

Edgar Filing: TAIWAN GREATER CHINA FUND - Form N-CSR

TAIWAN GREATER CHINA FUND  
Form N-CSR  
March 05, 2004

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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: 811-05617

TAIWAN GREATER CHINA FUND  
(Exact name of registrant as specified in charter)

Bank Tower, 10th Floor  
205 Tun Hwa North Road  
Taipei, Taiwan 105  
Republic of China  
(Address of principal executive offices) (Zip code)

Citigate Financial Intelligence  
111 River Street, Suite 1001  
Hoboken, New Jersey 07030  
(Name and address of agent for service)

Registrant's telephone number, including area code: 1-800-343-9567

Date of fiscal year end: DECEMBER 31, 2003

Date of reporting period: DECEMBER 31, 2003

ITEM 1. REPORTS TO STOCKHOLDERS.

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TAIWAN GREATER CHINA FUND  
www.roctaiwanfund.com

MANAGER:

International Investment Trust Company Limited  
17th Floor  
167 Fuhsing North Road  
Taipei, Taiwan, Republic of China  
Telephone: 886-2-2713-7702  
Fax: 886-2-2717-3077

OFFICERS AND TRUSTEES:

Chi-Chu Chen, Chairman and Trustee  
Michael Ding, President, Chief Executive Officer and  
Trustee  
Edward B. Collins, Trustee and Audit Committee  
Member  
Alex Hammond-Chambers, Trustee and Audit  
Committee Member  
David N. Laux, Trustee and Audit Committee  
Member  
Robert P. Parker, Trustee and Audit Committee  
Member  
Cheng-Cheng Tung, Trustee  
Peggy Chen, Chief Financial Officer,  
Treasurer and Secretary

TAIWAN  
GREATER  
CHINA FUND

ANNUAL REPORT

DECEMBER 31, 2003

CUSTODIAN:

Central Trust of China  
49 Wuchang Street, Sec. 1  
Taipei, Taiwan Republic of China

TRANSFER AGENT,

PAYING AND PLAN AGENT:  
Equiserve Trust Company, NA  
P.O. Box 43011  
Providence, RI 02940-3011  
U.S.A.  
Telephone: 1-800-426-5523

U.S. ADMINISTRATOR:

Citigate Financial Intelligence  
111 River Street, Suite 1001  
Hoboken, NJ 07030  
U.S.A.  
Telephone: (201) 499-3500

U.S. LEGAL COUNSEL:

Paul, Weiss, Rifkind, Wharton & Garrison LLP  
1285 Avenue of the Americas  
New York, NY 10019-6064  
Telephone: (212) 373-3000

For information on the Fund, including the NAV,  
please call toll free 1-800-343-9567.

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DEAR STOCKHOLDERS  
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The Fund's net asset value per share (NAV) gained 18.8% in 2003 after adjustment for dividends, compared to the 32.3% rise in the Taiwan Stock Exchange Index (TAIEX). During the year the New Taiwan dollar appreciated 2.3% against the U.S. dollar.

The Taiwan market proved resilient in 2003, bouncing back with a strong recovery after suffering the effects of war and disease in the early months. The year actually began on a high note with a double-digit gain of the TAIEX in January. This rise was kick-started by a U.S. stock rally. A wave of liquidity also supported the market as certain interest rates hit record lows while companies were paying out bonuses before Chinese New Year in late January.

The initial optimism turned to despair over the next three months, however. The increasing likelihood of armed conflict in Iraq damped investor enthusiasm as war jitters pushed crude oil prices to a 12-year high. Investor confidence plunged further after the outbreak of severe acute respiratory syndrome (SARS) and its spread through a series of cluster infections in hospitals. Largely as a result of the epidemic, Taiwan's economy suffered a small contraction in the second quarter (compared to the year earlier period). And the stock market declined almost 18% from the end of January to the year's low in late April.

As efforts to contain the disease proved successful, investor attention was increasingly drawn to signs of an American economic rebound after the quick end to war in Iraq and improving fundamentals of many of Taiwan's technology companies. The momentum built on both these fronts in the remaining months of 2003. Most measures of U.S. manufacturing and services industries indicated a pick-up in business conditions before mid-year. The ensuing rally on Wall Street helped lift markets in many export-driven economies of Asia.

annual earnings estimate in the summer after second-quarter profits surpassed the previous full-year forecast. In November and December every major flat-panel display producer raised annual earnings forecasts. Meanwhile, many traditional producers in such industries as steel and petrochemicals enjoyed solid growth largely as a result of surging demand from China.

The dividend notification letter sent out to shareholders on January 19 included a reminder of important recent developments involving the Fund. Following a December decision of your Trustees, the Fund's name has been changed

Official U.S. data served to confirm second quarter growth in business software rose to a three-year high and economic growth soared to 8.2%.

Fueled by strong foreign demand, Taiwan quickly bounced back to health after suffering a sharp decline in the second quarter. Merchandise exports made up roughly half of gross national product in 2003. This was primarily due to strong demand from China (including Hong Kong), which accounted for 25% of total exports. The recovery of demand for exports was strong and less robust. Private investment rose near yearend as indicated by more than a doubling of capital goods in November and December of the same period in 2002. We estimate that exports were up about 3.1% last year and are forecast to rise 4% in 2004.

The TAIEX climbed 48% from late October to early November and then dropped sharply to close out 2003. For most of the year, however, there was strong support from foreign institutional investors and net purchases of Taiwan stocks topped the year.

A wide range of Taiwan's technology companies benefited from the U.S. recovery. Growth was temporarily slowed by SARS, but rebounded on a broad front. Quarter after quarter contract manufacturers of semiconductors and computer makers often exceeded market expectations. Prices of the most widely used microprocessors broke-even level and remained in the green at the end of the year. In the electronics industry, Taiwan's largest flat-panel display manufacturer

Upon conversion I will be stepping into the shoes of the Fund and would like to take a special thank you to the many investors who have supported the Fund over its tenure. Steven R. Champion, who served as the Fund's portfolio manager, is well-known in the international investment community and previously managed the Fund from 1998 to 2003. He will provide able leadership and

Respectfully submitted,

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to Taiwan Greater China Fund to reflect the investment strategy of concentrating on Taiwan listed companies whose business is becoming increasingly integrated with the economy of China. The Fund is also converting to internal management.

/s/ Michael Ding

Michael Ding  
President

January 20, 200

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PORTFOLIO HIGHLIGHTS  
YEAR ENDED DECEMBER 31, 2003  
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TEN LARGEST HOLDINGS  
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Company	Percent of Net Assets
Taiwan Semiconductor Manufacturing Co., Ltd.	6.13%
Pihsiang Machinery Manufacturing Co., Ltd.	5.80
Taiwan Styrene Monomer Corp.	5.79
China Steel Chemical Corp.	5.01
Yulon Motor Co., Ltd.	4.42
MediaTek Inc.	4.23
Quanta Computer Inc.	4.19
Formosa Chemicals & Fiber Corp.	4.10
Synnex Technology International Corp.	3.59
Chunghwa Telecom Co., Ltd.	3.46

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INDUSTRY DIVERSIFICATION  
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Company
Electronics
Plastics
Semiconductors
Chemicals
Computers & Office Equipment
Banking
Automobile
Retailing
Telephone Services
Steel & Other Metals

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 TAIWAN GREATER CHINA FUND  
 CONSOLIDATED SCHEDULE OF INVESTMENTS / DECEMBER 31, 2003  
 -----

COMMON STOCKS--97.57%		% of	Market Valu
Automobile-- 4.42%		Net Assets	U.S. Dollar
6,193,004 shs.	Yulon Motor Co., Ltd.....	4.42	\$ 7,418,190
			-----
			7,418,190
Banking -- 7.31%			
4,000,000	Bank of Kaohsiung Co., Ltd.....	1.27	2,130,790
4,768,860	Fubon Financial Holding Co., Ltd.....	2.72	4,561,421
5,550,000	Chinatrust Financial Holding Company Ltd.....	3.32	5,569,928
			-----
			12,262,139
Other Financials -- 2.25%			
6,314,995	Yuan Ta Securities Co., Ltd.....	2.25	3,772,865
			-----
			3,772,865
Chemicals-- 10.81%			
2,800,657	Pihsiang Machinery Manufacturing Co., Ltd.....	5.80	9,726,221
6,600,000	China Steel Chemical Corp.....	5.01	8,410,736
			-----
			18,136,957
Computers & Office Equipment-- 7.47%			
4,560,000	BenQ Corp.....	3.28	5,502,384
2,860,000	Quanta Computer Inc.....	4.19	7,028,371
			-----
			12,530,755
Electrical & Machinery-- 1.72%			
3,214,809	China Metal Products Co., Ltd.....	1.72	2,885,740
			-----
			2,885,740
Electronics-- 17.90%			
6,700,000	* CMC Magnetics Corp.....	3.09	5,186,003
580,000	Chicony Electronics Co., Ltd.....	0.69	1,169,286
2,000,000	Everlight Electronics Co., Ltd.....	2.16	3,619,989
2,240,000	Transcend Information Inc.....	2.85	4,779,563
5,000,000	* Action Electronics Co., Ltd.....	3.25	5,459,415
1,800,000	* Wistron Corp.....	0.86	1,446,230
4,000,000	* Sercomm Corp.....	2.36	3,967,273
2,000,000	* Power Quotient International Co., Ltd.....	1.41	2,360,351
1,300,000	I-Sheng Electric Wire & Cable Co., Ltd.....	1.23	2,066,043
			-----
			30,054,153
Plastics-- 12.82%			

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2,978,152	Formosa Plastics Corp.....	2.93	4,908,368
10,000,000	Taiwan Styrene Monomer Corp.....	5.79	9,712,167
4,104,000	Formosa Chemicals & Fiber Corp.....	4.10	6,884,690

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21,505,225

Retailing-- 3.59%

4,445,842	Synnex Technology International Corp.....	3.59	6,018,857
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6,018,857

See accompanying notes to consolidated financial statements.

### Schedule of Investments (Cont'd.)

	% of Net Assets	Market Value (U.S. Dollars)
--	--------------------	--------------------------------

Semiconductors-- 12.80%

5,500,000	shs.*	Taiwan Semiconductor Manufacturing Co., Ltd.....	6.13	\$ 10,278,710
756,756		MediaTek Inc.....	4.23	7,104,749
2,400,000		Sonix Technology Co., Ltd.....	2.44	4,096,768

-----  
21,480,227

Steel & Other Metals-- 3.36%

6,795,097	China Steel Corp.....	3.36	5,639,583
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-----  
5,639,583

Telephone Services-- 3.46%

4,000,000	Chunghwa Telecom Co., Ltd.....	3.46	5,803,755
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5,803,755

Transportation-- 2.41%

9,350,000	*	China Airlines Ltd.....	2.41	4,045,117
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4,045,117

Others-- 7.25%

3,700,000	Great China Metal Industry Co., Ltd.....	1.12	1,883,866
2,496,000	Taiwan Secom Co., Ltd.....	1.40	2,343,351
2,300,000	Giant Manufacturing Co., Ltd.....	1.66	2,788,863
1,200,000	CTCI Corp.....	0.58	971,217
5,726,400	Taiwan Paiho Ltd.....	2.49	4,179,608

-----  
12,166,905

TOTAL COMMON STOCKS (COST \$148,340,319).....	\$163,720,468
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\* Non-income producing: these stocks did not pay a cash dividend during the year.

See accompanying notes to consolidated financial statements.

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 TAIWAN GREATER CHINA FUND  
 CONSOLIDATED SCHEDULE OF INVESTMENTS (CONTINUED) / DECEMBER 31, 2003  
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SHORT-TERM INVESTMENTS--2.63%

Commercial Paper - 2.63%	% of Net Assets	Market Va (U.S. Doll
Principal Amount	Issuer (Guarantor)	
-----	-----	
1,471,540		
		KGI Securities Co., Ltd. (Chiao Tung Bank), 0.925%, Due 01/06/04.....
	0.88	\$ 1,471,
1,471,540		
		Premier Microelectronics Corp. (Chiao Tung Bank), 0.9%, Due 01/09/04.....
	0.88	1,471,
1,471,540		
		Central Motor Company Ltd. (China Development Industrial Bank), 0.95%, Due 01/12/04.....
	0.87	1,471,
		-----
TOTAL SHORT-TERM INVESTMENTS (AMORTIZED COST \$4,413,722).....		4,413,
TOTAL INVESTMENTS IN SECURITIES		
AT MARKET VALUE (COST \$152,754,041).....		100.20 168,134,
OTHER ASSETS (LESS LIABILITIES).....		(0.20) (333,
		-----
NET ASSETS.....		100.00 \$167,800, =====

See accompanying notes to consolidated financial statements.

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 TAIWAN GREATER CHINA FUND  
 CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES  
 DECEMBER 31, 2003 (EXPRESSED IN U.S. DOLLARS)  
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ASSESTS

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Investments in securities at market value (Notes 2B, 3 and 6):	
Common stocks (cost-- \$148,340,319) .....	\$ 163,720
Short-term investments (amortized cost-- \$4,413,722) .....	4,413
	-----
Total investments in securities at market value (cost-- \$152,754,041) .....	168,134
Cash .....	1,941
Prepaid expenses .....	65
Other receivables .....	1
	-----
Total assets .....	170,141
	-----
LIABILITIES	
Dividends payables (note 2F) .....	1,961
Management fee payable (Note 4) .....	192
Custodian fee payable (Note 5) .....	21
Professional fees payable .....	149
Accrued Republic of China taxes (Note 2G) .....	1
Other payables .....	13
	-----
Total liabilities .....	2,340
	-----
Net assets .....	\$ 167,800
	=====
Components of net assets	
Par value of shares of beneficial interest (Note 7) .....	\$ 326
Additional paid-in capital .....	306,652
Accumulated net investment income .....	2,311
Accumulated realized loss on investments .....	(116,150)
Unrealized appreciation on investments (Note 6) .....	15,380
Cumulative translation adjustment (Note 2E) .....	(40,719)
Net assets .....	\$ 167,800
	=====
Net asset value per share (32,698,976 shares, par value \$0.01 issued and outstanding)	\$
	=====

See accompanying notes to consolidated financial statements.

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 TAIWAN GREATER CHINA FUND  
 CONSOLIDATED STATEMENT OF OPERATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2003 (EXPRESSED IN U.S. DOLLARS)  
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INVESTMENT INCOME (NOTE C)	
Dividends .....	\$ 4,643,
Interest .....	35,
	-----
	4,679,
REPUBLIC OF CHINA TAXES (NOTE 2G) .....	1,449,
	-----



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	3,229,
<hr/>	
EXPENSES	
Management fee (Note 4) .....	2,054,
Custodian fee (Note 5) .....	228,
Audit fee .....	112,
Legal fees and expenses .....	815,
Administrative fee .....	118,
Insurance expenses .....	76,
Trustee fees and expenses (Note 8) .....	223,
Shareholder communication expenses .....	157,
Other expenses .....	116,
	<hr/>
	3,903,
	<hr/>
Net investment loss .....	(673,
	<hr/>
NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCIES (NOTES 2 AND 6)	
Net realized loss on: investments (excluding short-term investments) .....	(11,992,
foreign currency transactions .....	1,
	<hr/>
net realized loss on investments and foreign currency transactions .....	(11,991,
Net changes in unrealized appreciation/depreciation on:	
investments (excluding short-term investments) .....	35,930,
translation of assets and liabilities in foreign currencies .....	3,561,
	<hr/>
Net realized and unrealized loss from investments and foreign currencies .....	27,500,
	<hr/>
Net increase in net assets resulting from operations .....	\$ 26,826,
	<hr/> <hr/>

See accompanying notes to consolidated financial statements.

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 TAIWAN GREATER CHINA FUND  
 CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS  
 FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002 (EXPRESSED IN U.S. DOLLARS)  
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	2003	2002
	-----	-----
NET INCREASE/DECREASE IN NET ASSETS RESULTING FROM OPERATIONS		
Net investment loss .....	\$ (673,737)	\$ (2,
Net realized loss on investments and foreign currency transactions .....	(11,991,683)	(10,
Unrealized appreciation/depreciation on investments .....	35,930,915	(23,
Unrealized appreciation/depreciation on translation of assets and liabilities in foreign currencies.....	3,561,353	1,
	<hr/>	<hr/>
Net increase/decrease in net assets resulting from operations	26,826,848	(33,

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Distribution to shareholders .....	(1,961,939)	
Net assets, beginning of year .....	142,935,717	176,
Net assets, end of year .....	\$ 167,800,626	\$ 142,

See accompanying notes to consolidated financial statements.

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TAIWAN GREATER CHINA FUND  
CONSOLIDATED FINANCIAL HIGHLIGHTS  
(EXPRESSED IN U.S. DOLLARS)

	Years Ended December 31,			
	2003	2002	2001	2000
<b>PER SHARE OPERATING PERFORMANCE:</b>				
Net asset value, beginning of year .....	4.37	5.40	5.78	10.23
Net investment loss .....	(0.02)	(0.06)	(0.05)	(0.11)
Net realized and unrealized gain (loss) on investments .....	0.73	(1.02)	0.06	(3.56)
Net realized and unrealized appreciation/depreciation on translation of foreign currencies .....	0.11	0.05	(0.39)	(0.41)
Total from investment operations ....	0.82	(1.03)	(0.38)	(4.08)
<b>DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>				
Capital .....	--	--	--	--
Net investment income .....	(0.06)	--	--	--
Net realized gain on investments .....	--	--	--	(0.37)
Total distributions* .....	(0.06)	--	--	(0.37)
<b>NET ASSET VALUE, END OF YEAR .....</b>	<b>5.13</b>	<b>4.37</b>	<b>5.40</b>	<b>5.78</b>
<b>PER SHARE MARKET PRICE, END OF YEAR .....</b>	<b>4.75</b>	<b>4.05</b>	<b>4.75</b>	<b>4.56</b>
<b>TOTAL INVESTMENT RETURN (%):</b>				
Based on the Trust's market price.....	18.79	(14.74)	4.17	(41.71)
Based on the Trust's net asset value .....	18.75	(19.07)	(6.57)	(39.94)
U.S. dollar return of Taiwan Stock Exchange Index .....	35.32	(19.03)	10.16	(46.62)

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RATIOS AND SUPPLEMENTAL DATA:

Net assets, end of year (in thousands) ....	167,801	142,936	176,526	188,939
Ratio of expenses to average net assets (%)	2.57	2.19	2.01	1.67
Ratio of net investment loss to average net assets (%) .....	(0.44)	(1.23)	(1.01)	(1.09)
Portfolio turnover ratio (%) .....	78	107	173	165

\* See Note 2F for information concerning the Trust's distribution policy.

See accompanying notes to consolidated financial statements.

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 TAIWAN GREATER CHINA FUND  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS / DECEMBER 31, 2003 (EXPRESSED IN U.S. DOLLARS)  
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NOTE 1 -- ORGANIZATION AND ACQUISITION OF  
 TAIWAN GREATER CHINA FUND

-----  
 The Taiwan Greater China Fund (the "Trust", formerly known as The R.O.C. Taiwan Fund) is a Massachusetts business trust formed in July 1988 and registered with the U.S. Securities and Exchange Commission as a diversified, closed-end management investment company under the Investment Company Act of 1940. The Trust changed its name from The R.O.C. Taiwan Fund to the Taiwan Greater China Fund on December 29, 2003. The change took effect on the New York Stock Exchange on January 2, 2004.

The Trust was formed in connection with the reorganization (the "Reorganization") of The Taiwan (R.O.C.) Fund (the "Fund"). The Fund, which commenced operations in October 1983, was established under the laws of the Republic of China as an open-end contractual investment fund pursuant to an investment contract between International Investment Trust Company Limited ("IIT") and Central Trust of China, as custodian. Pursuant to the Reorganization, which was completed in May 1989, the Trust acquired the entire beneficial interest in the assets constituting the Fund.

As required by the Trust's "Declaration of Trust," if the shares trade on the market at an average discount to NAV of more than 10% in any consecutive 12-week period after the most recent such vote, the Trust must submit to the shareholders for a vote at its next annual meeting a binding resolution that the Trust be converted from a closed-end to an open-end investment company. The affirmative vote of a majority of the Trust's outstanding shares is required to approve such a conversion.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING  
 POLICIES

Fund. All significant inter-company balances have been eliminated in

B -- Valuation of investments -- traded on the Taiwan Stock Exchange over-the-counter market. Except constrained by collars imposed by regulations, in which case the Trust provided for the use of fair value, securities are valued at the closing price not quoted at the end of the period quoted closing market price. Securities valued at amortized cost, which Under this method, the difference between security and its value at maturity is amortized on a straight-line basis over the term.

C -- Security transactions and interest transactions are recorded on the trade date entered into (the trade date). Dividends are recorded on the ex-dividend date, and interest is recorded on the accrual basis as it is earned.

D --Realized gains and losses-- security transactions are determined for financial reporting purposes using the average cost method. For federal income tax purposes, gains and losses on security transactions are determined on a first-in-first-out method. For the period ended December 31, 2003, the Trust generated a net gain of \$11,721,463, and maintained a cumulative loss carryover of \$105,731,250, and a net loss carryover of \$117,452,713. Such losses may be used to offset any future gains of the Trust, and if unused, \$89,146,000 will expire on December 31, 2009, \$16,406,713 will expire on December 31, 2010 and

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A -- Basis of presentation and principles of consolidation -- The accompanying financial statements of the Trust have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements include the accounts of the Trust and the

will expire on December 31, 2011

E-- Foreign currency translation Trust's income is earned, and it

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TAIWAN GREATER CHINA FUND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS / DECEMBER 31, 2003 (EXPRESSED IN U.S. DOLLARS)  
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largely paid, in New Taiwan Dollars ("NT\$"). The cost and market value of securities, currency holdings and other assets and liabilities which are denominated in NT\$ are reported in the accompanying consolidated financial statements after translation into United States Dollars based on the closing market rate for United States Dollars in Taiwan at the end of the period. At December 31, 2003, this rate was approximately NT\$33.978 to \$1.00. Investment income and expenses are translated at an average exchange rate for the period. Currency translation gains or losses are reported as a separate component of changes in net assets resulting from operations.

The tax characteristics of dividend during the years ended December follows:

Ordinary income .....  
Long-term capital gain.....

The Trust does not separately record that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

As of December 31, 2003 the component distributable earnings/(accumulated basis) were as follows:

Undistributed net investment income.....  
Capital loss carryforward...  
Unrealized appreciation (depreciation).....

F-- Distributions to shareholders-- It is the Trust's policy to distribute all ordinary income and net capital gains calculated in accordance with U.S. federal income tax regulations. Such calculations may differ from those based on accounting principles generally accepted in the United States of America ("GAAP"). In order to reconcile such differences, accumulated net investment income was increased by \$1,293, accumulated net realized loss on investments was decreased by \$17,397, and additional paid in capital was decreased by \$18,672 to reflect the impact of such differences in accordance with GAAP.

G -- Taxes -- the Trust intends continue to qualify as a regulated investment company under the Internal Revenue Code of 1986. If the Trust complies with all of the requirements of the Code, it will not be subject to U.S. federal income and excise taxes on all of its investment company taxable income. Taxable gains to its shareholders.

The Trust declared a dividend of \$0.06 a share, payable on January 23, 2004 to shareholders of record on December 19, 2003 (ex-date December 17, 2003). The dividend, in the total amount of \$1,961,939, represents a deemed distribution of the Fund's investment in certain Taiwanese companies classified as passive foreign investment companies for U.S. federal income tax purposes, for the period from November 1, 2002 to October 31, 2003.

The Republic of China ("R.O.C.") imposes a 20% tax on cash dividends and interest on investments in R.O.C. securities levied based on the par value of those which have resulted from a surplus received by the Trust. As of December 31, 2003, the total par

received was \$2,424,729.

Realized gains on securities tra  
income tax in the R.O.C.; instea  
tax of 0.3% of the market value  
transferred, and 0.1% of the mar  
beneficial certificates sold or  
Proceeds from sales of investmen  
transaction tax paid

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TAIWAN GREATER CHINA FUND  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS / DECEMBER 31, 2003 (EXPRESSED IN U.S. DOLLARS)  
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of \$350,255 for the twelve months ended December 31, 2003.

H --Use of estimates-- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements, consolidated financial highlights and the accompanying notes. Actual results could differ from those estimates.

NOTE 3-- INVESTMENT CONSIDERATIONS

-----  
Because the Trust concentrates its investments in publicly traded equity and debt securities issued by R.O.C. corporations, its portfolio involves considerations not typically associated with investing in U.S. securities. In addition, the Trust is more susceptible to factors adversely affecting the R.O.C. economy than a fund not concentrated in these issuers to the same extent. Since the Trust's investment securities are primarily denominated in New Taiwan Dollars, changes in the relationship of the New Taiwan Dollar to the U.S. Dollar may also significantly affect the value of the investments and the earnings of the Trust.

NOTE 4-- INVESTMENT MANAGEMENT

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A-- Pursuant to an investment contract (the "Investment Contract"), IIT (the "Manager"), an R.O.C. corporation, is responsible, among other things, for investing and managing the assets of the Trust and administering the Trust's affairs. Through December 31, 2003, the Trust paid the Manager a fee, which is accrued daily and paid monthly in arrears, at the annual rate of 1.35% of the net asset value ("NAV") with respect to Trust assets held in Taiwan under the Investment Contract up to NT\$6 billion, 1.15% of such NAV in excess of NT\$6 billion up to NT\$8 billion, 0.95% of

administrative and custodial agr  
of applicable regulatory require  
continue to provide certain admi  
Trust after the conversion to in  
Central Trust of China will cont  
custodian. Certain changes to th  
trustees will be effected upon t  
management.

NOTE 5-- CUSTODIAN

-----  
Pursuant to the Investment Contr  
China ("CTC") serves as custodia  
held in the R.O.C. CTC owns 7.74  
stock of IIT. Through December 3  
a monthly fee at the annual rate  
respect to Trust assets held in  
Contract up to NT\$6 billion, 0.1  
NT\$6 billion up to NT\$8 billion,  
of NT\$8 billion up to NT\$10 bill  
in excess of NT\$10 billion, subj  
of NT\$2.4 million.

NOTE 6-- INVESTMENTS IN SECURITI

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Purchases and proceeds from sale  
investments, for the twelve mont  
included approximately \$114,723,  
approximately \$116,286,672 for s

At December 31, 2003, the cost o  
short-term investments, for U.S.  
was \$156,842,546. At December 31  
appreciation on investments of \$  
U.S. federal income tax basis co  
gross unrealized appreciation an  
unrealized depreciation.

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such NAV in excess of NT\$8 billion up to NT\$10 billion, and 0.75% of such NAV in excess of NT\$10 billion.

B-- The Trust has resolved that it will end its investment management agreement with IIT and will convert to internal management. The Trust is expected to commence internal management in the first quarter of 2004 upon hiring an internal administrative and analytical staff, entry into appropriate

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NOTE 7-- SHARES OF BENEFICIAL IN

The Trust's "Declaration of Trust" provides that the Trust may issue an unlimited number of shares of common stock with a par value of \$0.01, and no other shares outstanding at present. At December 31, 2003, 1,000 shares were outstanding.

TAIWAN GREATER CHINA FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS / DECEMBER 31, 2003 (EXPRESSED IN U.S. DOLLARS)

NOTE 8 -- TRUSTEE FEES AND EXPENSES

The amount shown includes trustee fees and expenses and reimbursement for spousal travel expenses. Aggregate trustee remuneration for 2003 (including spousal travel reimbursement) was \$110,352.

#### UNAUDITED TAX FOOTNOTE DISCLOSURE--FOREIGN TAX CREDIT PASS-THROUGH DISCLOSURE

The Trust paid foreign taxes of \$1,449,887 and recognized foreign source income of \$4,679,210 during its fiscal year ended December 31, 2003. Pursuant to Section 853 of the Internal Revenue Code of 1986, as amended, the Trust designated such amounts as having been paid in connection with dividends distributed from investment company taxable income during its fiscal year ended December 31, 2003.

The Trust and its predecessors, The Taiwan (R.O.C.) Fund and The R.O.C. Taiwan Fund, have been certified as distributing funds by the Board of Inland Revenue of the United Kingdom for the period from their inception to December 31, 2002. The Trust intends to apply for such status for succeeding accounting periods.

Michael Ding has been portfolio manager since July 1999, its President and Chief Investment Officer since September 1999 and a trustee since December 1999. He is the Trust's deputy manager since January 2004. He is also the President and Chief Investment Officer of Citicorp International Investment Trust Company, an investment manager. He has worked for Citicorp International Investment Trust Company (IIT), where he was previously senior

Mr. Ding served as chief economist for Citicorp International Securities Corporation from 1997 to 1999 and as head of research for Citicorp International Investment Trust Company in the greater China region at McKinsey & Company.

PROXY VOTING

The Trust's policy with regard to proxy voting for its portfolio is to vote in accordance with the recommendations of Institutional Shareholder Services, Inc. (ISS), an independent proxy voting advisor. The Trust's proxy voting advisor, recommends to the controller of the Trust that the decision as to how to vote will be made by the Proxy Voting Committee of the Trust's Board of Directors.

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LOGO [KPMG]

KPMG CERTIFIED PUBLIC ACCOUNTANTS  
6th Fl., No. 156 Sec. 3, Min-Sheng East Road,  
Taipei, 105, Taiwan, R.O.C.

Telephone (02) 2715-9999  
Fax (02) 2715-9888

Independent Auditors' Report  
-----

The Trustees and Shareholders of  
Taiwan Greater China Fund:

We have audited the accompanying consolidated statement of assets and liabilities of the Taiwan Greater China Fund, a Massachusetts business trust (the "Trust"), including the consolidated schedule of investments, as of December 31, 2003, and the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the years in the two-year period then ended, and the consolidated financial highlights for each of the years in the five-year period then ended. These consolidated financial statements and financial highlights are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements and financial highlights based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements and financial highlights. Our procedures included physical inspection or confirmation of securities owned as of December 31, 2003, by correspondence with the Trust's

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custodian. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and consolidated financial highlights referred to above present fairly, in all material respects, the financial position of the Taiwan Greater China Fund as of December 31, 2003, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended, and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America.

KPMG

Taipei, Taiwan  
January 5, 2004

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Information Concerning Trustees and Officers  
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NAME (AGE) AND ADDRESS	POSITION(S) HELD WITH THE TRUST	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL DURIN FI
----- INTERESTED TRUSTEES -----			
Chi-Chu Chen* (61) 167 Fuhsing North Road Taipei, Taiwan, R.O.C.	Trustee and Chairman	Trustee and Chairman since 2002	Chairman of May 2002; Ex President, I Commercial B from prior t
Michael Ding* (46) 167 Fuhsing North Road Taipei, Taiwan, R.O.C.	Trustee, President and Chief Executive Officer	Trustee since 2001; President and Chief Executive Officer since 1999	President of since 2001; President of 1999 to 2001 and Head of Citicorp Int Securities L from prior t
Cheng-Cheng Tung (64) 167 Fuhsing North Road Taipei, Taiwan, R.O.C.	Trustee	Trustee since 2002 and until the 2006 Annual Meeting of Shareholders or the special meeting in lieu thereof	President, C Bank (CUB), Manager, CUB Executive Vi from prior t
----- NON-INTERESTED TRUSTEES -----			
Edward B. Collins (61)	Trustee	Trustee since 2000 and	Managing Dir



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China Vest Inc.  
160 Sansome Street  
18th Floor  
San Francisco, California 94104  
U.S.A.

until the 2006 Annual Meeting of Shareholders or the special meeting in lieu thereof

Vest Group (investment),

Alex Hammond-Chambers (61)  
29 Rutland Square  
Edinburgh EH1 2BW  
United Kingdom

Trustee

Trustee since 2002 and until the 2005 Annual Meeting of Shareholders or the special meeting in lieu thereof

Chairman, Al Chambers & C (investment independent since prior

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Information Concerning Trustees and Officers

NAME (AGE) AND ADDRESS	POSITION(S) HELD WITH THE TRUST	TERM OF OFFICE AND LENGTH OF TIME SERVED	PRINCIPAL DURIN FI
David N. Laux (76) 2560 N. 23rd Road Arlington, Virginia 22207 U.S.A.	Trustee	Trustee since 1992 and until the 2004 Annual Meeting of Shareholders or the special meeting in lieu thereof	President, U Forum, since President, U Business Cou to 1999 to 2
Robert P. Parker (62) 44 Montgomery Street Suite 3800 San Francisco, California 94104 U.S.A.	Trustee	Trustee since 1998 and until the 2005 Annual Meeting of Shareholders or the special meeting in lieu thereof	Chairman, Pa Capital, Inc Allegro Capi since prior

NON-TRUSTEE OFFICER

Peggy Chen (41) 167 Fuhsing North Road Taipei, Taiwan, R.O.C.	Secretary, Treasurer and Chief Financial Officer	Officer since 2000	Vice Preside the Manager Manager of F Shin Fu Life from prior t
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\* Chi-Chu Chen and Michael Ding will resign their positions as Trustees and officers of the Trust conversion to inter-nal management (please refer to note 4B).

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ITEM 2. CODE OF ETHICS.

As of the end of the period covered by this report, the registrant has adopted a code of ethics applicable to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of this code of ethics is filed as an exhibit to this report. No substantive amendments were adopted and no waivers were granted to this code of ethics during the period covered by this report.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

The registrant's Board of Trustees has determined that Edward B. Collins qualifies as an audit committee financial expert based upon his having earned an MBA in International Business and Finance as well as his experience (i) analyzing and evaluating financial statements as the managing director of a venture capital fund, (ii) reviewing bond portfolios, loan portfolios and establishing reserves as the director of a bank and (iii) working in the credit department of various financial institutions. Mr. Collins is independent for purposes of this Item 3.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

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 (a) AUDIT FEES:  
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	REGISTRANT
FY 2002	\$53,500
FY 2003	\$53,500

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 (b) AUDIT-RELATED FEES:  
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	REGISTRANT	INVESTMENT ADVISER
FY 2002	\$0	\$0
FY 2003	\$0	\$0

NATURE OF THE AUDIT-RELATED FEES: N/A  
 -----

(c) TAX FEES  
 -----

	REGISTRANT	INVESTMENT ADVISER
FY 2002	\$50,000	\$0
FY 2003	\$50,000	\$0

NATURE OF TAX FEES: The fees incurred by the registrant related to the preparation of the registrant's federal income and excise tax returns and the provision of tax advice and planning services.  
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(d) ALL OTHER FEES  
 -----

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	REGISTRANT	INVESTMENT ADVISER
FY 2002	\$3,360	\$0
FY 2003	\$9,127	\$0

NATURE OF ALL OTHER FEES: The fees incurred by the registrant in FY 2002 related to the preparation of an application by the registrant for distributing fund status in the United Kingdom. The fees incurred by the registrant in FY 2003 related to the preparation of an application for distributing fund status in the United Kingdom and research and preparation of a memorandum of advice concerning the tax implications in the Republic of China of the registrant's becoming an internally managed investment company.

(e) (1) AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES

In accordance with paragraph (c) (7) (i) (A) of Rule 2-01 of Regulation S-X, the audit committee of the registrant's board of trustees approves the engagement of the registrant's accountants before such accountants are engaged to render audit or non-audit services. Pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X, the registrant's audit committee also pre-approves its independent accountants' engagements for non-audit services with the registrant's investment adviser, its parent company, and any entity controlled by, or under common control with the investment adviser that provides ongoing services to the registrant, if such engagement relates directly to the operations and financial reporting of the registrant.

(e) (2) PERCENTAGE OF NON-AUDIT SERVICES APPROVED BY THE AUDIT COMMITTEE

All services described in each of paragraphs (b) through (d) of this Item 4 were pre-approved before the engagement by the registrant's audit committee pursuant to paragraph (c) (7) (i) (A) of Rule 2-01 of Regulation S-X. Consequently, none of such services were required to be approved by the audit committee pursuant to paragraph (c) (7) (i) (C) of Rule 2-01 of Regulation S-X.

(f) Not applicable.

(g) AGGREGATE NON-AUDIT FEES BILLED BY THE REGISTRANT'S PRINCIPAL ACCOUNTANT FOR SERVICES RENDERED TO THE REGISTRANT AND THE REGISTRANT'S INVESTMENT ADVISER:

	REGISTRANT	INVESTMENT ADVISER
FY 2002	\$53,360	\$9,988
FY 2003	\$59,127	\$9,376

(h) The fees paid by the registrant's investment adviser to the registrant's principal accountant that are listed in sub-item (g) of this Item 4 related solely to applications for distributing fund status on behalf of other, non-U.S. funds managed by the registrant's investment adviser, and hence were not fees that in any way relate to the operations and financial reporting of the registrant. Therefore, such fees were not fees subject to approval pursuant to paragraph (c) (7) (ii) of Rule 2-01 of Regulation S-X and were not submitted for pre-approval by the registrant's audit committee.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

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The registrant has a separately designated standing audit committee, which was established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended.

The members of the registrant's audit committee are: Edward B. Collins, chairman, Robert P. Parker and Alex Hammond-Chambers.

ITEM 6. [RESERVED]

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

The registrant's policy with regard to voting stocks held in its portfolio is to vote in accordance with the recommendations of Institutional Shareholder Services, Inc. ("ISS") unless the registrant's chief executive officer recommends to the contrary, in which event the decision as to how to vote will be made by the Executive Committee of the registrant's Board of Trustees. A summary of ISS's proxy voting guidelines is attached as an exhibit to this report.

ITEM 8. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANIES AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 9. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Not applicable to annual reports for the period ended December 31, 2003.

ITEM 10. CONTROLS AND PROCEDURES.

(a) The registrant's principal executive officer and principal financial officer have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) are effective as of a date within 90 days of the filing date of this report based on their evaluation of such disclosure controls and procedures as required by Rule 30a-3(b) under the Investment Company Act of 1940 and Rule 13a-15(b) under the Securities Exchange Act of 1934.

(b) There were no changes in the registrant's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940, as amended) that occurred during the registrant's second fiscal half-year that have materially affected, or are reasonably likely to materially affect, such internal controls.

ITEM 11. EXHIBITS.

(a) (1) CODE OF ETHICS REQUIRED BY ITEM 2 OF FORM N-CSR:

See Exhibit 99.CodeEth attached hereto.

(b) (2) CERTIFICATIONS REQUIRED BY RULE 30A-2(A) UNDER THE INVESTMENT COMPANY ACT OF 1940:

See Exhibit 99.Cert attached hereto.

(b) CERTIFICATIONS REQUIRED BY RULE 30A-2(B) UNDER THE INVESTMENT COMPANY ACT OF 1940 AND RULE 13A-14(B) UNDER THE SECURITIES EXCHANGE ACT OF 1934:

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See Exhibit 99.906Cert attached hereto.

(c) PROXY VOTING GUIDELINES REQUIRED BY ITEM 7 OF FORM N-CSR:

See Exhibit 99.ProxyPol attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Taiwan Greater China Fund

By: /s/ Steven R. Champion

-----  
Name: Steven R. Champion  
Title: President and Chief Executive Officer

Date: March 5, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Steven R. Champion

-----  
Name: Steven R. Champion  
Title: President and Chief Executive Officer

By: /s/ Peggy Chen

-----  
Name: Peggy Chen  
Title: Chief Financial Officer

Date: March 5, 2004