

TAIWAN GREATER CHINA FUND
Form N-CSRS
September 09, 2010

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)

c/o Nanking Road Capital Management, LLC

111 Gillett Street
Hartford, CT 06105
(Address of principal executive offices) (Zip code)

Brown Brothers Harriman & Co.
40 Water Street
Boston, MA 02196-3604
(Name and address of agent for service)

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

Date of fiscal year end: December 31

Date of reporting period: June 30, 2010

ITEM 1. REPORTS TO STOCKHOLDERS

TAIWAN GREATER CHINA FUND

www.taiwangreaterchinafund.com

Semi-Annual Report

Trustees and Officers:

Pedro-Pablo Kuczynski, Chairman and Trustee
Frederick C. Copeland Jr., Vice Chairman, Trustee and
Audit Committee Member
David N. Laux, Trustee
Tsung-Ming Chung, Trustee and Audit Committee
Member
Edward B. Collins, Trustee and Audit Committee
Member
Robert P. Parker, Trustee and Audit Committee
Member
Steven R. Champion, President, Chief Executive
Officer and Portfolio Manager
Regina Foley, Chief Financial Officer,
Treasurer and Secretary

June 30, 2010

Manager:

Nanking Road Capital Management, LLC
111 Gillett Street
Hartford, CT 06105
U.S.A.
Tel: (860) 278-7888

Administrator & Custodian:

Brown Brothers Harriman & Co.
40 Water Street
Boston, MA 02109
U.S.A.
Tel: (617) 742-1818

Transfer Agent, Paying and Plan Agent:

American Stock Transfer & Trust Company
59 Maiden Lane – Plaza Level
New York, NY 10038
U.S.A.
Telephone: (866) 624-4110

Investor Relations & Communications:

The Altman Group, Inc.
60 East 42nd Street, Suite 916
New York, NY 10165

U.S.A.

Telephone: (212) 681-9600

U.S. Legal Counsel:

Clifford Chance US LLP

1 West 52nd Street

New York, NY 10019-6131

U.S.A.

Tel: (212) 878-8000

For information on the Fund, including the NAV, please
call toll free

1-800-343-9567.

Current and historical (from 2/27/2004) NAV information
can be found on the Fund's website at
www.taiwangreaterchinafund.com

Dear Shareholders

Even as the island's economy continued to prosper during the six months ended June 30, 2010 and the landmark Economic Cooperation Framework Agreement ("ECFA") was signed with China on June 29, 2010, Taiwan's stock market as measured by the MSCI Taiwan index produced negative total returns of 12.4% as measured in U.S. dollar terms. The Fund's stock price and net asset value declined 12.7% and 15.6%, respectively, during the six-month period. The decline in net asset value return was net of expenses and taxes of 1.40%. The volatility of the overall Taiwan stock market, based on the 30-day annualized rate calculated by Bloomberg rose sharply to 23.3% at the end of the second quarter, compared to 14.1% at March 31, 2010 and 15.2% at year-end 2009.

The Taiwan Greater China Fund's (the "Fund") discount to net asset value averaged 8.4% during the second quarter, down from 9.6% during the first quarter of 2010 and 9.2% for 2009 as a whole. The Fund's discount to net asset value averaged 9.0% during the six months ended June 30, 2010. The highest closing discount during the quarter was 11.6% recorded on June 4th, and the lowest closing discount was the 5.9% recorded on May 3rd. The Fund's mean and median daily trading volume for the quarter declined 13.3% and 19.4%, respectively, to 21,167 and 12,364 shares. Additionally, as compared to the six months ended June 30, 2009, the Fund's mean and median trading volume declined 19.9% and 25.8%, respectively.

The Fund's net asset value performance remains highly correlated to the overall performance of the Taiwan stock market during the past year with an R-squared of 0.97 relative to the MSCI Taiwan index. The Fund's beta is 0.98, indicating that the Fund's net asset value is slightly less volatile than the overall Taiwan market. The Fund produced an alpha (a measure of "excess return," which cannot be explained by the risk level) of 3 basis points per week relative to the index.

Market valuations for the Fund's portfolio of high quality companies at the end of the first quarter present a highly attractive picture. According to Bloomberg statistics, the heavily technology-weighted portfolio had a weighted average forward price-earnings ratio of 11.7, a weighted average price-book ratio of 2.4, a weighted average cash dividend yield of 3.8%, and a weighted average return on equity of 18.7%. The Fund generally holds shares in companies with high liquidity levels, low leverage, and high quality earnings.

The Fund uses Bloomberg to provide attribution analysis for its portfolio. The Bloomberg analysis compares the New Taiwan dollar ("NT\$") total returns of the Fund's portfolio to the NT\$ total returns of the Fund's benchmarks.

For the year-to-date period ending June 30, 2010, the NT\$ return of the Fund's portfolio was approximately -12.9% while the return of MSCI Taiwan index was approximately -11.8%. Therefore, the active return for the Fund was approximately -1.1%. Sector allocation contributed approximately +2.2% to the active return while asset selection contributed 1.0%. There was also contribution of approximately -0.1% due to currency, a result of holding two Hong Kong positions. Our underweight to financial, overweight to basic material, and overweight to consumer non-cyclical sectors were the primary drivers to our positive active return over the past year. The primary detractor from this performance for the one year period ended June 30, 2010 was our security selections in the consumer cyclical sector. For the three months ended June 30, 2010, the portfolio returned approximately -9.8%. This was worse than the roughly -8.2% return generated by the MSCI Taiwan index over the same period. The resulting active return of about -1.6% was attributable mainly to our poorly performing security selections in the communications, technology, financial, and consumer cyclical sectors. During the three months ended June 30, 2010, the brightest spot was our slight overweight to and security selections in the consumer non-cyclical sector.

The ECFA was signed between Taiwan and China on June 29, 2010 in Chongqing. This landmark agreement will lower tariff rates on 539 categories of Taiwan products and 267 categories of products from China. It is estimated that this will save Taiwan exporters approximately \$1 billion in customs duties. This “early harvest” list includes significant benefits for Taiwan’s financial sector as it expands into mainland China. The agreement is expected to increase Taiwan’s annual economic growth rate by approximately 0.4%.

Chinese tourists continue to visit Taiwan in record numbers, with approximately 4,505 tourists arriving per day in May. Twenty-eight new weekly flights were added between Taipei’s Songshan airport and Hongqiao in Shanghai. This is in addition to the existing 56 weekly flights from Songshan to Shanghai’s Pudong Airport.

Taiwan’s economy continues to strengthen with Citibank increasing its projection of 2010 growth in gross domestic product to 7.0%. During May 2010, export orders reached \$33.7 billion, the third highest level on record with overseas production exceeding 50% for the third consecutive month. Taiwan’s foreign exchange reserves rose to a new high of \$360.1 billion, making Taiwan the world’s sixth largest net creditor nation.

We believe that a portfolio of Taiwan-based companies, which conduct significant business operations in China, offers investors an attractive long-term investment opportunity.

Yours truly,

Steven R. Champion
President, CEO and Portfolio Manager

July 31, 2010

TAIWAN GREATER CHINA FUND
 PORTFOLIO HIGHLIGHTS
 Schedule of Investments by Industry as of June 30, 2010 (Unaudited)

Industry Diversification

Industry	U.S. \$ Value	Percent of Net Assets
Computer Systems & Hardware	14,642,024	21.56%
Semiconductors	12,930,909	19.04
Plastics	8,574,287	12.63
Electronic Components	7,557,736	11.12
Flat-Panel Displays	3,948,918	5.81
Food	3,321,636	4.88
Steel	3,239,868	4.77
Financial Services	2,605,691	3.84
Computer Peripherals/ODM	2,405,251	3.54
Cement	1,833,533	2.70
Electronics/Other	1,705,890	2.52
Other Non-Tech	1,533,131	2.26
Textiles	868,606	1.28
Rubber	825,433	1.22
Glass, Paper & Pulp	601,575	0.89
Electrical & Machinery	422,792	0.62
Retailing	389,522	0.58
Transportation	288,892	0.43

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Hotels	94,583	0.14
Internet Content-Entertainment	74,074	0.11
Short-Term Securities	71,203	0.10
Liabilities (Net of Other Assets)	(29,513)	(0.04)
Net Assets	67,906,041	100.00

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TAIWAN GREATER CHINA FUND

Schedule of Investments (Unaudited) / June 30, 2010

COMMON STOCK — 99.94%

Shares		% of Net Assets	U.S. Dollar Value
Cement — 2.70%			
878,683	Asia Cement Corp.	1.14	\$ 775,048
1,248,373	Taiwan Cement Corp.	1.56	1,058,485
			1,833,533
Computer Peripherals/ODM — 3.54%			
165,628	Chicony Electronics Co., Ltd.	0.54	369,863
93,843	HTC Corp.	1.85	1,253,280
709,350	lite-on Technology Corp.	1.15	782,108
			2,405,251
Computer Systems & Hardware — 21.56%			
431,397	Acer Inc.	1.48	1,007,564
289,834	Asustek Computer Inc.	3.18	2,155,922
780,676	Compal Electronics Inc.	1.38	937,126
2,145,860	Hon Hai Precision Industry Co., Ltd.	11.19	7,597,734
1,021,046	Quanta Computer Inc.	2.73	1,855,150
736,300	Wistron Corp.	1.60	1,088,528
			14,642,024
Electrical & Machinery — 0.62%			
348,000	Teco Electric & Machinery Co., Ltd.	0.21	143,750
751,837	* Walsin Lihwa Corp.	0.41	279,042
			422,792
Electronic Components — 11.12%			
263,343	Catcher Technology Co., Ltd.	0.84	572,529
417,000	Coretronic Corp.	0.91	616,483
681,991	Delta Electronics Inc.	3.23	2,192,284
215,658	* E Ink Holdings Inc.	0.39	264,905
137,715	Everlight Electronics Co.	0.52	354,152
226,034	Foxconn Technology Co., Ltd.	1.11	754,675
780,092	* Pegatron Corp.	1.07	728,062
132,405	Shin Zu Shing Co., Ltd.	0.59	402,181
81,100	Simplo Technology Co., Ltd.	0.65	442,055
236,450	TXC Corp.	0.54	367,921
422,000	WPG Holdings Co., Ltd.	1.16	786,396
10,000	Young Fast Optoelectronics Co., Ltd.	0.11	76,093
			7,557,736
Electronics/Other — 2.52%			
199,000	Lumax International Corp., Ltd.	0.48	323,864
634,776	Synnex Technology International Corp.	2.04	1,382,026
			1,705,890

See accompanying notes to unaudited financial statements and independent accountants' review report.

TAIWAN GREATER CHINA FUND

Schedule of Investments (Continued) (Unaudited) / June 30, 2010

Shares		% of	U.S. Dollar
		Net Assets	Value
Financial Services — 3.84%			
1,151,000	Cathay Financial Holding Co., Ltd.	2.53	\$ 1,717,697
792,000	Fubon Financial Holding Co., Ltd.	1.31	887,994
			2,605,691
Flat-Panel Displays — 5.81%			
3,182,292 *	AU Optronics Corp.	4.19	2,846,495
1,062,732 *	Chimei Innolux Corp.	1.62	1,102,423
			3,948,918
Food — 4.88%			
151,375	Great Wall Enterprises Co.	0.19	131,876
436,000	Tingyi (Cayman Islands) Holdings Corp.	1.58	1,075,368
1,317,266	Uni-President Enterprise Corp.	2.14	1,456,469
776,000	Want Want China Holdings, Ltd.	0.97	657,923
			3,321,636
Glass, Paper & Pulp — 0.89%			
654,365	Taiwan Glass Industrial Corp.	0.89	601,575
Hotels — 0.14%			
7,700	Formosa International Hotels Corp.	0.14	94,583
Internet Content-Entertainment — 0.11%			
9,000	Chinese Gamer International Corp.	0.11	74,074
Plastics — 12.63%			
1,069,897	Formosa Chemicals & Fiber Corp.	3.63	2,462,283
1,491,271	Formosa Plastics Corp.	4.64	3,149,512
1,844,968	Nan Ya Plastics Corp.	4.36	2,962,492
			8,574,287
Retailing — 0.58%			
87,850	Far Eastern Department Stores Co., Ltd.	0.11	72,168
107,445	President Chain Store Corp.	0.47	317,354
			389,522
Rubber — 1.22%			
405,754	Cheng Shin Rubber Ind. Co., Ltd.	1.22	825,433
Semiconductors — 19.04%			
2,138,762	Advanced Semiconductor Engineering Inc.	2.51	1,703,836
349,346	MediaTek Inc.	7.23	4,909,669
100,851	Powertech Technology Inc.	0.42	282,217
495,193	Siliconware Precision Industries Co., Ltd.	0.79	539,064
2,566,284	Taiwan Semiconductor Manufacturing Co., Ltd.	7.11	4,830,090
1,494,397	United Microelectronics Corp.	0.98	666,033

See accompanying notes to unaudited financial statements and independent accountants' review report.

TAIWAN GREATER CHINA FUND
Schedule of Investments (Continued) (Unaudited) / June 30, 2010

Shares		% of	U.S. Dollar
Steel — 4.77%		Net Assets	Value
3,418,696	China Steel Corp.	4.66	\$ 3,164,132
96,004	Tung Ho Steel Enterprise Corp.	0.11	75,736
			3,239,868
Textiles — 1.28%			
837,334	Far Eastern New Century Corp.	1.28	868,606
Transportation — 0.43%			
151,000	U-Ming Marine Transport Corp.	0.43	288,892
Other Non-Tech — 2.26%			
274,660	Giant Manufacturing Co., Ltd.	1.23	835,987
357,900	Merida Industry Co., Ltd.	0.74	501,321
250,696	Pou Chen Corp.	0.29	195,823
			1,533,131
TOTAL COMMON STOCK (COST \$64,897,301)			67,864,351
SHORT TERM SECURITIES — 0.10%			
Time Deposit — 0.10%			
Citibank - London, 0.03%, Due 07/01/10		0.10	71,203
TOTAL SHORT-TERM SECURITIES (COST \$71,203)			71,203
TOTAL INVESTMENTS IN SECURITIES AT FAIR VALUE (COST \$64,968,504)			100.04 67,935,554
LIABILITIES (NET OF OTHER ASSETS)			(0.04) (29,513)
NET ASSETS			100.00 \$ 67,906,041

* Non-income producing: These stocks did not pay a cash dividend during the past year.

See accompanying notes to unaudited financial statements and independent accountants' review report.

TAIWAN GREATER CHINA FUND

Statement of Assets and Liabilities

June 30, 2010 (Unaudited) (Expressed in U.S. Dollars)

Assets

Investments in securities at market value (Notes 2B, 2D, 3 and 7)

Common Stock (cost — \$64,897,301)	\$ 67,864,351
Short-term securities (cost — \$71,203)	71,203
Total investment in securities at fair value (cost — \$64,968,504)	67,935,554

Cash	142,996
Foreign cash (cost — \$6,017)	6,007
Dividend receivable	14,910
Prepaid expenses and other assets	188,560
Total assets	68,288,027

Liabilities

Professional fees payable	186,779
Management fee payable (Note 4)	61,665
Shareholder communication fees payable	41,513
Administration fee payable (Note 5)	24,873
Custodian fee payable (Note 6)	11,005
Other accrued expenses	56,151
Total liabilities	381,986

Net assets	\$ 67,906,041
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Components of net assets

Par value of shares of beneficial interest (Note 8)	\$ 111,995
Additional paid-in capital (Note 8)	88,827,884
Accumulated net investment income	58,847,304
Accumulated net realized loss on investments and foreign currency transactions	(43,002,670)
Unrealized net appreciation on investments (Note 7)	2,967,050
Cumulative translation adjustment (Note 2F)	(39,845,522)

Net assets	\$ 67,906,041
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Net asset value per share (11,199,520 shares issued and outstanding, par value \$0.01)	\$ 6.06
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See accompanying notes to unaudited financial statements and independent accountants' review report.

TAIWAN GREATER CHINA FUND

Statement of Operations

For the Six Months Ended June 30, 2010 (Unaudited) (Expressed in U.S. Dollars)

Investment income (Notes 2B, 2D)	
Dividends	\$ 153,469
Interest and other income	207
	153,676
Republic of China taxes (Note 2H)	(48,089)
	105,587
Expenses	
Management fee (Note 4)	458,822
Shareholder communication expenses	144,023
Trustee fees and expenses	117,040
Audit and tax fee	67,521
Administrative fee (Note 5)	57,546
Custodian fee (Note 6)	55,595
Insurance expenses	49,292
Legal fees and expenses	48,767
Other expenses	56,082
	1,054,688
Net investment loss	(949,101)
Net realized and unrealized gain (loss) on investments and foreign currencies (Notes 2F and 7)	
Net realized gain (loss) on:	
investments (including short-term securities)	334,593
foreign currency transactions	(7,046)
Net realized gain on investments and foreign currency transactions	327,547
Net changes in unrealized depreciation on:	
investments	(11,776,189)
translation of assets and liabilities in foreign currencies	(551,194)
Net unrealized depreciation on investments and foreign currency transactions	(12,327,383)
Net realized and unrealized loss from investments and foreign currencies	(11,999,836)
Net decrease in net assets resulting from operations	\$ (12,948,937)

See accompanying notes to unaudited financial statements and independent accountants' review report.

TAIWAN GREATER CHINA FUND
Statement of Changes in Net Assets

For the Six Months Ended June 30, 2010 and the Year Ended December 31, 2009 (Expressed in U.S. Dollars)

	Six Months Ended June 30, 2010 (Unaudited)	Year Ended December 31, 2009
Net increase (decrease) in net assets resulting from operations		
Net investment loss	\$ (949,101)	\$ (436,113)
Net realized gain on investments and foreign currency transactions	327,547	1,328,719
Unrealized appreciation (depreciation) on investments	(11,776,189)	39,826,892
Unrealized appreciation (depreciation) on translation of assets and liabilities in foreign currencies	(551,194)	1,559,690
Net increase (decrease) in net assets resulting from operations	(12,948,937)	42,279,188
Capital share transactions:		
Cost of semi-annual repurchase offer (Note 8B)	(3,737,100)	(7,406,801)
Net increase (decrease) in net assets	(16,686,037)	34,872,387
Net assets, beginning of period	84,592,078	49,719,691
Net assets, end of period	\$ 67,906,041	\$ 84,592,078

See accompanying notes to unaudited financial statements and independent accountants' review report.

TAIWAN GREATER CHINA FUND
Financial Highlights
(Expressed in U.S. Dollars)

	Six Months Ended June 30, 2010 (Unaudited)	2009	2008	2007	Years Ended December 31, 2006		2005
Per share operating performance:							
Net asset value, beginning of period	\$ 7.18	\$ 3.81	\$ 8.02	\$ 7.07	\$ 5.87	\$ 5.37	
Net investment income (loss) (a)	(0.08)	(0.03)	0.15	0.02	0.01	0.05	
Net realized and unrealized gain (loss) on investments	(0.97)	3.24	(4.21)	0.92	1.21	0.65	
Net realized and unrealized appreciation (depreciation) on translation of foreign currencies	(0.08)	0.15	(0.16)	(0.01)	(0.03)	(0.25)	
Total from investment operations	(1.13)	3.36	(4.22)	0.93	1.19	0.45	
Distributions to Shareholders from:							
Net investment income*	—	—					