

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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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				