not apply to investment companies. Nevertheless, you should note that certain statements in this Prospectus are prospective in nature, which involve known and unknown risks, uncertainties and other factors that may cause the Fund's actual results or level of performance to be materially different from any future results or level of performance expressed or implied by such forward-looking statements. Such factors include, among others, those listed under "Risk Factors and Special Considerations," "Appendix A: Geographic, Political and Economic Developments in the People's Republic of China" and elsewhere in this Prospectus. As a result of these and other factors, the Fund cannot give you any assurances as to its future results or level of performance. To the extent required by law, the Fund undertakes to amend or reflect any material changes to the information presented in this Prospectus after the date of this Prospectus.

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## PROSPECTUS SUMMARY

*The following is qualified in its entirety by the more detailed information included elsewhere in this Prospectus. You should read the entire Prospectus before you decide whether to exercise your rights. In particular, you should carefully read the risks of investing in the Shares, as discussed under "Risk Factors and Special Considerations."*

### **The Offer at a Glance**

#### *Terms of the Offer*

Morgan Stanley China A Share Fund, Inc. (the "Fund") is issuing to its common stockholders of record ("Record Date Stockholders") as of the close of business on August 18, 2010 (the "Record Date") transferable rights (the "Rights") to subscribe for up to an aggregate of 5,440,904 shares (the "Shares") of the common stock, par value \$0.01 per share (the "Common Stock"), of the Fund (the "Offer"). Each Record Date Stockholder will receive one Right for each whole share of Common Stock owned on the Record Date. Each Record Date Stockholder needs three Rights to purchase one Share at the Subscription Price (as defined herein). The Fund will not issue fractional Shares upon the exercise of less than three Rights. The Shares of the Fund are listed for trading on the New York Stock Exchange (the "NYSE") under the symbol "CAF." The Rights are transferable and will be listed for trading on the NYSE under the symbol "CAF RT." Rights may be exercised at any time from August 25, 2010 through 5:00 p.m., New York time, on September 14, 2010, unless extended by the Fund (the "Subscription Period"). The term Record Date Stockholder (unless otherwise noted) will also be used herein to refer to any subsequent transferees of the Rights. The right of a Record Date Stockholder to acquire Shares during the Subscription Period is hereinafter referred to as the "Primary Subscription." Since the Subscription Price will be determined after the expiration of the Subscription Period, Record Date Stockholders who exercise their Rights will not know the Subscription Price at the time they exercise their Rights and stockholders and persons who purchase Rights in the secondary market should consider the possibility that the Subscription Price could be greater than the market price of the Fund's shares at the close of trading on the last day of the Subscription Period. Once a Record Date Stockholder subscribes for Shares and the Fund receives payment or a guarantee of payment, the Record Date Stockholder will not be able to change his or her decision. The Fund reserves the right to withdraw the Offer after the Rights have been issued. See "The Offer."

#### *Over-Subscription Privilege*

Each Record Date Stockholder, which in this instance does not include any subsequent transferees of the Rights, who fully exercises all Rights issued to him or her is entitled to subscribe for Shares which were not otherwise subscribed for by others, including subsequent transferees of the Rights, in the Primary Subscription (the "Over-Subscription Privilege"). If enough Shares are available, all of these requests will be honored in full. If these requests for Shares exceed the Shares available, the available Shares will be allocated pro rata among those Record Date Stockholders who over-subscribe based on the number of Rights originally issued to them by the Fund.

#### *Subscription Price*

The Subscription Price per Share ("Subscription Price") will be 90% of the average of the last reported sales price per share of the Fund's Common Stock on the NYSE on the date on which the offer expires (the "Expiration Date") and the four preceding trading days (the "Formula Price"); provided, however, that in no event shall the Subscription Price be less than 90% of the net asset value ("NAV") per share of the Fund's Common Stock at the close of trading on the NYSE on the Expiration Date. If the Formula Price is less than 90% of the NAV per share of the Fund's Common Stock at the close of trading on the Expiration Date, the Subscription Price will be 90% of the NAV per share on that day. If this condition is triggered, it is likely that the market price of the Shares on the Expiration Date will be lower than the Subscription Price. Once you subscribe for Shares and the Fund receives payment or a guarantee of payment, you will not be able to change your decision even if the Subscription Price is higher than the market price of a Share of Common Stock on the Expiration Date. The Subscription Price is discussed further under "The Offer Subscription Price." In addition, information with respect to the quarterly high and low sale prices of the Fund's Common Stock on the NYSE and the quarterly high and low NAVs per share of Common Stock is provided under "Common Stock."



***Exercising Rights***

Rights will be evidenced by Subscription Certificates and may be exercised by delivering to Computershare Trust Company, N.A. (the "Subscription Agent") a completed Subscription Certificate, together with payment, or by delivering a Notice of Guaranteed Delivery. The Notice of Guaranteed Delivery or Subscription Certificates together with payment should be addressed, if sent by first class mail, to Computershare Trust Company, N.A., Corporate Actions Voluntary Offer, P.O. Box 43011, Providence, Rhode Island 02940-3011 or, if sent by express mail or overnight courier, to Computershare Trust Company, N.A., Corporate Actions Voluntary Offer, 250 Royall Street, Suite V, Canton, Massachusetts 02021, or by facsimile to (617) 360-6810. Those Record Date Stockholders who subscribe in the Primary Subscription, or those Record Date Stockholders who exercise their Rights (the "Exercising Rights Holders"), will have no right to rescind a purchase after the Subscription Agent has received a completed Subscription Certificate or Notice of Guaranteed Delivery. See "The Offer Exercise of Rights" and "The Offer Payment for Shares." There is no minimum number of Rights which must be exercised for the Offer to close.

***Transferability and Sale of Rights***

The Rights are transferable. The Rights will be listed for trading on the NYSE under the symbol "CAF RT" during the course of the Offer. The Fund and the Dealer Manager will use their commercial best efforts to ensure that an adequate trading market for the Rights will exist. No assurance can be given that a market for the Rights will develop. Trading in the Rights on the NYSE is expected to be conducted until the close of trading on the NYSE on the last business day prior to the Expiration Date.

***Foreign Restrictions***

Subscription Certificates will not be mailed to Record Date Stockholders whose record addresses are outside the United States ("Foreign Record Date Stockholders") (the term "United States" includes its territories and possessions and the District of Columbia). The Rights to which such Subscription Certificates relate will be held by the Subscription Agent for such Foreign Record Date Stockholders' accounts until instructions are received to exercise the Rights. If no instructions are received by 5:00 p.m., New York time, on September 9, 2010, three business days prior to the Expiration Date (or, if the subscription period is extended, on or before three business days prior to the extended Expiration Date), the Dealer Manager will use its commercial best efforts to sell the Rights. The net proceeds, if any, from the sale of those Rights by the Dealer Manager will be remitted to these stockholders. See "The Offer Foreign Stockholders."

***Purpose of the Offer***

The Board of the Fund has determined that it is in the best interests of the Fund and its stockholders to increase the assets of the Fund available for investment so that the Fund will be in a better position to take advantage of investment opportunities. Without an infusion of additional capital, the Fund is limited in its ability to take advantage of new investment opportunities. The ability of the Fund to increase its investment in China A-shares is contingent upon an additional A-share Quota. The Adviser has obtained an additional \$250,000,000 A-share Quota, which if not used within a limited time period, may be lost or reduced. The Board believes that increasing the size of the Fund will increase the liquidity of the Fund's shares of Common Stock and potentially reduce the Fund's expenses as a proportion of average net assets. The Offer will benefit both the Fund and its stockholders by providing the Fund with the ability to make additional investments without selling current investments if otherwise not desirable. There can be no assurance that the Offer will be successful or that, by increasing the size of the Fund, the Fund's expense ratio will be lowered. See "The Offer Purpose of the Offer."

***Tax Consequences***

For federal income tax purposes, neither the receipt nor the exercise of the rights should result in taxable income to you. You will not realize a taxable loss if your rights expire without being exercised. See "The Offer U.S. Federal Income Tax Consequences of the Offer."

***Use of Proceeds***

The net proceeds of the Offer, assuming all Shares offered hereby are sold, are estimated to be approximately US\$134,522,149, after deducting offering expenses payable by the Fund estimated to be approximately US\$520,000.

The Fund intends to invest the net offering proceeds in China A-shares, by utilizing the additional \$250,000,000 A-share Quota that the Adviser has obtained, in accordance with the Fund's investment goals and policies. The Fund anticipates that investment of the net proceeds of the Offer in accordance with the Fund's investment goal and policies may take up to ninety days from their receipt by the Fund, depending on market conditions and the availability of appropriate securities. The Fund may require up to 90 days due to the Fund's need to invest substantially all of its assets in the securities of issuers organized under the laws of a foreign jurisdiction. Pending such investment, the proceeds may be invested in short-term debt securities. See "Use of Proceeds."

***Distribution Arrangements***

Morgan Stanley & Co. Incorporated will act as Dealer Manager for the Offer. Under the terms and subject to the conditions contained in a Dealer Manager Agreement between the Fund and the Dealer Manager, the Dealer Manager will provide financial structuring, marketing and soliciting services in connection with the Offer and will solicit the exercise of Rights and participation in the over-subscription privilege by Record Date Stockholders. The Offer is not contingent upon any number of Rights being exercised. The Fund has agreed to pay the Dealer Manager a fee for its financial structuring, marketing and soliciting services equal to 3.50% of the Subscription Price per Share for each Share issued pursuant to the exercise of Rights and the Over-Subscription Privilege. The Dealer Manager will reallow to broker-dealers included in the selling group, if any, formed and managed by the Dealer Manager selling fees equal to 2.50% of the Subscription Price per Share for each Share issued pursuant to the Offer as a result of their selling efforts. In addition, the Dealer Manager will reallow to other broker-dealers that have executed and delivered a soliciting dealer agreement and have solicited the exercise of rights solicitation fees equal to 0.50% of the Subscription Price per Share for each Share issued pursuant to the exercise of Rights as a result of their soliciting efforts, subject to a maximum fee based on the number of Shares held by each broker-dealer through DTC on the Record Date. The Fund has also agreed to reimburse the Dealer Manager up to an aggregate of \$100,000 for a portion of its reasonable out-of-pocket expenses incurred in connection with the Offer. These fees and expenses of the Offer, including the dealer manager fee and reimbursable expenses, will be borne by all of the Fund's stockholders, including those stockholders who do not exercise their Rights. The Fund and its investment advisers have agreed to indemnify the Dealer Manager or contribute to losses arising out of certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "1933 Act"). The Dealer Manager will benefit from this Offer as a result of this fee arrangement. See "Distribution Arrangements."

Prior to the expiration of the Offer, the Dealer Manager and its affiliates may independently offer for sale Shares, including Shares acquired through purchasing and exercising the Rights, at prices it sets. Although the Dealer Manager may realize gains and losses in connection with such purchases and sales, such offering of Shares is intended by the Dealer Manager to facilitate the Offer. The Dealer Manager's fee for its financial structuring, marketing and soliciting services is independent of any gains or losses that may be realized by the Dealer Manager through the purchase and exercise of Rights.

***Information Agent and Subscription Agent***

The Information Agent for the Offer is:

**Georgeson Inc.  
199 Water Street, 26th Floor  
New York, New York 10038  
Toll-Free: (866) 628-6023  
or  
For banks and brokers: (212) 440-9800**

The Subscription Agent for the Offer is:

**Computershare Trust Company, N.A.  
250 Royall Street  
Canton, Massachusetts 02021**

***Important Dates to Remember***

<b>Event</b>	<b>Date</b>
Record Date	August 18, 2010
Subscription Period	August 25, 2010 to September 14, 2010*
Expiration Date and pricing date	September 14, 2010*
Subscription Certificates and payment for Shares due**	September 14, 2010*
Notice of Guaranteed Delivery due	September 14, 2010*
Subscription Certificate and payment for guarantees of delivery due**	September 17, 2010*
Confirmation mailed to participants	September 22, 2010*
Final payment for Shares***	September 28, 2010*

\* Unless the Offer is extended.

\*\* A Record Date Stockholder exercising rights must deliver by the Expiration Date either (i) a Subscription Certificate and payment for Shares or (ii) a Notice of Guaranteed Delivery. A Notice of Guaranteed Delivery is a form sent by your broker-dealer, bank or trust company that guarantees on your behalf delivery of the Subscription Certificate and payment by the close of business on the third business day after the Expiration Date.

\*\*\* Additional amount due (in the event the Subscription Price exceeds the estimated Subscription Price).

**The Fund at a Glance*****Certain Effects of the Offer***

The Fund's investment manager will benefit from the Offer because the investment manager fee is based on the Fund's average weekly net assets. It is not possible to state precisely the amount of additional compensation the Adviser will receive as a result of the Offer because it is not known how many Shares will be subscribed for and because the net proceeds of the Offer will be invested in additional portfolio securities which will fluctuate in value. However, assuming (i) all Rights are exercised, (ii) the Fund's average weekly NAV is \$27.05 per share (the NAV per share on August 12, 2010) and (iii) the Subscription Price is \$25.72 per share (90% of the average of the last reported sale price of a share of common stock on the NYSE on August 12, 2010 and each of the four preceding trading days), after giving effect to dealer manager fees and other offering expenses, the Adviser would receive additional management fees of \$2,017,832 for the twelve months following the completion of the Offer and would continue to receive additional management fees as a result of the Offer, based on the Fund's average weekly net assets attributable to the shares issued in the Offer, thereafter.

***Information Regarding the Fund***

The Fund has been engaged in business as a non-diversified, closed-end management investment company since it first issued its Common Stock to the public on October 3, 2006. The Fund is designed for investors desiring to invest a portion of their assets in Chinese securities. It is the policy of the Fund to invest, under normal market conditions, at least 80% of its net assets in A-shares of Chinese companies listed on the Shanghai and Shenzhen Stock Exchanges. The Fund may invest in warrants or other Strategic Transactions (as defined herein). These investments will be deemed to be counted towards the Fund's 80% policy to the extent that these investments are structured to be positively correlated and linked to China A-shares. The Fund may also invest up to 20% of its assets in other types of investments, including B-shares of companies listed on the Shanghai and Shenzhen Stock Exchanges, H-shares of companies incorporated in mainland China and listed on the Hong Kong Stock Exchange, shares of Red Chip companies with controlling Chinese shareholders that are incorporated outside mainland China and listed on the Hong Kong Stock Exchange, shares of China-related companies listed on the Hong Kong Stock Exchange, Singapore Stock Exchange or other exchanges, and assets which may or may not be China-related, including shares of open- and closed-end investment companies, Strategic Transactions, common stocks, bonds, convertible securities, money market and other short-term debt securities and cash equivalents. For purposes of the Fund's policies, "China" means the People's Republic of China, which includes Hong Kong, and a "China-related" company is a company that (i) is organized in, or for which the principal securities trading market is in, China or (ii) derives or that is expected to derive 50% or more of its annual revenues primarily from either goods produced, sales made or services performed in China. Certain "China-related" companies that fall within category (ii) above may or may not ultimately, although at the time of purchase the Adviser and/or Sub-Adviser expected that such company would do so, derive 50% or more of its annual revenues primarily from either goods produced, sales made or services performed in China. See "The Fund's Investments Investment Objective and Policies." The Fund's investment objective and 80% policy may be



changed without stockholder approval; however, stockholders will be notified of any changes. There can be no assurance that the Fund's investment objective will be achieved. See "Risk Factors and Special Considerations."

The Fund was the first U.S. registered investment company to invest principally in China A-shares. The Adviser (as defined below) has obtained a qualified foreign institutional investor ("QFII") license pursuant to which it is authorized to invest in China A-shares and other permitted China securities listed on the Shanghai and Shenzhen Exchanges 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"). Since the Fund does not satisfy the criteria to qualify as a QFII itself, in order for the Fund to invest in China A-shares, it must do so via the Adviser's A-share Quota. The Adviser has obtained an additional \$250,000,000 A-share Quota which it will make available to the Fund upon consummation of the Offer.

As of August 12, 2010, the Fund had 16,322,714 shares outstanding, which are listed and traded on the NYSE under the symbol "CAF." See "Description of Common Shares." As of August 12, 2010, the net assets of the Fund were US\$441,475,844.

***Information Regarding the Fund's Adviser, Sub-Adviser, Administrator, Sub-Administrator, Custodian and Sub-Custodians***

The investment adviser to the Fund is Morgan Stanley Investment Management Inc. (the "Adviser"), a Delaware corporation, whose address is 522 Fifth Avenue, New York, New York 10036. The Adviser is a wholly-owned subsidiary of Morgan Stanley, a preeminent global financial services firm engaged in securities trading and brokerage activities, as well as providing investment banking, research and analysis, financing and financial advisory services.

Morgan Stanley Investment Management Inc. provides certain day to day investment management services to the Fund. Under the Investment Advisory Agreement, the Adviser receives an annual fee, payable monthly, in an amount equal to 1.50% of the Fund's average weekly net assets. The Adviser is a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). As of June 30, 2010, the Adviser, together with its affiliated asset management companies, had approximately US\$251 billion in assets under management or supervision. See "Management of the Fund."

Morgan Stanley Investment Management Company (the "Sub-Adviser"), a wholly-owned subsidiary of Morgan Stanley, provides investment sub-advisory services to the Fund pursuant to a Sub-Advisory Agreement between the Adviser and the Sub-Adviser. The Sub-Adviser has been retained, subject to the overall supervision of the Adviser and the Directors of the Fund, to continuously furnish investment advice concerning individual security selections, asset allocations and economic trends and to manage the Fund's portfolio.

Morgan Stanley Investment Management Inc. also serves as administrator (the "Administrator") to the Fund pursuant to an Administration Agreement. Under the Administration Agreement, the annual administrative fee, payable monthly, is 0.08% of the Fund's average weekly net assets. The Administration Agreement covers administrative costs (including out-of-pocket expenses incurred in the ordinary course of providing services under the Administration Agreement), except pricing services and extraordinary expenses.

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. Administration costs (including out-of-pocket expenses) incurred in the ordinary course of providing services under the Agreement, except pricing services and extraordinary expenses, will be covered under the administration fee.

State Street (the "Custodian") also serves as custodian for the Fund. The Custodian holds cash, securities and other assets of the Fund as required by the Investment Company Act of 1940, as amended (the "Investment Company 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 Adviser will employ sub-custodians in each of the jurisdictions in which the Fund invests. The HSBC Bank (China) Company Limited ("HSBC") serves as the Fund's sub-custodian in China. The principal business address of the sub-custodian is HSBC Building, No. 101 of Yin Chang East Road, Pudong District, Shanghai, China.

***Dividends and Distributions; Dividend Reinvestment Plan***

The Fund intends to distribute to stockholders annually all or substantially all of its net investment income and any net capital gains, subject to compliance with the investment and repatriation restrictions imposed by the China Securities Regulatory Commission ("CSRC") and the Chinese State Administration of Foreign Exchange ("SAFE"). Unless the Fund is otherwise instructed in writing in the manner described under "Dividends and Distributions; Dividend Reinvestment Plan," stockholders are presumed to have elected to have all distributions automatically reinvested in common shares of the Fund. Stockholders who have distributions automatically reinvested may also make additional payments into the dividend reinvestment plan to purchase shares of the Fund on the open market. See "Dividends and Distributions; Dividend Reinvestment Plan."

Net realized profits from the Fund's investment activities in China for any fiscal year may only be distributed to stockholders following completion of an audit of the Adviser's activities relating to its A-share Quota by an independent Chinese auditor for such period, and following payment by the Fund of all applicable taxes. The audit performed by the Chinese auditor is solely to determine the amount of the Fund's net realized profits that may be repatriated. Realized profits are asserted in respect of the A-share Quota as a whole, and the level of profitability of the A-share Quota as a whole may not necessarily bear close resemblance to the profitability of the Fund's investment activities. Such audit is separate and independent from the audit of the Fund's financial statements by its independent registered public accounting firm in accordance with U.S. generally accepted accounting principles ("GAAP"). All transfers and repatriations require the approval of SAFE, the Chinese government agency responsible for foreign exchange administration. Under the SAFE Measures (as defined below under "The Fund's Investments Quotas for Investments in China"), if the Adviser, as the QFII, needs to purchase foreign currency with renminbi for remitting the net realized after-tax profit, it shall apply to SAFE by presenting the requisite application documents. However, 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. See "Dividends and Distributions; Dividend Reinvestment Plan" and "Tax Matters U.S. Federal Income Taxes."

***Risk Factors and Special Considerations***

*You should carefully consider the following factors, as well as the other information in this Prospectus, before making an investment in the Fund under this Offer.*

***Risks Related to the Offer.*** Record Date Stockholders will experience a dilution of the NAV per share upon the completion of the Offer if the Subscription Price is less than the Fund's then current NAV per Share. In addition, Record Date Stockholders who do not fully exercise their Rights should expect that they will, at the completion of the Offer, own a smaller proportional interest in the Fund than would otherwise be the case and may also incur dilution of ownership and voting, as well as dilution of their shares of any distributions made by the Fund, as a result of the Offer. This dilution may occur because a stockholder could own a smaller interest in the Fund after the Offer than he or she owned prior to the Offer. Furthermore, if a stockholder does not submit a subscription request pursuant to the Over-Subscription Privilege, he or she may also experience dilution of ownership and voting, as well as dilution of his or her share of any distributions made by the Fund, if the Fund offers additional shares for subscription. This dilution, which may be substantial, will be experienced by all stockholders, irrespective of whether they exercise all or any portion of their Rights, although non-exercising stockholders will experience disproportionate dilution.

In addition, whether or not Record Date Stockholders exercise their Rights, they will experience a dilution of NAV because they will indirectly bear the expenses of this Offer, which include, among other items, SEC registration fees, printing expenses and the fees assessed by service providers (including the cost of the Fund's counsel and independent registered public accounting firm). This dilution of NAV will disproportionately affect stockholders who do not exercise their Rights. The precise amount of any decrease will not be known until it is determined how many Shares are subscribed for and what the NAV and Subscription Price will be at the pricing date.

Because the Subscription Price will be equal to 90% of the five-day average closing price for the Shares ending on the Expiration Date (unless it would be below 90% of NAV), it is possible that the market price of the Shares on the Expiration Date will be lower than the Subscription Price. In addition, if this five-day average is lower than 90% of the

NAV per Share on the Expiration Date, the Subscription Price will be equal to 90% of the NAV per Share on the Expiration Date, in which case it is likely that the market price per Share on the Expiration Date will be lower than the Subscription Price. In either case, an investor that exercises Rights would experience an immediate loss of value. If the market price per Share on the Expiration Date is lower than the Subscription Price, an investor that exercises Rights would experience an immediate loss of value. Because the Subscription Price will not be determined until after Rights must be exercised, at the time of your investment decision you will not know if you will be subject to this loss of value.

*Risks of Investing in Rights.* Shares of closed-end funds such as the Fund frequently trade at a discount to NAV. The Fund's Common Stock has in the past traded at a discount to NAV. See "Description of Common Shares." If the Formula Price is less than 90% of NAV on the Expiration Date, then the Subscription Price will likely be greater than the market price of a share of Common Stock on that date. In addition, the Formula Price, even if above 90% of NAV, may still be above the market price of a Share of Common Stock on the Expiration Date. If either event occurs, the Rights will have no value, and a person who exercises Rights will experience an immediate loss of value.

*Risks Related to Withdrawal of the Offer.* The Fund reserves the right to withdraw the Offer after the Rights have been issued. If this happens, purchasers of Rights in the secondary market will lose their entire investment.

*Investment Risk.* You may lose money by investing in the Fund, including the possibility that you may lose all of your investment. An investment in the Fund is not a deposit in a bank and is not insured or guaranteed by the U.S. Federal Deposit Insurance Corporation ("FDIC") or any other governmental agency.

Among the principal risks of investing in the Fund is market risk, which is the risk that the value of your investment may fluctuate as stock markets fluctuate.

As an investment company that primarily holds common stocks, the Fund's portfolio is subject to the possibility that common stock prices will decline over short or even extended periods. The Fund may remain substantially fully invested during periods when stock prices generally rise and also during periods when they generally decline. Risks are inherent in investments in equities, and Fund stockholders should be able to tolerate significant fluctuations in the value of their investment in the Fund.

The Fund is intended to be a long-term investment vehicle and is not designed to provide investors with a means of speculating on short-term stock market movements. Investors should not consider the Fund a complete investment program.

*Risks of Investing in Equity Securities of Chinese companies.* Investing in securities of Chinese companies involves certain risks and considerations not typically associated with investing in securities of U.S. issuers, including, among others, (a) the heavy concentration of market capitalization and trading volume in a small number of Chinese companies representing a limited number of industries, combined with diversification requirements applicable to the Fund under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and Chinese law, potentially resulting in fewer investment opportunities for the Fund, (b) the small size of the market for Chinese securities and the low volume of trading, resulting in lack of liquidity and in price volatility, (c) currency devaluations and other currency exchange rate fluctuations, (d) lack of a market to engage in hedging transactions to minimize renminbi foreign exchange risk, (e) the nature and extent of intervention by the Chinese government in the Chinese securities markets, whether such intervention will continue and the impact of such intervention or its discontinuation, (f) limitations on the use of brokers, (g) higher rates of inflation, (h) greater political, economic and social uncertainty, (i) certain Chinese government requirements which may restrict the Fund's investment opportunities, (j) custody risks associated with investing through a QFII and (k) investment and repatriation restrictions. In addition, accounting, auditing and financial reporting standards in China are different from U.S. standards and, therefore, disclosure of certain material information may not be made. Less information may be available to the Fund and other investors than would be the case if the Fund's investments were restricted to securities of U.S. issuers. There is also generally less governmental regulation of the securities industry in China, and less enforcement of regulatory provisions relating thereto, than in the United States. Moreover, it may be more difficult to obtain a judgment in a court outside the United States. The Fund will be subject to withholding taxes, including withholding taxes imposed on dividends, interest and realized capital gains, by the government of China. See "Risk Factors and Special Considerations" and "Tax Matters."

*Risk of Investing in Strategic Transactions.* Strategic Transactions involve risks, including the imperfect correlation between the value of such instruments and the underlying assets, the possible default by the other party to

the transaction, illiquidity of the derivative instrument and, to the extent the Adviser's prediction as to certain market movements is incorrect, the risk that the use of such Strategic Transactions could result in losses greater than if they had not been used. Use of put and call options may result in losses to the Fund, force the sale of portfolio securities at inopportune times or for prices other than at current market values, limit the amount of appreciation the Fund can realize on its investments or cause the Fund to hold a security it might otherwise sell.

P-notes are participation interest notes that are issued by banks or broker-dealers and are designed to offer a return linked to a particular underlying equity, debt, currency, index or group of securities indicative of a market. The P-notes in which the Fund may invest will typically have a maturity of one year. When purchasing a P-note, the posting of margin is not required because the full cost of the P-note (plus commission) is paid at the time of purchase. When the P-note matures, the issuer will pay to, or receive from, the purchaser the difference between the nominal value of the underlying instrument at the time of purchase and that instrument's value at maturity.

Investments in P-notes involve the same risks associated with a direct investment in the underlying foreign companies or foreign securities markets that they seek to replicate. In addition, there can be no assurance that the trading price of P-notes will equal the underlying value of the foreign companies or foreign securities markets that they seek to replicate. While the value of a P-note is influenced by the value of the underlying foreign companies or foreign securities which it references, it is also influenced by additional factors such as changes in the credit quality of the financial institution that has issued the P-notes. The P-notes may also contain certain features that would cause the price of the P-notes to differ from the value of the underlying reference securities. The holder of a participation note that is linked to a particular underlying security is entitled to receive any dividends paid in connection with an underlying security or instrument. However, the holder of a participation note does not receive voting rights as it would if it directly owned the underlying security or instrument. P-notes are generally traded OTC. P-notes constitute general unsecured contractual obligations of the banks or broker-dealers that issue them and the counterparty. There is also counterparty risk associated with these investments because the Fund is relying on the creditworthiness of such counterparty and has no rights under a participation note against the issuer of the underlying security. P-notes involve transaction costs.

Interest rate and total rate of return swaps do not involve the delivery of securities, other underlying assets or principal. Accordingly, the risk of loss with respect to interest rate and total rate of return swaps is limited to the net amount of interest payments that the Fund is contractually obligated to make. If the other party to an interest rate or total rate of return swap defaults, the Fund's risk of loss consists of the net amount of interest payments that the Fund is contractually entitled to receive. In contrast, currency swaps may involve the delivery of the entire principal value of one designated currency in exchange for the other designated currency. Therefore, the entire principal value of a currency swap may be subject to the risk that the other party to the swap will default on its contractual delivery obligations. If there is a default by the counterparty, the Fund may have contractual remedies pursuant to the agreements related to the transaction. The use of swaps is a highly specialized activity that involves investment techniques and risks different from those associated with ordinary portfolio securities transactions. If the Adviser is incorrect in its forecasts of market values, interest rates and currency exchange rates, the investment performance of the Fund would be less favorable than it would have been if this investment technique were not used.

The use of forward contracts, options and futures transactions entails certain special risks. In particular, the variable degree of correlation between price movements of futures contracts and price movements in the related portfolio position of the Fund could create the possibility that losses on the hedging instrument will be greater than gains in the value of the Fund's position. In addition, futures and options markets could be illiquid in some circumstances, and certain over-the-counter options could have no markets. As a result, in certain markets, the Fund might not be able to close out a position without incurring substantial losses. To the extent that the Fund utilizes forwards, futures or options transactions for hedging, such transactions should tend to minimize the risk of loss due to a decline in the value of the hedged position and, at the same time, limit any potential gain to the Fund that might result from an increase in value of the position. In addition, the daily variation margin requirements for futures contracts create a greater ongoing potential financial risk than would purchases of options, in which case the exposure is limited to the cost of the initial premium and transaction costs. Losses resulting from the use of hedging will reduce the Fund's NAV, and possibly income, and the losses can be greater than if hedging had not been used.

Liquidity risk may exist when a particular derivative is difficult to purchase or sell. If a derivative transaction is particularly large or if the relevant market is illiquid, the Fund may be unable to initiate a transaction or liquidate a position at an advantageous time or price. There also may be greater risk that no liquid secondary market in the trading



of OTC derivatives will exist, in which case the Fund may be required to hold such instruments until exercise, expiration or maturity. Many of the protections afforded to exchange participants will not be available to participants in OTC derivatives transactions. OTC derivatives transactions are not subject to the guarantee of an exchange or clearinghouse and as a result the Fund would bear greater risk of default by the counterparties to such transactions. Derivatives that are considered to be illiquid will be subject to the Fund's limitation on investments in illiquid securities.

*Exchange-Traded Funds.* The Fund may purchase shares of various ETFs, including exchange-traded index funds, on an exchange or in creation unit aggregations. Exchange-traded index funds seek to track the performance of various securities indices. Shares of ETFs have many of the same risks as direct investments in common stocks or bonds. In addition, their market value is expected to rise and fall as the value of the underlying index or security rises and falls. The market value of their shares may differ from the NAV of the particular fund. As a stockholder in an ETF (as with other investment companies), the Fund would bear its ratable share of that entity's expenses. At the same time, the Fund would continue to pay its own investment management fees and other expenses. As a result, the Fund and its stockholders, in effect, will be absorbing duplicate levels of fees with respect to investments in ETFs.

*Recent Developments in Financial Markets and Impact on the Fund.* Recent developments in the U.S. and foreign financial markets illustrate that the current environment is one of extraordinary and possibly unprecedented uncertainty. Conditions in the debt and equity capital markets in the United States and abroad have caused firms in the financial services sector to take significant losses relating to, among other things, subprime mortgages and the re-pricing of credit risk in the broadly syndicated loan market. The recent instability in the financial markets has led the U.S. Government and certain foreign governments to take unprecedented actions designed to support certain financial institutions and segments of the financial markets that have experienced extreme volatility, and in some cases a lack of liquidity. Federal, state and other governments, their regulatory agencies or self-regulatory organizations may take actions that affect the regulation of the securities in which the Fund invests, or the issuers of such securities in which the Fund invests, in unforeseeable ways that could have a material adverse effect on the Fund's business and operations. Such legislation or regulation could limit or preclude the Fund's ability to achieve its investment objective. Furthermore, volatile financial markets can expose the Fund to greater market and liquidity risk and potential difficulty in valuing portfolio instruments held by the Fund.

*Net Asset Value Discount.* Shares of closed-end investment companies frequently trade at a discount from NAV. This characteristic is a risk separate and distinct from the risk that the Fund's NAV will decrease. The Fund cannot predict whether its shares will trade at, above or below NAV, and the shares of the Fund have traded at a discount for extended periods. Accordingly, the Common Stock of the Fund is designed primarily for long-term investors and should not be considered a vehicle for trading purposes. See "Risk Factors and Special Considerations Other Principal Risks of the Fund Net Asset Value Discount; Non-Diversification" and "Description of Common Shares."

*Non-Diversification.* The Fund is classified as a "non-diversified" investment company under the Investment Company Act, which means that the Fund is not limited by the Investment Company Act in the proportion of its assets that may be invested in the securities of a single issuer. As a non-diversified investment company, the Fund may invest a greater proportion of its assets in the securities of a smaller number of issuers and, as a result, may be subject to greater risk with respect to portfolio securities. However, the Fund intends to comply with the diversification requirements imposed by the Code for qualification as a regulated investment company. See "Risk Factors and Special Considerations Other Principal Risks of the Fund Net Asset Value Discount; Non-Diversification."

*Certain Provisions of the Fund's Charter and By-Laws.* The Fund's Charter and By-Laws include provisions that could limit the ability of other entities or persons to acquire control of the Fund or convert the Fund to open-end status and delay or limit the ability of other persons to acquire control of the Fund. These provisions could deprive the holders of common shares of opportunities to sell their common shares at a premium over the then current market price of the common shares or at NAV. The Fund's Board has determined that these provisions are in the best interests of stockholders generally. See "Risk Factors and Special Considerations Other Principal Risks of the Fund Anti-Takeover Provisions" and "Description of Common Shares."

**FEE TABLE**

The following Fee Table is intended to assist prospective investors in understanding the costs and expenses that an investor in the Offer will bear directly or indirectly.

<b>Stockholder Transaction Expenses:</b>	
Sales Load (as a percentage of offering price) (1)	3.50%
Expenses of the Offer (as a percentage of offering price) (2)	0.12%
Dividend Reinvestment Plan Fees	None
<b>Annual Expenses</b> (as a percentage of net assets attributable to common shares):	
Management Fees	1.50%
Other Expenses (3)	0.25%
Total Annual Expenses	1.75%

Example	Cumulative Expenses Paid for the Period of:			
	1 Year	3 Years	5 Years	10 Years
An investor would pay the following expenses on a US\$1,000 investment, assuming a 5% annual return throughout the periods (4)	US\$53	US\$89	US\$128	US\$235

The Example set forth above assumes reinvestment of all dividends and distributions at NAV and an expense ratio of 1.75%. The tables above and the assumption in the Example of a 5% annual return are required by U.S. Securities and Exchange Commission (the "SEC") regulations applicable to all investment companies. **The Example should not be considered a representation of past or future expenses or annual rates of return and actual expenses or annual rates of return may be more or less than those assumed for purposes of the Example.**

The figures provided under "Other Expenses" are calculated on the basis of the Fund's asset size after taking into account the estimated net proceeds of the Offer assuming it is fully subscribed (not taking into account the Over-Subscription Privilege). See "Management of the Fund" for additional information.

(1) The Fund has agreed to pay the Dealer Manager for its financial structuring, marketing and soliciting services a fee equal to 3.50% of the Subscription Price per Share for each Share issued pursuant to the exercise of Rights and the Over-Subscription Privilege. The Dealer Manager will reallocate to broker-dealers included in the selling group, if any, formed and managed by the Dealer Manager selling fees equal to 2.50% of the Subscription Price per Share for each Share issued pursuant to the Offer as a result of their selling efforts. In addition, the Dealer Manager will reallocate to other broker-dealers that have executed and delivered a soliciting dealer agreement and have solicited the exercise of rights solicitation fees equal to 0.50% of the Subscription Price per Share for each Share issued pursuant to the exercise of Rights as a result of their soliciting efforts, subject to a maximum fee based on the number of Shares held by each broker-dealer through DTC on the Record Date. These fees will be borne by the Fund and indirectly by all of the Fund's stockholders, including those who do not exercise their Rights. See "Distribution Arrangements."

(2) The Fund has also agreed to reimburse the Dealer Manager up to an aggregate of \$100,000 for a portion of its reasonable out-of-pocket expenses incurred in connection with the Offer. In addition, the Fund has agreed to pay a fee to each of the Subscription Agent and the Information Agent estimated to be \$16,000 and \$5,500, respectively, plus out-of-pocket expenses. Total offering expenses are estimated to be \$520,000, which assumes that the Offer is fully subscribed. These fees will be borne by the Fund and indirectly by all of the Fund's stockholders, including those who do not exercise their Rights.

(3) Does not include expenses of the Fund incurred in connection with the Offer, estimated at US\$520,000. However, these expenses will be borne by the holders of the shares of Common Stock of the Fund and result in a reduction of the NAV of the shares of Common Stock.

(4) The Example reflects the expenses of the Fund incurred in connection with the Offer and assumes that all of the Rights are exercised.

**FINANCIAL HIGHLIGHTS**

The table below sets forth selected data for a share of Common Stock outstanding for each period presented. The year end information contained in the table for the years ended December 31, 2006, 2007, 2008 and 2009 has been audited by Ernst & Young LLP, the Fund's independent registered public accounting firm, as stated in its report which appears in the Fund's Annual Report to Stockholders as of December 31, 2009, and which is incorporated by reference into this Prospectus and can be obtained by stockholders. This information should be read in conjunction with the Financial Statements and Notes thereto which appear in the Annual Report and which are incorporated by reference into this Prospectus. The total investment returns for the fiscal years ended December 31, 2007, 2008 and 2009 do not reflect the payment of any sales loads pursuant to a rights offering.

	For the Fiscal Year Ended December 31,			For the Period From September 28, 2006 <sup>^</sup> through December 31,
	2009	2008	2007	2006
<b>Per Share Operating Performance</b>				
Net asset value, beginning of period	\$ 20.48	\$ 68.22	\$ 26.71	\$ 19.10
Net investment loss <sup>†</sup>	(0.17)	(0.10)	(0.31)	(0.05)
Net realized and unrealized gain (loss) on investments	16.68	(41.78)	51.43	7.66
Total from investment operations	16.51	(41.88)	51.12	7.61
Distributions from and/or in Excess of:				
Net investment income		(0.16)	(0.16)	
Net realized gain	(4.26)	(5.70)	(9.45)	
Total distributions	(4.26)	(5.86)	(9.61)	
Dilutive Effect of Shares Issued through Rights				
Offering and Offering Costs	(0.20)			
Net asset value, end of period	\$			