

TAIWAN GREATER CHINA FUND
Form N-2
July 15, 2008

As filed with the U.S. Securities and Exchange Commission on July 15, 2008

Securities Act File No. 333-
Investment Company Act File No. 811-05617

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Check appropriate box or boxes)

Form N-2

X **REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

O **Pre-Effective Amendment No.**

O **Post-Effective Amendment No.**

and/or

X **REGISTRATION STATEMENT UNDER THE INVESTMENT COMPANY ACT OF 1940**

X **Amendment No. 12**

TAIWAN GREATER CHINA FUND

(Exact Name of Registrant as Specified in Charter)

111 Gillett Street

Hartford, Connecticut 06105

(Address of Principal Executive Offices)

(800) 343-9567

(Registrant's Telephone Number, including Area Code)

Brown Brothers Harriman

40 Water Street, P.O. Box 962047

Boston, Massachusetts 02196-9047

(Name and Address of Agent for Service)

Copy to:

Leonard Mackey, Jr., Esq.

Clifford Chance US LLP

31 West 52nd Street

New York, New York 10019

(212) 878-8000

Approximate date of proposed public offering: As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, please check this box.

x

It is proposed that this filing will become effective (check appropriate box):

x when declared effective pursuant to Section 8(c)

CALCULATION OF REGISTRATION FEE UNDER THE SECURITIES ACT OF 1933

Title of Securities Being Registered	Amount Being Registered	Proposed Maximum Offering Price Per Unit (1)	Proposed Maximum Aggregate Offering Price(1)	Amount Registration
Common Stock, par value \$0.01 per share	168,634 shares	\$5.93	\$1,000,000	\$39.30

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, based on the average of the high and low sale prices reported on the New York Stock Exchange on July 11, 2008.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Form N-2**CROSS-REFERENCE SHEET****Parts A and B of the Prospectus***

Items in Part A and B of Form N-2	Location in Prospectus
1. Outside Front Cover	Outside Front Cover Page of Prospectus
2. Cover Pages, Other Offering Information	Inside Front and Outside Back Cover Page of Prospectus
3. Fee Table and Synopsis	Summary of Fund Expenses; Prospectus Summary
4. Financial Highlights	Financial Highlights
5. Plan of Distribution	Outside Front Cover Page of Prospectus; Prospectus Summary, Plan of Distribution
6. Selling Stockholders	Not Applicable
7. Use of Proceeds	Prospectus Summary; Use of Proceeds
8. General Description of the Registrant	Outside Front Cover Page of Prospectus; Prospectus Summary; The Fund; Risk Factors and Special Considerations; Investment Objective and Policies; Investment Restrictions; Description of the Shares
9. Management	Trustees and Officers; Portfolio Transactions and Brokerage; Administration and Custodians; Description of the Shares
10. Capital Stock, Long-Term Debt, and other Securities	Description of the Shares; Dividends, Distributions, Share Distribution Plan and Share Purchase Plan; Taxation
11. Defaults and Arrears on Senior Securities	Not Applicable
12. Legal Proceedings	Not Applicable
13. Table of Contents of the Statement of Additional Information	Not Applicable
14. Cover Page	Not Applicable
15. Table of Contents	Not Applicable
16. General Information and History	Prospectus Summary; The Fund
17. Investment Objective and Policies	Prospectus Summary; Investment Objective and Policies; Investment Restrictions
18. Management	Trustees and Officers
19. Control Persons and Principal Holders of Securities	Trustees and Officers
20. Investment Advisory and Other Services	Prospectus Summary; Trustees and Officers; Administration and Custodians
21. Brokerage Allocation and Other Practices	Portfolio Transactions and Brokerage
22. Tax Status	Taxation
23. Financial Statements	Financial Statements

* Pursuant to the General Instructions to Form N-2, all information required to be set forth in Part B has been included in Part A. Information required to be included in Part C is set forth under the appropriate item, so numbered in Part C to this Registration Statement.

The information in this Prospectus is not complete and may be changed. The Fund may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This Prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS

**Subject to Completion
Preliminary Prospectus dated July 15, 2008**

**[\$]
TAIWAN GREATER CHINA FUND
Shares of Beneficial Interest**

We may offer, from time to time, in one or more offerings, up to \$[] of our shares of beneficial interest ([Shares]). Shares may be offered at prices and on terms to be disclosed in one or more supplements to this Prospectus. You should read this Prospectus and the applicable prospectus supplement carefully before you invest in our Shares.

Our Shares may be offered directly to one or more purchasers, including existing shareholders in a rights offering, or through agents designated from time to time by us, or to or through underwriters or dealers. The prospectus supplement relating to the offering will identify any agents or underwriters involved in the sale of our Shares, and will disclose any applicable purchase price, fee, commission or discount arrangement between us and our agents or underwriters or among our underwriters or the basis upon which such amount may be calculated. See [Plan of Distribution]. We may not sell any of our Shares through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of such Shares. Our Shares are traded on The New York Stock Exchange ([NYSE]) under the symbol [TFC]. As of July 11, 2008, the last reported sales price for our Shares was \$5.94.

Taiwan Greater China Fund (the [Fund]) is a diversified, closed-end management investment company. The Fund, together with its predecessor, is the oldest investment fund organized for investment in securities of the Republic of China (the [R.O.C.] or [Taiwan]) issuers by investors outside the R.O.C. The Fund's investment objective is long-term capital appreciation through investment primarily in publicly traded equity securities of R.O.C. issuers. The Fund's strategy is to invest primarily in Taiwan-listed companies that derive or are expected to derive a substantial portion of their revenues by exporting to or operating in mainland China. **Investment in the Fund involves certain special considerations and risks arising in part from the Fund's investment in securities of Taiwan-listed companies that may be considered speculative, which risks are not normally associated with investments in securities of U.S. issuers or certain other non-U.S. issuers.** See [Risk Factors and Special Considerations].

Please read this Prospectus carefully before investing and keep it for future reference. It sets forth concisely, the important information about the Fund that a prospective investor ought to know before investing in the Fund. This Prospectus should be retained for future reference. Information required to be in the Fund's Statement of Additional Information is found in this Prospectus. The Fund has filed additional information about it with the U.S. Securities and Exchange Commission (the [Commission]) (<http://www.sec.gov>) and is available upon written or oral request without charge. To obtain a copy of the Fund's annual report for the fiscal year ended December 31, 2007 and the semi-annual report for the period ended June 30, 2007 and other information about the Fund, or to make shareholder inquiries, you may write to Taiwan Greater China Fund, c/o Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts 02109 or call toll-free at (800) 343-9567. The Fund's annual and semi-annual reports are available on the Fund's website at <http://www.taiwangreaterchinafund.com>. The address of the Fund is Taiwan Greater China Fund c/o Brown Brothers Harriman & Co., 40 Water Street, Boston, Massachusetts 02109 and the telephone number is (617) 742-1818. The Commission maintains an Internet Web site (<http://www.sec.gov>) that contains the SAI, material incorporated by reference, and other information regarding registrants.

These securities have not been approved or disapproved by the U.S. Securities and Exchange Commission or any state securities commission nor has the U.S. Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2008.

(continued from previous page)

The information set forth in this Prospectus regarding Taiwan, its economy, and stock exchanges has been extracted from various government and private publications. The Fund and its Board of Directors have not attempted to verify the statistical information presented in this Prospectus. In this Prospectus, unless otherwise specified, all references to "U.S. Dollars," "U.S.\$" or "\$" are to United States dollars and all references to "NT\$" or "NT Dollars" are to New Taiwan dollars. On [], 2008, the noon buying rate quoted by dealers in New York City for cable transfers in NT Dollars, as certified for customs purposes by the Federal Reserve Bank of New York, was NT\$[] per U.S.\$1.00. No representation is made that the NT\$ or U.S.\$ amounts in this Prospectus could have been or could be converted into U.S.\$ or NT\$, as the case may be, at any particular rate or at all. See "Appendix A" "The Republic of China" "Balance of Payments" "Exchange Rates" for information regarding historical rates of exchange between the NT Dollar and the U.S. Dollar.

Unless otherwise indicated, U.S. Dollar equivalent information for information in NT Dollars that is undated is translated at the noon buying rate given above, for a specified date is based on the closing price for U.S. Dollars in Taiwan on that date and for a specified period is based on the average of the daily exchange rates, so computed, for the days in such period.

Certain numbers in the tables in this Prospectus have been rounded for ease of presentation and, as a result, may not total precisely.

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 forward-looking statements, 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" and elsewhere in this Prospectus. As a result of these and other factors, the Fund cannot give you any assurance 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 it after the date of this Prospectus.

FEE TABLE

Shareholder Transaction Expenses:

Sales load (as a percentage of offering price)(1)	None
Offering expenses borne by us (as a percentage of offering price)(2)	[]%
Dividend Reinvestment Plan Fees(3)	[]%
Total shareholder transaction expenses (as a percentage of offering price)(4)	[]%
Annual Expenses (as a percentage of net assets attributable to Shares)*	
Management Fee	1.25%(5)
Interest Payments on Borrowed Funds	None
Other Expenses	1.05%(6)
Total Annual Expenses (estimated)	2.30%

Example:

	Cumulative Expenses Paid for the Period of:			
	1 year	3 years	5 years	10 years
You would pay the following expenses on a \$1,000 investment, assuming a 5% annual return:	\$23	\$72	\$123	\$264

* Net assets attributable to our Shares equal net assets (i.e., total assets less liabilities) at December 31, 2007.

- (1) In the event that the Shares to which this Prospectus relates are sold to or through underwriters, a corresponding prospectus supplement will disclose the applicable sales load.
- (2) The related prospectus supplement will disclose the estimated amount of offering expenses, the offering price and the offering expenses borne by us as a percentage of the offering price.
- (3) The Fund and American Stock Transfer & Trust Company (the "Plan Agent"), impose no fee for participation in the Fund's Share Distribution Plan. However, each participant in the Fund's Share Purchase Plan will be charged \$1.00 for each transaction under the Share Purchase Plan plus a pro rata share of brokerage commissions incurred in connection with open-market purchases of Fund shares under the Share Purchase Plan.
- (4) The related prospectus supplement will disclose the offering price and the total shareholder transaction expenses as a percentage of the offering price.
- (5) Prior to October 1, 2007, the Fund was internally managed and, therefore, did not incur management fees. For the year ended December 31, 2007, the Fund estimates that it incurred expenses for investment management personnel that represented 1.24% of the Fund's net assets attributable to Shares. On October 1, 2007, Nanking Road Capital Management, LLC ("NRC"), a company organized by the employees of the Fund who previously managed the Fund's investments, assumed responsibility as investment manager.
- (6) The figures provided under "Other Expenses" are based upon expenses for the fiscal year ended December 31, 2007 and do not include expenses the Fund may incur in connection with any offering. See "Trustees and Officers" for additional information.

The foregoing Fee Table is intended to assist investors in understanding the various costs and expenses that an investor in the Fund will bear directly or indirectly.

The Example set forth above assumes reinvestment of all dividends and distributions at net asset value ("NAV") and an expense ratio of 2.30%. The table above and the assumption in the Example of a 5% annual return

are required by the Commission regulations applicable to all investment companies. The Example should not be considered a representation of past or future expenses or annual rates of return. 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 based upon estimated amounts for the current fiscal year.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Prospectus.

The Fund

The Fund is a diversified, closed-end management investment company, organized for investment in securities of R.O.C. issuers by investors outside the R.O.C. The Fund was formed in connection with the reorganization (the "Reorganization") of The Taiwan (R.O.C.) Fund (the "R.O.C. Fund"), a securities investment trust fund organized in 1983 under the laws of the R.O.C. Pursuant to the Reorganization, which was completed in May 1989, the Fund acquired the entire beneficial interest in the assets constituting the R.O.C. Fund. Foreign investment in the R.O.C. securities market is currently subject to certain restrictions under R.O.C. law. See "The Fund" and "Foreign Investment Regulations in the R.O.C."

Investment Objective and Policies

The Fund's investment objective is long-term capital appreciation through investment primarily in publicly traded equity securities of R.O.C. issuers. The Fund's strategy is to invest primarily in Taiwan-listed companies that derive or are expected to derive a substantial portion of their revenues by exporting to or operating in mainland China. Under normal circumstances, at least 80% of the Fund's net assets will be invested in investments that are economically tied to the R.O.C. The Fund has also invested, and if conditions warrant may in the future invest, in debt securities of R.O.C. issuers (including the R.O.C. government). An additional investment policy of the Fund is that normally at least 70% of its total assets will be invested in securities of R.O.C. issuers (including the R.O.C. government). The Fund may not invest more than 20% of its net assets in stocks traded over-the-counter. Subject to these limitations, the Fund may invest a portion of its assets in securities of non-R.O.C. issuers that are consistent with its China strategy. For temporary defensive purposes during periods in which changes in economic, financial or political conditions make it advisable, the Fund may reduce its holdings in equity securities and increase its holdings in (i) long-term or short-term debt securities issued by the R.O.C. government, its agencies or instrumentalities or private issuers in the R.O.C., (ii) certificates of deposit issued by banks or other financial institutions in the R.O.C. or (iii) cash, or any combination of the foregoing, in each case to the extent deemed prudent. There can be no assurance that the Fund's investment objective will be realized. The Fund is subject to certain other investment policies and restrictions described under "Investment Objective and Policies," "Investment Restrictions" and "R.O.C. Government Regulation and Supervision."

The Offering

The Fund may offer, from time to time, in one or more offerings or series, together or separately, up to \$[] of its Shares. The Fund's Shares may be offered at prices and on terms to be disclosed in

one or more prospectus supplements.

The Fund's Shares may be offered directly to one or more purchasers, including existing shareholders in a rights offering, to new shareholders via an optional cash purchase or designated offeree program, or through agents designated from time to time by the Fund, or to or through underwriters or dealers. The prospectus supplement relating to the offering will disclose the terms of the offering, including the name or names of any agents or underwriters involved in the sale of our Shares by the Fund, the purchase price, and any fee, commission or discount arrangement between the Fund and its agents or underwriters or among the Fund's underwriters or the basis upon which such amount may be calculated. See "Plan of Distribution." The Fund may not sell any of its Shares through agents, underwriters or dealers without delivery of a prospectus supplement describing the method and terms of the offering of its Shares.

Use of Proceeds

Unless otherwise specified in a prospectus supplement, the Fund intends to use the net proceeds from the sale of its Shares for investments in securities in accordance with its investment objective and policies. Pending these uses, the Fund will invest the net proceeds primarily in cash, cash equivalents, U.S. government securities and other high-quality debt investments that mature in one year or less from the date of investment. See "Use of Proceeds."

Listing

The Fund's Shares of beneficial interest are listed on the NYSE under the symbol ~~TFC\$~~ ~~pe~~ "Net Asset Value."

Interval Fund

The Fund has elected to operate as an interval fund pursuant to Rule 23c-3 of the Investment Company Act of 1940, as amended (the "1940 Act"). Under this rule, the Fund has adopted a policy that cannot be changed without shareholder approval requiring the Fund to offer to repurchase 5% to 25% of its outstanding Shares every six months at a price equal to the Fund's NAV, less a repurchase fee of up to 2%.

Dividends and Distributions

The Fund intends to distribute at least annually in cash substantially all of its net investment income from dividends and interest payments ("income distributions") and to distribute in cash (or newly issued Shares pursuant to the Fund's Share Distribution Plan) substantially all of the Fund's net realized capital gains (both short-term and long-term), as calculated for U.S. federal income tax purposes, after deducting any operating expenses not offset by dividend and interest income.

Investment Manager

The Fund was internally managed by employees of the Fund; however, the shareholders of the Fund approved an investment advisory and management agreement with NRC, an investment advisory company formed by those employees. Pursuant to an investment and management agreement, NRC is responsible, among other things, for investing and managing the assets of the Fund and administering the Fund's affairs. The Fund pays NRC a fee at an annual rate of 1.25% of

the NAV of the Fund's assets up to \$150 million and 1% of NAV in excess of \$150 million. NRC commenced managing the Fund's assets on October 1, 2007.

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.

Investing in securities of R.O.C. companies involves certain risks and considerations not typically associated with investing in securities of U.S. companies or other non-U.S. companies. The R.O.C. securities market is an emerging market characterized by a relatively small number of listed companies, price volatility and a relatively illiquid secondary market. In addition, because trading in listed R.O.C. securities is concentrated in a small number of R.O.C. companies, the supply of securities available for investment by the Fund may be limited.

Investing in the Fund also involves certain other special considerations, including (1) currency fluctuations and costs of currency exchange, (2) restrictions on the Fund's investments and on repatriation of monies from the R.O.C., (3) political and economic risks such as the risks of expropriation, confiscation, nationalization and greater social, political and economic instability and (4) the increased costs associated with pursuing legal remedies and obtaining and enforcing judgments against non-U.S. residents, including certain of the Fund's trustees.

R.O.C. accounting, auditing, financial and other reporting standards are not equivalent to U.S. standards and, therefore, certain material disclosures may not be made and less information may be available to investors investing in the R.O.C. than in the United States. There is also generally less governmental regulation of the securities industry in the R.O.C. than in the United States. See "Risk Factors and Special Considerations."

The value of the R.O.C. assets held by the Fund will be adversely affected if there is a decline in the value of the NT Dollar relative to the U.S. Dollar. See "Risk Factors and Special Considerations" and "Investment Objective and Policies."

Premium/Discount to Net Asset Value

Shares of closed-end investment companies frequently trade at a discount from NAV. This characteristic of shares of a closed-end fund is a risk separate and distinct from the risk that the fund's NAV will decrease. It should be noted, however, that in some cases, Shares of closed-end funds, including from time to time certain single-country closed-end funds, may trade at a premium to their NAV. The Fund cannot predict whether its Shares will trade at, below or above NAV. However, in recognition of the possibility that the Fund's Shares may

trade at a discount, the Fund may from time to time take action to attempt to reduce or eliminate any such discount either by repurchasing Shares in the open market or by making a tender offer for its Shares in addition to its semi-annual repurchase offers. In addition, if the Fund's Shares are trading at a discount to NAV of more than 10% in any 12-week period, the Board of Trustees must submit a proposal to the Fund's shareholders to convert the Fund to an open-end investment company. Any such proposal would require the approval of the Board of Trustees and the Fund's shareholders. See "Description of the Shares" Possible Change to Open-End Investment Company. The risk of purchasing shares of a closed-end fund that might trade at a discount is more pronounced for investors that wish to sell their shares in a relatively short period of time because, for those investors, realization of gain or loss on their investment is likely to be more dependent upon the existence of a premium or discount to NAV than upon portfolio performance. See "Risk Factors and Special Considerations."

Market Disruption

The aftermath of the war in Iraq and the continuing occupation of Iraq, the instability in the Middle East and terrorist attacks in the United States and around the world have resulted in market volatility, may have long-term effects on the United States and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide.

In addition, trading activity in securities in which the Fund invests may be dramatically reduced or cease at any time, whether due to general market turmoil, problems experienced by a single issuer or market sector or other factors. In particular, since late 2007, the trading markets for certain classes of securities (such as collateralized debt obligations backed by mortgages (particularly subprime mortgages), has been dramatically impaired, resulting in turmoil in the credit markets generally and a dramatically reduced market for mortgage backed securities in particular.

The Fund does not know how long the securities markets will continue to be affected by these events and cannot predict the effects that these or similar events in the future will have on the United States and worldwide economies and securities markets.

Possible Change to Open-End Investment Company

If the Shares trade on the NYSE at an average discount to NAV of more than 10% in any 12-week period, the Trustees are required by the Fund's Amended and Restated Declaration of Trust, as amended (the "Declaration of Trust"), to submit to the Fund's shareholders at their next annual meeting a binding resolution that the Fund be converted from a closed-end to an open-end investment company. The affirmative vote of the holders of a majority of the Fund's outstanding Shares is required to approve such a conversion in these circumstances. See "Description of the Shares" Possible Change to Open-End Investment Company.

Anti-Takeover Provisions The Declaration of Trust includes certain provisions that are intended to limit the ability of others to acquire control of the Fund, to modify its structure or to cause it to engage in certain transactions. These provisions could also have the effect of depriving shareholders of an opportunity to sell their Shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of the Fund. See [Description of the Shares](#) [Anti-Takeover Provisions](#).

**Custodians and
Administrator**

Brown Brothers Harriman & Co. ([BBH](#)) acts as custodian (the [Custodian](#)) for the assets of the Fund. BBH also acts as the administrator of the Fund.

FINANCIAL HIGHLIGHTS

This table below sets forth certain specified information for a Share outstanding throughout each year presented. The information for each of the fiscal years ended December 31, 1998 through December 31, 2007 has been audited by KPMG LLP (‘‘KPMG’’), the Fund’s independent registered public accounting firm, whose report thereon was unqualified. The information should be read in conjunction with the financial statements and notes thereto incorporated by reference in this Prospectus. See ‘‘Financial Statements.’’

	Years Ended December 31,							
	2007	2006	2005	2004	2003	2002	2001	2000
Per Share Operating Performance:								
Net asset value, beginning of year	7.07	5.87	5.37	5.13	4.37	5.40	5.78	10.00
Net investment income (loss)	0.02	0.01	0.05	(0.01)	(0.02)	(0.06)	(0.05)	(0.01)
Net realized and unrealized gain or loss on securities (a)	0.92	1.21	0.65	(0.24)	0.73	(1.02)	0.06	(3.00)
Net realized and unrealized appreciation or depreciation on translation of foreign currencies (a)	(0.01)	(0.03)	(0.25)	0.26	0.11	0.05	(0.39)	(0.01)
Total from investment operations	0.93	1.19	0.45	0.01	0.82	(1.03)	(0.38)	(4.00)
Distributions to Shareholders from:								
Capital	□	□	□	□	□	□	□	□
Net investment income	□	□	□	(0.01)	(0.06)	□	□	□
Net realized gain on investments	□	□	□	□	□	□	□	(0.01)
Total Distributions	□	□	□	(0.01)	(0.06)	□	□	(0.01)
Capital Stock Transactions:								
Share Tender Offer/Repurchase	0.02(b)	0.01	0.05	0.24	□	□	□	□
Net asset value, end of year	8.02	7.07	5.87	5.37	5.13	4.37	5.40	5.00
Per share market value, end of year	7.23	6.61	5.30	4.90	4.75	4.05	4.75	4.00
Total investment return (%):								
Based on Fund’s market price	9.38	24.72	8.16	3.42	18.79	(14.74)	4.17	(41.00)
Based on Fund’s net asset value	13.44	20.44	9.31	4.94	18.75	(19.07)	(6.57)	(39.00)
U.S.\$ return of Taiwan Stock Exchange Index*	9.23	20.35	3.03	11.69	35.32	(19.03)	10.16	(46.00)

Ratios and supplemental data:

Net assets, end of year (in thousands)	116.031	113,391	104,364	116,467	167,801	142,936	176,526	188,
Ratio of expenses to average net assets (%)	2.30	2.55	2.12	2.79	2.57	2.19	2.01	1
Ratio of net investment income (loss) to average net assets (%)	0.28	0.22	0.99	(0.27)	(0.44)	(1.23)	(1.01)	(1
Portfolio turnover rate (%)	26	24	16	137	78	107	173	

(a) Cumulative effect of change in accounting principle resulted in a \$0.06 reduction in realized gain/loss on investments and foreign currency transactions and a \$0.06 increase in unrealized appreciation/depreciation on investments and foreign currency translation during 2004.

(b) Based on average shares outstanding at each month end.

* Returns for the Taiwan Stock Exchange Index are not total returns and reflect only changes in share price, and do not assume that cash dividends were reinvested. The Taiwan Stock Exchange Index is calculated by the Taiwan Stock Exchange Corp.

USE OF PROCEEDS

The proceeds of any offering made hereby will be invested in accordance with the Fund's investment objective and policies over a period of time not expected to exceed three months. Pending such investment, such proceeds will be held in bank deposits or invested in U.S. government securities or other U.S. Dollar-denominated short-term high grade securities.

THE FUND

General Information

The Fund is a Massachusetts business trust formed in 1988 and registered with the Commission as a diversified, closed-end management investment company under the 1940 Act. Taking into account the Fund's predecessor, the Fund is the oldest investment fund organized for investment in securities of R.O.C. issuers by investors outside the R.O.C.

The Fund's investment objective is long-term capital appreciation through investment primarily in publicly traded equity securities of R.O.C. issuers. As a fundamental policy, the Fund may not hold 25% or more of its gross assets in any single industry. Until September of 2007, the Fund was internally managed by employees of the Fund; however, the shareholders of the Fund approved an investment advisory and management agreement with NRC, an investment advisory company formed by those employees. Pursuant to this agreement, NRC is responsible, among other things, for investing and managing the assets of the Fund and administering the Fund's affairs. The Fund pays NRC a fee at an annual rate of 1.25% of the NAV of the Fund's assets up to \$150 million and 1% of NAV in excess of \$150 million. NRC commenced the managing the Fund's assets on October 1, 2007.

RISK FACTORS AND SPECIAL CONSIDERATIONS

Risk is inherent in all investing. Investing in any investment company security involves risk, including the risk that you may receive little or no return on your investment or even that you may lose part or all of your investment. Investing in the Fund's Shares involves certain risks and considerations not typically associated with investing in U.S. securities. Therefore, before investing, you should consider carefully the following risks that you assume when you invest in the Fund's Shares and special considerations with respect to an investment in the Fund.

Investing in the Fund

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 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 the stock market in the R.O.C. fluctuates.

As a portfolio of an investment company that primarily holds common stock, 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 invested during periods when stock prices generally rise and also during periods when they generally decline. Moreover, as the Fund is a holder of common stock, the Fund's rights to the assets of the companies in which it invests will be subordinated to such companies' holders of preferred stock and debt in the event of a bankruptcy, liquidation or similar proceeding. Accordingly, if such an event were to occur to a company in which the Fund invests, the Fund would be entitled to such a company's assets only after such company's preferred shareholders and debt holders have been paid. Risks are inherent in investments in equities, and Fund shareholders should be aware that there may be significant fluctuations in the value of their investment in the Fund.

Investments in R.O.C. Equities

Securities of R.O.C. companies are principally traded on the Taiwan Stock Exchange (the "TSE"). The TSE, as compared to stock exchanges in the United States, is relatively small, and both trading and market capitalization are concentrated in shares of a smaller number of companies and industries.

A larger proportion of the shares of many R.O.C. issuers are held by a smaller number of persons, representing a disproportionately large percentage of market capitalization and trading value, which may limit the number of shares available for investment by the Fund. By way of comparison, the market capitalization of the NYSE was more than 14,000 times the size of the TSE as of December 31, 2007. In addition, further issuances, or the perception that such issuances may occur, of securities by R.O.C. issuers in which the Fund has invested could dilute the earnings per share of the Fund's investment and could adversely affect the market price of such securities. Sales of securities by such issuer's major shareholders, or the perception that such sales may occur, may also significantly and adversely affect the market price of such securities and, in turn, the Fund's investment. The limited liquidity of the R.O.C. securities markets may also affect the Fund's ability to acquire or dispose of securities at the price and time that it desires. Therefore, anticipation of the investment of the proceeds of any offer made hereby in the R.O.C. securities markets may adversely affect the prices paid by the Fund in purchasing certain securities for its portfolio and may affect the speed with which the Fund can initially invest such proceeds in R.O.C. securities. In addition, the TSE experiences a smaller trading volume than the NYSE that is concentrated in a smaller number of the largest companies, and combined with certain investment diversification requirements and other restrictions applicable to the Fund, including certain requirements of the 1940 Act and the qualification of the Fund as a regulated investment company under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), this may affect the rate at which the Fund can invest the proceeds from the offer. Therefore, the Fund intends to take up to three months after the date of completion of any offering to invest the proceeds of such offering in accordance with its investment objective. See "Investment Restrictions."

Markets in other countries have an increasing influence on the R.O.C. securities market. Any changes in foreign market situations, including foreign investors' sentiments towards the TSE, are capable of producing strong effects on the TSE.

In addition to their smaller size, lesser liquidity and greater volatility, the R.O.C. securities markets are less developed than U.S. securities markets and securities markets of more developed countries. Disclosure and regulatory standards in emerging market countries, such as the R.O.C., are, in many respects, less stringent than U.S. standards. Issuers in the R.O.C. are subject to accounting, auditing and financial standards and requirements that differ, in some cases significantly, from those applicable to U.S. issuers. In particular, the assets and profits appearing on the financial statements of a R.O.C. issuer may not reflect its financial position or results of operations in the way they would be reflected had such financial statements been prepared in accordance with U.S. generally accepted accounting principles. In addition, there is substantially less publicly available information about R.O.C. issuers than there is about U.S. issuers. There is less regulation and monitoring of the R.O.C. securities market and the activities of investors, brokers and other participants than in the United States. Accordingly, issuers of securities in the R.O.C. are not subject to the same degree of regulation as U.S. issuers with respect to such matters as insider trading rules, tender offer regulation, shareholder proxy requirements and the requirements affecting timely disclosure of information.

Fluctuations in the price of securities traded on the TSE are restricted to 7% above or below the previous day's closing price for such shares. As a result, during periods of rapid movements in the market, when the limits on share price movement may prevent the quoted price from reflecting what

would have been the market price in the absence of such limits, the quoted closing price of a security may not necessarily reflect the price at which investors would be willing to buy or sell the security. Under such circumstances liquidity may be severely impaired, making it difficult to protect and retain previous capital gains.

The R.O.C. securities market has been influenced by speculative trading of significant blocks of securities. In addition, there have been reports of market manipulation. Although the impact of market manipulation is expected to decrease in the future due to the implementation of stricter laws and more severe penalties, the Fund believes that market manipulation has been, and expects it to continue to be, a factor in the high volatility of the securities market. See "The Republic of China" Regulation and Supervision.

Legal principles relating to corporate affairs and the validity of corporate procedures, directors' fiduciary duties and liabilities and shareholders' rights in the R.O.C. may differ from those that may apply in other jurisdictions. Shareholders' rights under R.O.C. law may not be as extensive as those that exist under the laws of the United States. The Fund may therefore have more difficulty asserting its rights as a shareholder of a R.O.C. company in which it invests than it would as a shareholder of a comparable U.S. company.

Political and Economic Factors

The value of the Fund's assets may be adversely affected by political, economic, social and other factors, changes in R.O.C. law or regulations and the status of the R.O.C.'s relations with other countries, particularly the People's Republic of China (the "P.R.C."). In addition, the R.O.C. economy may differ favorably or unfavorably from the U.S. economy in such respects as the rate of growth of gross domestic product, the rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. The R.O.C. economy relies primarily on exports, which constitute over 63%, 64%, 70% and 74% of the R.O.C.'s gross domestic product in years 2004, 2005, 2006 and 2007, respectively. Thus, the R.O.C.'s economy relies largely on demand from the U.S. and other foreign markets. The R.O.C.'s biggest export markets are the United States, China, Japan, Europe, and other Asian countries. In fact, a significant amount of exports to mainland China are to Taiwan companies manufacturing in mainland China for re-export.

There is the possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, social instability or diplomatic developments (including war or terrorist attacks) which could adversely affect the R.O.C. economy or the value of the Fund's investments. In particular, from time to time, tensions have increased between the R.O.C. and the P.R.C. over various issues; and at those times, share prices on the R.O.C. securities markets have tended to decline. See "Political Considerations" below.

In addition, it may be difficult to obtain and enforce a judgment in a court in the R.O.C., including in a case where there is a default with respect to the security of a R.O.C. issuer or with respect to any other claim that the Fund may have against an issuer or its directors and officers. As a result, even if the Fund initiates a suit against an issuer in a U.S. court, it may not be possible for the Fund to effect service of process in the R.O.C. Furthermore, if the Fund obtains a judgment in a U.S. court, it may be difficult to enforce such judgment in the R.O.C.

Exchange Rate Fluctuations and Foreign Currency Considerations

Under normal circumstances, the Fund's total assets will be predominantly invested in equity securities of R.O.C. companies and substantially all income earned by the Fund will be in NT Dollars,

whereas distributions by the Fund will be made in U.S. Dollars. Therefore, the Fund's reported NAV and distributions will be affected adversely if there are reductions in the value of the NT Dollar relative to the U.S. Dollar. The Fund will incur costs for conversion between currencies. In addition, the computation of income will be made on the date of its accrual or receipt by the Fund at the foreign exchange rate in effect on that date, and thus, if the value of the NT Dollar falls relative to the U.S. Dollar between recognition of the income and the making of Fund distributions, the Fund may be required to liquidate investments in order to make distributions if the Fund has insufficient cash in U.S. Dollars to meet its [regulated investment company] distribution requirements under the Code. See [Taxation]. Such liquidation of investments, if required, may have adverse effects on the Fund's performance. Moreover, if the Fund fails to distribute to its shareholders at least 90% of its investment company taxable income (as measured in U.S. Dollars) for the taxable year, it will be subject to U.S. federal income taxes. See [Taxation] U.S. Federal Income Taxes.

Political Considerations

Relations with the P.R.C. and Domestic Political Stability. Relations between the P.R.C and the R.O.C. over the past several years have been characterized by a gradual relaxation of barriers to business, trade and investment. The announced policy of the P.R.C. towards Taiwan is one of peaceful reunification of China, but only under the auspices of the P.R.C. P.R.C. officials have consistently expressed grave concerns about the possibility of Taiwan's declaration of independence from mainland China as a whole and its development of nuclear weapons, and have indicated that neither action would be tolerated. The P.R.C. has refused to renounce the use of military force to gain control over Taiwan and, in March 2005, the P.R.C. passed an Anti-Secession Law that authorized non-peaceful means and other necessary measures should Taiwan move to gain independence from the P.R.C. Past developments between the R.O.C. and the P.R.C. have on occasion depressed the market prices of the securities of companies listed in the R.O.C. In February 2006, the president of Taiwan suspended the activities of the country's National Unification Counsel, a committee established to assist Taiwan in efforts to reunite with the P.R.C. Though Taiwan and the P.R.C. have taken steps to facilitate economic linkages such as allowing the sale of Taiwan agricultural products in the P.R.C., there can be no assurance that relations between the R.O.C. and the P.R.C. will not deteriorate in ways that could adversely affect Taiwan's economy.

In addition, the securities market in Taiwan has become increasingly sensitive to political and economic developments in the P.R.C. Such developments, including, among other things, any change in political leadership, could have an adverse effect on the R.O.C. securities markets. Since the Democratic Progressive Party ([DPP]) won the presidency of the R.O.C. in March 2000, the relationship between the R.O.C. and the P.R.C. has become increasingly intense. Even though, in March 2008, the Kuomintang Party ([KMT]) won the presidency of the R.O.C. there can be no assurance that tension between the leading parties, the KMT and the DPP, as well as other parties will not produce instability that may adversely affect economic development in the R.O.C. or exacerbate relations with the P.R.C.

Other External Relations. Although the R.O.C. is not a member of the United Nations or its affiliated international organizations and only 24 sovereign states currently maintain formal diplomatic relations with the R.O.C., it has developed informal ties with most countries to offset its diplomatic isolation and to expand its economic relations. Many nations have set up unofficial organizations to carry out commercial and other relations with Taiwan and with official overseas missions and unofficial representative and/or trade relations, Taiwan is represented in 122 countries. Taiwan is a member of the Asian Development Bank, the World Trade Organization and the Asia-Pacific Economic Cooperation forum. However, because the P.R.C. opposes Taiwan's membership in such organizations, most of which require statehood for membership, there can be no assurance that the R.O.C.'s unique international

position will not in the future have an adverse effect on its conduct of international trade, which is crucial to its export-driven economic growth.

While the United States severed diplomatic relations with the R.O.C. in 1979, the Taiwan Relations Act, enacted by the U.S. Congress in April 1979, affirmed as U.S. policies the preservation and promotion of close commercial and cultural ties with the R.O.C. and the continuing supply to the R.O.C. of arms of a defensive character.

Certain Provisions of the Declaration of Trust

The Fund's Declaration of Trust includes provisions that could have the effect of limiting the ability of other entities or persons to acquire control of the Fund or to change the composition of its Board of Trustees and, consequently, these provisions could deprive shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging a third party from seeking to obtain control of the Fund. See "Description of the Shares" Anti-Takeover Provisions.

Operating Expenses

The operating expense ratio of the Fund is higher than that of funds investing predominantly in the securities of U.S. issuers since the expenses of the Fund (such as investment management, custodial and communication costs) are higher. See "Fee Table."

Net Asset Value Discount

Shares of closed-end investment companies frequently trade at a discount from NAV but may trade at a premium. This characteristic is a risk separate and distinct from the risk that a fund's NAV will decrease. The Fund cannot predict whether its Shares will trade at, below or above NAV. The risk of purchasing shares of a closed-end fund that might trade at a discount is more pronounced for investors that wish to sell their shares in a relatively short period of time because, for those investors, realization of gain or loss on their investment is likely to be more dependent upon the existence of a premium or discount from NAV than upon portfolio performance.

Market Disruption

The aftermath of the war in Iraq and the continuing occupation of Iraq, the instability in the Middle East and terrorist attacks in the United States and around the world have resulted in market volatility, may have long-term effects on the U.S. and worldwide financial markets and may cause further economic uncertainties in the United States and worldwide.

In addition, trading activity in securities in which the Fund invests may be dramatically reduced or cease at any time, whether due to general market turmoil, problems experienced by a single issuer or market sector or other factors. In particular, since late 2007, the trading markets for certain classes of securities (such as collateralized debt obligations backed by mortgages (particularly subprime mortgages), has been dramatically impaired, resulting in turmoil in the credit markets generally and a dramatically reduced market for mortgage backed securities in particular.

The Fund does not know how long the securities markets will continue to be affected by these events and cannot predict the effects that these or similar events in the future will have on the United States and worldwide economies and securities markets.

TRADING AND NET ASSET VALUE INFORMATION

The following table for each of the periods indicated shows the highest and lowest selling prices of the Fund's Shares of beneficial interest on the NYSE, and the NAV per Share and the discount or premium to NAV expressed as a percentage.

Quarter Ended	Market Price(1)		Net Asset Value(1)		Discount/Premium to NAV
	High	Low	High	Low	
March 31, 2006	\$5.73	\$5.60	\$6.27	\$5.75	-6.54%
June 30, 2006	\$5.59	\$5.52	\$6.90	\$5.49	-5.75%
September 30, 2006	\$5.77	\$5.67	\$6.37	\$5.41	-8.76%
December 31, 2006	\$6.61	\$6.56	\$7.06	\$6.26	-8.13%
March 31, 2007	\$6.30	\$6.27	\$7.22	\$6.48	-7.11%
June 30, 2007	\$7.00	\$6.27	\$8.00	\$6.85	-9.60%
September 30, 2007	\$7.80	\$6.32	\$8.91	\$7.27	-11.46%
December 31, 2007	\$8.48	\$6.77	\$9.46	\$7.19	-10.62%
March 31, 2008	\$7.43	\$6.12	\$8.11	\$6.54	-9.56%
June 30, 2008	\$7.60	\$6.11	\$8.28	\$6.80	-9.09%

(1) As reported by Bloomberg.

The closing market price and NAV per Share on July 11, 2008 were \$5.94 and \$6.61, respectively.

There can be no assurance that the Fund's Shares will trade in the future above, at or below NAV.

Capitalization at December 31, 2007

Title of Class	Amount Authorized	Amount Held by the Fund or for its Account	Amount Outstanding Exclusive of Amount Held by the Fund or for its Account
Shares of Beneficial Interest, \$0.01 par value	unlimited number of Shares	None	14,473,760 Shares

INVESTMENT OBJECTIVE AND POLICIES

The Fund's investment objective is long-term capital appreciation through investment primarily in publicly traded equity securities of R.O.C. issuers. The Fund's strategy is to invest primarily in Taiwan-listed companies that derive or are expected to derive a substantial portion of their revenues by exporting to or operating in mainland China. The Fund has and intends to continue to spread risk by investing in various industries and issuers. The Fund has also invested, and if conditions warrant, may in the future invest, in debt securities of R.O.C. issuers (including the R.O.C. government). For defensive purposes during periods in which changes in economic, financial or political conditions make it advisable, the Fund may reduce its holdings in equity securities and increase its holdings in (i) long-term or short-term debt securities issued by the R.O.C. government, its agencies or instrumentalities or private issuers in the R.O.C., (ii) certificates of deposit issued by banks or other financial institutions in the R.O.C. or (iii) cash, or any combination of the foregoing, in each case to the extent deemed prudent. There can be no assurance that the Fund's investment objective will be realized. The Fund is subject to certain investment restrictions described under "Investment Restrictions."

It is an investment policy of the Fund that normally at least 80% of its net assets will be invested in investments that are economically tied to the R.O.C. This policy and the Fund's investment objective are fundamental policies that may not be changed without the approval of a majority of the Fund's outstanding voting securities. As used herein, a "majority of the Fund's outstanding voting securities" means the lesser of (i) 67% of the Shares represented at a meeting at which more than 50% of the outstanding Shares are represented or (ii) more than 50% of the outstanding Shares. An additional investment policy of the Fund is that normally at least 70% of its total assets will be invested in securities of R.O.C. issuers (including the R.O.C. government). The Fund may not invest more than 20% of its net assets in stocks traded over the counter. Subject to these limitations, the Fund may invest a portion of its assets in securities of non-R.O.C. issuers that are consistent with its China strategy. The Fund is permitted to invest in securities of companies that are economically tied to the R.O.C. even if those securities trade on securities exchanges outside of the R.O.C., such as the Hong Kong Stock Exchange.

The Fund's equity investments consist primarily of common stocks, but investments may also be made in other equity securities, such as preferred stocks, convertible debentures and equity warrants should they become listed securities on the TSE or otherwise become permitted investments of the Fund. Investments in debt securities, including short-term money market instruments, are limited to obligations of the R.O.C. government or government-owned enterprises, obligations issued or guaranteed by R.O.C. financial institutions with shareholders' equity of at least U.S.\$50 million, and obligations of the companies listed on the TSE. Investments in money market instruments may include government treasury bills, commercial paper, bankers' acceptances and negotiable certificates of deposit. Companies that issue debt securities must retain a credit rating institution approved or recognized by the Republic of China Securities and Futures Bureau, Financial Supervisory Commission (the "R.O.C. FSC") to evaluate the securities to be issued and the company must produce a credit rating report. Although the investment objective of the Fund is long-term capital appreciation, the Fund expects to receive current income from dividends and interest paid on the equity and debt securities in which it invests.

Up to 30% of the Fund's total assets may be (i) invested in repurchase agreements (as described below), (ii) held in the United States for expense purposes, pending distribution to the shareholders or pending the repurchase of Shares pursuant to the Fund's Share repurchase program or interval repurchase program or (iii) held in liquid assets in the R.O.C.

Up to 15% of the total assets of the Fund may be invested in repurchase agreements in the R.O.C. Such agreements are contracts under which the seller of a security agrees at the time of sale to repurchase the security at an agreed-upon price and date. Such resale price reflects an agreed-upon interest rate

effective for the period the security is held by the purchaser and is unrelated to the interest rate on the instrument. Under the 1940 Act, repurchase agreements are treated as loans collateralized by the underlying security, and interpretive positions by the Staff of the Commission generally require investment companies and their investment advisers to institute practices to assure that repurchase agreement transactions are always fully collateralized.

Assets of the Fund held in the United States are invested in bank deposits, obligations issued or guaranteed by the U.S. government or issued by an agency thereof or short-term securities or money market instruments that, at the time of acquisition, have been rated "Prime 1" by Moody's Investors Service, Inc. ("Moody's") or "A" or better by Standard & Poor's, a division of The McGraw Hill Companies, Inc. ("S&P").

The Investment Manager has a policy which provides that under normal circumstances, the Fund should experience less than 60% annual portfolio turnover rate, but this policy is subject to change.

Other Investment Practices

Foreign Currency Transactions

The ability of the Fund to enter into hedging transactions with respect to the value of the NT Dollar is limited by investment restrictions applicable to the Fund. See "Investment Restrictions." The Fund is permitted to enter into currency exchange contracts on a spot basis.

Notwithstanding any currency transactions in which the Fund may engage to limit currency risks, changes in currency prices may result in poorer overall performance for the Fund than if it had not engaged in any such transaction. Moreover, there may be an imperfect correlation between the Fund's portfolio holdings of NT Dollars and currency transactions entered into by the Fund. Any imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to additional risks of foreign exchange loss. If the Fund engages in transactions in such instruments, it will comply with the applicable provisions of the 1940 Act and the rules and regulations thereunder that require the Fund to segregate assets or "cover" its exposure thereunder.

Stock Options and Stock Index Futures Contracts

There are currently stock options, stock index options or futures contracts for R.O.C. securities. The Fund may seek to increase its return or may hedge all or a portion of its portfolio investments by investment therein in the future. The nature of the strategies adopted by the Fund and the extent to which those strategies are used will depend on the development of stock options and stock index futures contracts or options thereon. These transactions may also affect the character and timing of income, and the amount of gain or loss recognized by the Fund and its shareholders for U.S. federal income tax purposes. See "Taxation" U.S. Federal Income Taxes.

Securities Lending

From time to time, the Fund may lend securities (but not in excess of 33 1/3% of its total assets) from its portfolio of investments to brokers, dealers and financial institutions and, in turn, receive collateral in cash or securities believed by the Fund to be equivalent to securities rated investment grade by S&P or Moody's. While the loan is outstanding, the Fund is required to maintain collateral at all times in an amount equal to at least 105% of the current market value of the securities loaned by the Fund, including any accrued interest or dividends receivable from these securities. Any cash collateral received by the Fund is to be invested in short-term, high quality debt securities, the income from which would

increase the return to the Fund. The Fund retains all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other distributions, and has the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans are terminable at any time by either the Fund or the borrower. The Fund may be required to pay finders', administrative and custodial fees to persons unaffiliated with the Fund in connection with the arranging of such loans and, if permitted under the 1940 Act or pursuant to an exemptive order thereunder, such fees may be paid to persons affiliated with the Fund. In the event of a default by the borrower, the Fund may suffer time delays and incur costs or possible losses in connection with the Fund's disposition of the collateral.

INVESTMENT RESTRICTIONS

The following restrictions on investments of the assets of the Fund may not be changed without the approval of a majority of the Fund's outstanding voting securities as defined above under "Investment Objective and Policies." If a percentage restriction on investment or use of assets set forth below is adhered to at the time a transaction is effected, later changes in the percentage resulting from changing values will not be considered a violation of the restriction.

Without such approval, the Fund may not:

- (a) hold 25% or more of its gross assets in any single industry;
- (b) purchase any security (other than obligations of the U.S. government or its agencies or instrumentalities) if as a result of such purchase (i) as to 75% of the total assets (taken at their then current value), more than 5% of the total assets (taken at their then current value) would then be invested in the securities of a single issuer, (ii) as to the remaining 25% of the total assets (taken at their then current value), more than 10% of the total assets (taken at their then current value) would then be invested in the securities of a single issuer (except that the Fund may invest up to 25% of its total assets in obligations of the R.O.C. government or its agencies or instrumentalities), (iii) more than 10% of the outstanding equity securities of any issuer (at the time of purchase) would be beneficially held by the Fund or (iv) 25% or more of the Fund's assets (taken at their then current value) would be invested in a single industry;
- (c) purchase any security on margin, except such short-term credits as are necessary for the clearance of purchases or sales of securities;
- (d) effect a short sale of any security, except in connection with an underwriting in which the Fund is a participant;
- (e) engage in short sales of securities, write put and call options or engage in purchases of securities on margin;
- (f) invest in securities issued by securities investment trust funds in the R.O.C.;
- (g) buy or sell commodities or commodity contracts, including futures contracts on a contract market or other futures market, except that the Fund may invest in currency forward contracts to hedge against currency fluctuations if R.O.C. law is changed to so permit;
- (h) issue senior securities, except as permitted by paragraph (g) below;

- (i) borrow money within the R.O.C., however, subject to the provisions of the 1940 Act, the Fund may borrow from financial institutions outside the R.O.C. for temporary purposes (that, is, the borrowing must be repaid within 60 days) in amounts not exceeding 5% (taken at the lower of cost or current value) of its total assets (excluding amount borrowed) and may also pledge assets to secure such borrowings);
- (j) make loans to other persons (other than bank deposits or by investment in debt securities or entry into repurchase agreements), except that the Fund may lend its securities to the extent permitted by the 1940 Act, the rules or regulations thereunder or any exemption therefrom, as such statutes, rules or regulations may be amended or interpreted from time to time;
- (k) invest (i) in securities of R.O.C. issuers the issuance of which has not been approved by or registered with the R.O.C. SEC for offering to the public or (ii) in unregistered securities of U.S. issuers that must be registered before being publicly offered under the U.S. Securities Act of 1933, as amended (the "Securities Act").
- (l) invest in equity securities which, at the time the investment is made, are not listed and traded on the TSE, except that the Fund may invest in such securities if R.O.C. law is changed to so permit (which, as is noted below, has now occurred);
- (m) buy or sell real estate or real estate mortgage loans;
- (n) invest in partnership interests;
- (o) effect any securities transaction with another trust fund under the Fund's former manager's management;
- (p) apply the assets of the Fund to purchase beneficial certificates issued by the former manager in other trust funds managed by the former manager;
- (q) underwrite the issue or sale of any securities; or
- (r) invest in securities issued by any person (except the R.O.C. government) who beneficially owns more than 5% of, or takes any significant active role in the management of, the Fund's investment adviser.

For purposes of paragraph (l) above, R.O.C law has been changed to permit investment in equity securities traded in any stock exchange in the world excluding (i) securities listed on any of the P.R.C. stock exchanges; (ii) securities issued by the government of the P.R.C. or by any P.R.C. company with listings in Hong Kong and Macau; (iii) stocks in Hang Seng China-Affiliated Corporations (Red Chip) Index; and (iv) all Hong Kong- and Macau-listed securities of companies with at least 35% direct or indirect investment by the P.R.C. government or P.R.C. companies.

The Trustees may from time to time adopt further investment limitations with respect to non-fundamental policies of the Fund to comply with applicable laws and regulations.

In addition to the foregoing investment limitations, investments by the Fund are subject to limitations imposed by the 1940 Act, including certain limitations on transactions between the Fund and its affiliates. For example, the 1940 Act generally prohibits any investment manager for the Fund and its affiliated persons from selling securities to, or buying securities from, the Fund.

Investments by the Fund are also subject to applicable R.O.C. laws and regulations. Recent changes in R.O.C. law and regulations have permitted the Fund to purchase securities traded in the OTC market in Taiwan, as well as securities issued in public offerings and securities of Taiwan-based or Taiwan related companies listed on exchanges other than the TSE. In addition, on October 31, 2006, the Board of Trustees terminated the Fund's policy requiring the R.O.C. FSC's consent to change certain policies of the Fund.

Certain additional portfolio restrictions may be necessary from time to time for the Fund to qualify as a regulated investment company for U.S. federal income tax purposes.

TRUSTEES AND OFFICERS

The names, addresses and ages of the Trustees and principal officers of the Fund are set forth below, together with their positions held with the Fund, term of office, length of time served and their principal occupations during the past five years and, in the case of the Trustees, their directorships with certain other international organizations and publicly held companies.

Name, Address and Age	Position(s) held with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Other Directorships Held by Trustee
Non-Interested Trustees				
Tsung-Ming Chung 4F, No. 1, Lane 21 Hsing-Hua Road Kwei-Shan Industrial Zone Taoyuan, Taiwan, R.O.C. (58)	Trustee and Audit Committee Member	Trustee since 2006 and until the 2009 Annual Meeting of Shareholders or the special meeting in lieu thereof	Chairman and Chief Executive Officer, Dynapak International Technology Corp. since 2002; Chairman, Systems and Chips, Inc.; Director, Arima Group (technology)	Director, Far International Director and of Audit Com Taiwan Mobi Director and Committee C SMIC
Edward B. Collins 765 Market Street, Suite 31A San Francisco, California 94103 (65)	Trustee and Audit Committee Member	Trustee since 2000 and until the 2009 Annual Meeting of Shareholders or the special meeting in lieu thereof	Managing Director, China Vest Group (venture capital investment), since prior to 2000	Director, Bo Inc. since Ma Director, Me since 2001; C California Ba Commerce s Partner McC Doyle, Brown Enovsen (law 1987-95.

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Name, Address and Age	Position(s) held with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Other Director Held by T
<p>Frederick C. Copeland, Jr. 11 Deer Ridge Road Avon, Connecticut 06001 (66)</p>	<p>Trustee and Vice Chairman</p>	<p>Trustee since May 2004 and until the 2008 Annual Meeting of Shareholders or the special meeting in lieu thereof; Vice Chairman of the Board since February 2006</p>	<p>Vice Chairman, Director, Chairman of the Executive Committee, Far East National Bank, since 2004; Principal, Deer Ridge Associates, LLC (financial consulting), since 2001-2006</p>	<p>Director, Me Commercial Holding, since Director, Me Commercial since 2007; Chief Executive Officer and Operating Officer, Aetna International from 1995 to Executive Vice President, Aetna from 1997 to Chairman, P and Chief Executive Officer, Flee N.A., 1993-1995; President and Executive Officer, Citibank Caribbean from 1987-1993; T Country Head, Citibank, 1987-1993</p>
<p>Pedro-Pablo Kuczynski 2665 Bayshore Drive, Suite 715 Miami, Florida 33133 (69)</p>	<p>Trustee and Chairman</p>	<p>Trustee since 2006 and until the 2010 Annual Meeting of Shareholders or the special meeting in lieu thereof; and Chairman since August 2007</p>	<p>Senior Adviser and Partner, The Rohatyn Group (emerging markets manager), since 2007; Prime Minister of Peru from 2005-2006; Minister of Economy and Finance of Peru 2001-2002, 2004-2005; Partner and CEO, Latin America Enterprise Fund (private equity), 1995-2001, 2003.</p>	<p>Chairman and Director, Adv Metallurgical since 2007; Ternium Inc. 2007.</p>
<p>David N. Laux The Hampshire, Apt. 701 1101 N. Elm Street Greensboro, North Carolina, 27401 (80)</p>	<p>Trustee</p>	<p>Trustee since 1992 and until the 2010 Annual Meeting of Shareholders or the special meeting in lieu thereof; Chairman from July 2004 until August 2007</p>	<p>Chairman, Great Dads (non-profit), 2004-2006; President, US-Taiwan Business Forum, from 2000 to 2005; Director, International Foundation, 2001-2007; Director, U.S.-Taiwan Business Council, 2000-present.</p>	<p>President, U (Taiwan) Business Council from 2000; Chairman, Managing Director, American Institute in Taiwan, from 1990; Director, Asian Affairs National Security</p>

				Council, The House, from 1986
Robert P. Parker 101 California Street Suite 2830 San Francisco, California 94111 U.S.A. (66)	Trustee and Audit Committee Member	Trustee since 1998 and until the 2008 Annual Meeting of Shareholders or the special meeting in lieu thereof; Chairman from February to July 2004	Chairman, Parker Price Venture Capital, Inc. (formerly known as Allegro Capital, Inc.), since prior to 2000	Director, Ne Technologies 2001-2005 P McCutchen, Brown & En (law firm), 1
Non-Trustee Officers				
Steven R. Champion 111 Gillett Street Hartford, Connecticut 06105 (62)	President, Chief Executive Officer and Portfolio Manager	Since February 2004	Executive Vice President, Bank of Hawaii, 2001-2003; Chief Investment Officer, Aetna International, from prior to 2000 to 2001	Director, Co Choral Artist since 2007

Name, Address and Age	Position(s) held with the Fund	Term of Office and Length of Time Served	Principal Occupation(s) During Past Five Years	Other Director Held by Trustee
Cheryl Chang 111 Gillett Street Hartford, Connecticut 06105 (43)	Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer	Secretary, Treasurer, Chief Financial Officer since June 2004; Chief Compliance Officer since September 2004	Senior Manager, KPMG (Taipei Office), from prior to 2000 to 2004; Assurances and Advisory Unit of International Practice Group, KPMG (Taipei Office), from 2000 to 2004	None

There are no other portfolios in the fund complex.

The following table provides information, as of May 14, 2008, except as noted, regarding the beneficial ownership of Shares by (i) each of the Fund's Trustees, (ii) each executive officer of the Fund and (iii) Trustees and executive officers of the Fund as a group.

Name	Amount of Beneficial Ownership	Percent of Fund	Dollar Range of Beneficial Ownership*
Steven R. Champion	19,500	*	Over \$100,000
Frederick C. Copeland, Jr.	7,000	*	\$50,001-\$100,000
David N. Laux	6,000	*	\$10,001-\$50,000
Edward B. Collins	3,000	*	\$10,001-\$50,000
Pedro-Pablo Kuczynski	2,300	*	\$10,001-\$50,000
Robert P. Parker	2,000	*	\$10,001-\$50,000
Tsung-Ming Chung	0	N/A	None
All Trustees and executive officers as a group	39,800		

* Less than 1%

* Based on the NAV of the Shares on May 14, 2008 of \$7.96.

Board Structure

The Trustees of the Fund are divided into three classes, each having a term of three years, with the term of one class expiring each year.

Board and Committee Meetings

The Board of Trustees of the Fund held four meetings during the fiscal year ended December 31, 2007. Each Trustee attended at least 75% of the total of (i) all meetings of the Board of Trustees and (ii) all meetings of each committee of the Board on which he served during the fiscal year ended December 31, 2007.

Nominating Committee

The Board of Trustees has a Nominating Committee, the current members of which are Messrs. Robert P. Parker (Chair) and David N. Laux. The members of the Nominating Committee are not [interested persons] of the

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Fund, as defined in Section 2(a)(19) of the 1940 Act, and also are independent Trustees of the Trust, as defined under the rules of the NYSE. The Nominating Committee has a charter, which is available on the Fund's website at www.taiwangreaterchinafund.com. The charter provides that the Nominating Committee will consider recommendations of Trustee nominees submitted by shareholders. Any such recommendations should be sent to the Fund's Nominating Committee c/o Brown Brothers Harriman, P.O. Box 962047, Boston, Massachusetts 02196-2047, ATTN: Investor Services Counsel, Fund Administration. The charter also provides that the Nominating Committee will consider potential candidates who are personally known to members of the Nominating Committee, persons who are recommended to the Nominating Committee by other members of the Board and other persons known

by Board members or persons identified by any search firm retained by the Nominating Committee. In considering whether to recommend that an individual be nominated as a Trustee, the Nominating Committee will take the following criteria, among others, into account: (i) the Board's size and composition; (ii) applicable listing standards and laws; (iii) an individual's expertise (especially with regard to matters relating to Taiwan, mainland China and public and private investment funds), experience and willingness to serve actively; (iv) whether an individual will enhance the functioning of the Board and the compatibility of his or her views concerning the manner in which the Fund should be governed with the Board's assessment of the interests of the Fund's shareholders; and (v) the number of company boards of directors on which such individual serves. During the fiscal year ended December 31, 2007, the Nominating Committee did not retain any search firm or pay a fee to any third party to identify Trustee candidates. The Nominating Committee held one meeting during the fiscal year ended December 31, 2007.

Audit Committee

The Board of Trustees has an Audit Committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Rule 32a-4 of the 1940 Act. The current members of the Audit Committee are Messrs. Edward B. Collins (Chair), Frederick C. Copeland, Jr., Tsung-Ming Chung and Robert P. Parker. The members of the Audit Committee are not "interested persons" of the Fund, as defined in Section 2(a)(19) of the 1940 Act, and also are independent Trustees of the Fund, as defined under the rules of the NYSE. The responsibilities of the Audit Committee include, among other things, review and selection of the independent registered public accounting firm of the Fund, review of the Fund's financial statements prior to their submission to the Board of Trustees and of other accounting matters of the Fund, and review of the administration of the Fund's Codes of Ethics and Whistleblower Policy. The Audit Committee held two meetings during the fiscal year ended December 31, 2007.

Trustee and Officer Compensation

The compensation received by each Trustee and officer of the Fund for the fiscal year ended December 31, 2007 is set forth below.

Name	Position	Aggregate Compensation from Fund	Total Compensation from the Fund Paid to Trustees and officers (1)(2)(3)
Tsung-Ming Chung	Trustee and Audit Committee Member		\$21,000(2)
Edward B. Collins	Trustee and Audit Committee Member		\$22,000(2)
Frederick C. Copeland, Jr.	Trustee and Vice Chairman		\$26,000(2)
Pedro-Pablo Kuczynski	Trustee and Chairman		\$20,891(2)
David N. Laux	Trustee		\$25,109(2)
Robert P. Parker	Trustee and Audit Committee Member		\$21,000(2)
Steven R. Champion	President, Chief Executive Officer and Portfolio Manager		\$459,997(3)
Cheryl Chang	Chief Financial Officer, Secretary, Treasurer and Chief Compliance Officer		\$106,343(3)

(1) The Trustees and officers of the Fund do not receive any pension or retirement benefits from the Fund.

- (2) Compensation consists of a \$2,000 meeting fee for each Board of Trustees' meeting or committee meeting attended in person, \$1,000 meeting fee for each Board of Trustees' meeting or committee meeting attended by telephone and an annual retainer of \$12,000 (\$20,000 for the Chairman and \$17,000 for the Vice Chairman).
- (3) As of October 1, 2007, the Trust entered into an investment advisory agreement with NRC whereby the Trust's management structure changed from internally managed to externally managed. Mr. Champion is the principal owner of NRC and controls its affairs. In that connection he determines the compensation to be paid to himself and other NRC employees out of NRC's investment advisory revenues, net of other expenses. Prior to October 1, 2007, Mr. Champion received a salary and was eligible to receive a bonus, each paid by the Trust.

Several of the officers and Trustees of the Fund are neither citizens nor residents of the United States. There can be no assurance that the Fund's officers or Trustees will have any assets in the United States that could be attached in connection with any action, suit or proceeding to enforce the provisions of U.S. securities laws, and none of the Fund's officers or Trustees has appointed an agent for service of process in the United States in connection with any such action under U.S. securities laws. The Fund has been advised by C.H. Chen, its R.O.C. counsel, that R.O.C. courts will not enforce any final judgment against the Fund's Trustees or officers in respect of any legal suit or proceeding to enforce the provisions of U.S. securities laws in any court other than the R.O.C. courts, if any of the following situations shall apply to such final judgment (i) the court rendering judgment does not have jurisdiction over the subject matter pursuant to the R.O.C. laws, (ii) the judgment was rendered by default by the court, except where the summons or order necessary for the commencement of the action was timely and duly served on the said Trustee or officer within a reasonable period of time and within the jurisdiction of the court rendering the judgment according to the laws thereof, or the process was served on the said Trustee or officer with the judicial assistance of the R.O.C., (iii) the judgment is contrary to public order or good morals of the R.O.C. and (iv) the judgments of R.O.C. courts are not reciprocally recognized or enforceable in the court rendering the judgment.

Liability of Trustees

Subject to the provisions of the Fund's Declaration of Trust, the business of the Fund is managed by its Trustees, who have all the powers necessary or convenient to carry out such responsibilities.

The Trustees are subject to the duties and liabilities imposed by the 1940 Act, the Fund's Declaration of Trust, the By-Laws of the Fund and Massachusetts law. Although the Trustees act as principals rather than as agents for the Fund, the Trustees are not personally liable to third parties dealing with the Fund so long as their capacity as Trustees is properly disclosed.

The Declaration of Trust also contains provisions pursuant to which (i) each Trustee and officer of the Fund is indemnified against certain liabilities that might arise out of the operations of the Fund and (ii) certain liabilities of Trustees and officers to the Fund, or to any shareholder, Trustee, officer, employee or agent thereof, for any action or failure to act, are eliminated; *provided* that no Trustee or officer shall be protected against liabilities that result from such person's willful malfeasance, bad faith, gross negligence or reckless disregard of the duties involved in the conduct of his office.

Shareholder Communications

Shareholders may send communications to the Fund's Board of Trustees. Shareholders should send communications intended for the Fund's Board of Trustees by addressing the communication directly to the Board of Trustees (or individual Board members) and/or otherwise clearly indicating in the salutation that the communication is for the Board of Trustees (or individual Board members) and by sending the communication to either the Fund's office or directly to such Board member(s) at the address specified for each Trustee above. Other shareholder communications received by the Fund not directly addressed and sent to the Board will be reviewed and generally responded to by management, and will be

forwarded to the Board of Trustees only at Fund management's discretion based on the matters contained therein.

Portfolio Manager

The Fund's investment portfolio was internally managed by employees of the Fund; however, on August 21, 2007, the shareholders of the Fund approved an investment advisory and management agreement with NRC, an investment advisory company formed by those employees. Pursuant to this agreement, NRC is responsible, among other things, for investing and managing the assets of the Fund and administering the Fund's affairs. NRC is a registered investment adviser with its offices at 111 Gillett Street Hartford, Connecticut 06105. The Fund pays NRC a fee at an annual rate of 1.25% of the NAV of the Fund's assets up to \$150 million and 1% of the NAV in excess of \$150 million. NRC commenced servicing as Investment Manager of the Fund on October 1, 2008.

Prior to October 1, 2007, Steven R. Champion, President and Chief Executive Officer of the Fund was employed as the portfolio manager of the Fund and therefore, was primarily responsible for the day-to-day management of the Fund's portfolio. He has been the Fund's portfolio manager from February. Mr. Champion was Executive Vice President of the Bank of Hawaii from 2001 to 2003 and Chief Investment Officer of Aetna International from 1997 to 2001. Mr. Champion also previously served as the portfolio manager of The Taiwan (R.O.C) Fund, predecessor to the Fund, from 1987 to 1989, and President and portfolio manager of the Fund from 1989 to 1992. Other positions he has held include Vice Chairman of the Bank of San Francisco, Chief International Investment Officer at the Bank of America and Vice President and Country Manager in Taiwan for Continental Illinois National Bank. Though Mr. Champion is a Director of Connecticut Choral Artists, Inc., he is not responsible for the day-to-day portfolio management of any fund or account other than the Fund.

Other Accounts Managed by the Portfolio Manager

As of December 31, 2007, Mr. Champion managed the Fund with approximately \$116,031,056 million in assets under management. As of December 31, 2007, Mr. Champion did not manage any mutual funds or pooled investment vehicles.

Portfolio Manager Compensation

As of October 1, 2007, the Fund entered into an investment advisory agreement with NRC, whereby the Fund's management structure changed from an internally managed entity to an externally managed entity. Mr. Champion is the principal owner of NRC and controls its affairs. In that connection he determines the compensation to be paid to himself and other NRC employees out of NRC's investment advisory revenues, net of other expenses. If profits are available for distribution to NRC's owners after the payment of salary, bonus and other operating expenses, Mr. Champion is therefore the principal beneficiary of those profits. In determining compensation and bonuses to be paid to him and other NRC officers and employees, Mr. Champion expects to structure NRC's compensation program to attract and retain key personnel as well as to provide incentives for top quality performance. The factors that he expects to take into account in making such decisions include competence, diligence, creativity and dedication and his assessment of the level of importance of a person's performance as an employee or consultant to NRC's success as an enterprise. In assessing his own performance as portfolio manager, Mr. Champion expects to base his assessment on a variety of factors, the most important of which is the Fund's (and other clients', if any) investment performance in relation to various benchmarks. Mr. Champion anticipates that the relationship between salary and bonus payments to himself and other officers and employees of NRC, on the one hand, and the proportion of NRC's profits to which he will be entitled as a result of his ownership and profit interest in NRC, on the other hand, may vary from year to year, particularly if NRC acquires other investment management or advisory clients and if the proportion

of NRC owned by Mr. Champion changes. In addition to a base salary, bonus and his profit interest, Mr. Champion is eligible for health insurance and deferred compensation benefits.

Prior to October 1, 2007, Mr. Champion received a salary pursuant to an employment agreement he entered into with the Fund. The salary was fixed each year and may have been adjusted from year to year based on the performance of the registrant and various other quantitative and qualitative factors, as determined by the Compensation Committee of the Board of Trustees. In addition, Mr. Champion was awarded a prorated bonus for the year ended as of December 31, 2007, which was paid to Mr. Champion in 2008.

Principal Shareholders

To the knowledge of the management of the Fund, the following persons beneficially owned more than 5% of the Fund's outstanding Shares at July 11, 2008.

Name and Address of Beneficial Owner	Amount of Beneficial Ownership	Percentage of Fund
City of London Investment Group plc and City of London Investment Management Company Limited 10 Eastcheap London EC3M 1LX England	2,923,139 Shares with sole voting power and sole dispositive power (1)	21.26%
Lazard Asset Management LLC 30 Rockefeller Plaza New York, NY 10112	1,099,244 Shares (2)	7.22%
Sarasin Investment Fund Ltd. 155 Bishopsgate London EC2M 3XY	1,049,000 Shares (3)	6.89%

(1) Based on a Schedule 13G/A filed with the Commission on July 10, 2008.

(2) Based upon information disclosed on Bloomberg.

(3) Based on a information disclosed on Bloomberg.

FOREIGN INVESTMENT REGULATIONS IN THE R.O.C.

General

Prior to 1988, non-R.O.C. citizens could not make portfolio investments in R.O.C. securities other than through an authorized securities investment trust enterprise. In July 1988, the R.O.C. FSC began to permit foreign individuals who held an R.O.C. alien resident certificate to invest in the units of domestic closed-end investment trust funds. At such time, the R.O.C. government also announced a new general policy of liberalizing restrictions on investment by foreigners in R.O.C. securities and began to develop guidelines for such liberalization. As part of this process, as noted above, the Remittance Regulations were amended in March 1989 to permit limited direct investment in listed equity securities of R.O.C. companies by foreign insurance companies with branches in Taiwan. The Remittance Regulations were further amended in December 1990, and at such time the Executive Yuan approved implementing guidelines pursuant to which, as of January 1, 1991, direct investment in R.O.C. securities was also permitted by certain qualified foreign institutional investors as designated by the Investment

Commission. Under the system, there were a number of restrictive guidelines designed to protect the TSE and the local economy from foreign