

Morgan Stanley China A Share Fund, Inc.
Form N-CSR
March 10, 2011

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)

Sara Furber
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, 2010

Date of reporting period: December 31, 2010

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

Sara Furber

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 Co.

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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IU11-00310P-Y12/10

INVESTMENT MANAGEMENT

Morgan Stanley

China A Share Fund, Inc.

(CAF)

Morgan Stanley

Investment Management Inc.

Investment Adviser

**Annual
Report**

December 31, 2010

Morgan Stanley China A Share Fund, Inc.

Overview (unaudited)

Letter to Stockholders

Performance

For the year ended December 31, 2010, the Morgan Stanley China A Share Fund, Inc. (the "Fund") had total returns of -9.15%, based on net asset value, and -7.55% 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 -4.37% 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 -2.34%. On December 31, 2010, the closing price of the Fund's shares on the New York Stock Exchange was \$27.35, representing a 1.9% discount to the Fund's net asset value per share. Past performance is no guarantee of future results.

Factors Affecting Performance

- Since the fourth quarter of 2009, the government's policy has gradually shifted from a pro-growth stance to a tightening mode due to concerns about potential risk in local government financing vehicle (LGFV) loans, escalating asset prices and rising inflation. In late 2009, the A-share market entered into a declining trend in response to the policy shift as well as to tightening domestic liquidity, which caused the market to finish 2010 in negative territory.
- Positive contributions to relative performance mainly came from stock selection in the industrials, consumer discretionary and health care sectors.
- In contrast, the Fund's stock selection in the materials, information technology, and financials sectors, as well as its cash position were the primary performance detractors.

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. The Fund utilizes P-notes (participation notes) to gain access to China's A-share market, and therefore our P-note exposure is intended to mirror the performance of the underlying stock. There is no leverage associated with the position.
- Over the course of the period, the Fund held overweight positions in the consumer staples and health care 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 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.

Morgan Stanley China A Share Fund, Inc.

Overview (unaudited)

Letter to Stockholders (cont'd)

- We held an underweight position in the property sector since the beginning of 2010 as we believe the government's tightening measures will finally result in a decline in transaction volume and curb property prices, and therefore would put downward pressure on property stocks' net asset values and valuations. We hold an underweight exposure in materials based on the expectation of a slowdown in fixed-asset investment resulting from the government's tightening measures.

Sincerely,

Sara Furber
President and Principal Executive Officer January 2011

Morgan Stanley China A Share Fund, Inc.

December 31, 2010

Portfolio of Investments

	Shares	Value (000)
COMMON STOCKS (98.3%)		
Auto Components (3.7%)		
Huayu Automotive Systems Co., Ltd., Class A	14,544,828	\$ 22,536
Beverages (11.8%)		
Beijing Yanjing Brewery Co., Ltd., Class A	6,912,444	19,920
Tsingtao Brewery Co., Ltd., Class A	4,066,040	21,399
Wuliangye Yibin Co., Ltd., Class A	5,890,790	30,957
		72,276
Chemicals (4.6%)		
Qinghai Salt Lake Potash Co., Ltd., Class A	2,764,868	27,793
Commercial Banks (11.7%)		
Agricultural Bank of China Ltd. (a)	26,651,300	10,839
Bank of Communications Co., Ltd., Class A	15,899,884	13,222
China Merchants Bank Co., Ltd., Class A	13,623,633	26,483
China Minsheng Banking Corp. Ltd., Class A	14,863,300	11,323
Shanghai Pudong Development Bank, Class A	5,089,700	9,570
		71,437
Construction Materials (3.9%)		
Gansu Qilianshan Cement Group Co., Ltd., Class A	4,069,486	10,591
Xinjiang Tianshan Cement Co., Ltd., Class A	2,814,395	13,483
		24,074
Electrical Equipment (2.3%)		
XJ Electric Co., Ltd., Class A (a)	2,747,823	13,877
Food & Staples Retailing (2.3%)		
Wuhan Zhongbai Group Co., Ltd., Class A	7,431,883	14,120
Health Care Equipment & Supplies (1.6%)		
Shandong Pharmaceutical Glass Co. Ltd. Class A	3,812,757	9,819

Health Care Providers & Services (7.0%)

Shanghai Pharmaceutical Co., Ltd., Class A	12,851,969	42,595
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	Shares	Value (000)
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Household Durables (5.1%)

Gree Electric Appliances, Inc., Class A	7,003,516	\$ 19,268
Qingdao Haier Co. Ltd.	2,778,041	11,893
		31,161

Insurance (9.2%)

China Pacific Insurance Group Co., Ltd., Class A	4,745,973	16,493
Ping An Insurance Group Co. of China Ltd., Class A	4,631,052	39,467
		55,960

Internet Software & Services (1.0%)

Sohu.com, Inc. (a)	98,800	6,273
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Machinery (13.9%)

Changsha Zoomlion Heavy Industry Science and Technology Development Co., Ltd., Class A	5,401,410	11,590
China International Marine Containers Co., Ltd., Class A	2,918,955	10,184
Sany Heavy Industry Co., Ltd., Class A	11,086,870	36,391
Shenyang Machine Tool Co. Ltd. (a)	3,137,330	5,761
Zhengzhou Yutong Bus Co., Ltd., Class A	6,521,430	20,812
		84,738

Multiline Retail (1.3%)

Hefei Department Store Group Co., Ltd., Class A	2,627,518	7,735
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Oil, Gas & Consumable Fuels (10.2%)

China Coal Energy Co. Class A	8,030,539	13,235
Pingdingshan Tianan Coal Mining Co., Ltd., Class A	3,751,365	12,006
Shanxi Xishan Coal & Electricity Power Co., Ltd., Class A	5,470,217	22,156
Yanzhou Coal Mining Co., Ltd., Class A	3,406,300	14,675
		62,072

Real Estate Management & Development (2.5%)

China Vanke Co. Ltd., Class B	12,245,963	15,276
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Road & Rail (1.5%)

China Railway Tielong Container Logistics Co., Ltd., Class A	4,188,537	9,166
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The accompanying notes are an integral part of the financial statements.

Morgan Stanley China A Share Fund, Inc.

December 31, 2010

Portfolio of Investments (cont'd)

	Shares	Value (000)
Software (3.6%)		
UFIDA Software Co. Ltd. Class A	6,210,874	\$ 21,923
Specialty Retail (1.1%)		
Suning Appliance Co. Ltd. Class A	3,372,074	6,703
TOTAL COMMON STOCKS (Cost \$505,801)		599,534
	Face Amount (000)	
CORPORATE BONDS (0.2%)		
Beverages (0.2%)		
Beijing Yanjing Brewery Co., Ltd. Class A 0.50%, 10/14/15 (Cost \$982)	\$ 6,526	1,339
	Shares	
SHORT-TERM INVESTMENT (0.9%)		
Investment Company (0.9%)		
Morgan Stanley Institutional Liquidity Funds Money Market Portfolio Institutional Class (See Note F) (Cost \$5,490)	5,489,567	5,490
TOTAL INVESTMENTS (99.4%) (Cost \$512,273)		606,363
OTHER ASSETS IN EXCESS OF LIABILITIES (0.6%)		3,472
NET ASSETS (100.0%)		\$ 609,835

(a) Non-income producing security.

Fair Value Measurement Information:

The following is a summary of the inputs used to value the Fund's net assets as of December 31, 2010. (See Note A-4 to the financial statements for further information regarding fair value measurement.)

Investment Type	Level 1 Quoted prices (000)	Level 2	Level 3	Total (000)
		Other significant observable inputs (000)	Significant unobservable inputs (000)	

Assets:**Common Stocks**

Auto				
Components	\$ 22,536	\$	\$	\$ 22,536
Beverages	72,276			72,276
Chemicals	27,793			27,793
Commercial				
Banks	71,437			71,437
Construction				
Materials	24,074			24,074

Investment Type	Level 1 Quoted prices (000)	Level 2 Other significant observable inputs (000)	Level 3 Significant unobservable inputs (000)	Total (000)
Common Stocks (cont'd)				
Electrical				
Equipment	\$ 13,877	\$	\$	\$ 13,877
Food & Staples				
Retailing	14,120			14,120
Health Care				
Equipment & Supplies	9,819			9,819
Health Care				
Providers & Services	42,595			42,595
Household				
Durables	31,161			31,161
Insurance	55,960			55,960
Internet				
Software & Services	6,273			6,273
Machinery	84,738			84,738
Multiline				
Retail	7,735			7,735
Oil, Gas & Consumable				
Fuels	62,072			62,072
Real Estate				
Management & Development	15,276			15,276
Road & Rail	9,166			9,166
Software				