

TAIWAN GREATER CHINA FUND

www.taiwangreaterchinafund.com

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Robert F. Parker, Trustee and Audit Committee Member

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Cheryl Chang, Chief Financial Officer, Treasurer and Secretary

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

www.taiwangreaterchinafund.com



Quarterly Report

September 30, 2008

Dear Stockholders

The Taiwan stock market suffered through a tumultuous third quarter of 2008 with the Taiwan Stock Exchange Index (TAIEX) producing a negative local currency total return of 20.5% and closing at 5719 on September 30. Over the quarter, the Taiwan dollar devalued by 5.7% to produce a US dollar total return of -25.1% for the TAIEX. Volatility in the TAIEX continued to rise with daily volatility as measured by Bloomberg of 37.8, compared to 32.8 in the second quarter, 20.7 in 2007, and 16.4 in 2006. The MSCI Taiwan Index produced a total return of -25.3% during the quarter.

Fund Performance

As noted in my last report, given the turmoil in the financial sector throughout the world, it seemed anomalous that the TAIEX financial sub-index strongly outperformed the market as a whole (by 20.8 percentage points) and the electronics sub-index (by 28.3 percentage points) in US dollar terms during the first half of the year. As one might have expected, this situation reversed itself during the third quarter as the financial sub-index underperformed the TAIEX as a whole by 9.4 percentage points and the electronics sub-index by 15.0 percentage points. These measures are important to the Fund since Taiwan's electronics companies have been major investors in China and are more heavily weighted in the Fund than in the TAIEX. Taiwan's financial companies have had little concrete business activity in China and are not currently represented in the Fund. The Fund's primary benchmark, the Taiwan China Strategy Index*, declined 23.4% during the quarter; the Fund's stock price produced a US dollar net return of -22.6%, and the Fund's net asset value produced a total return of -23.3% after taxes of 1.16% and expenses of 0.61%. During the third quarter the S&P Polaris China Play 50 Index returned -20.5% in US dollar terms.

The Fund's discount to net asset value averaged 9.4% during the third quarter, compared to 9.3% during the first half, 9.7% in 2007, and 7.3% in 2006. The maximum discount during the quarter was 15.8% on September 29, and the minimum discount was 4.6% on July 29.

The Fund's mean and median daily trading volumes rose during the quarter to 48,480 and 31,033 shares, respectively. This compares to 39,326 and 30,293 shares, respectively, during the first half and 42,519 and 27,800 shares during 2007.

The Fund's net asset value performance is highly correlated to the performance of the broad Taiwan market indexes with R²'s** of 0.91 and 0.94 relative to the TAIEX and MSCI Taiwan Index, respectively. The Fund's betas relative to the two broad indexes are both 0.99, indicating a slightly lower risk level for the Fund compared to the overall Taiwan market. The Fund's alphas relative to these two broad market indexes are 4.1 basis points and 1.1 basis points per week, respectively. Alpha is a measure of "excess returns" or returns which cannot be explained by the risk level of an asset. Positive alphas are the result of either skill or luck. Relative to the S&P Polaris China Play 50 Index, the Fund has an R² of 0.93, a beta of 0.95, and an alpha of 10.8 basis points per week.

Performance Attribution

The Fund contracts with MSCI Barra*** to provide attribution data from their Aegis Performance Analyst model. The attribution model compares the NT\$ returns of the MSCI Taiwan Index with the NT\$ returns of the Fund's portfolio.

For the 12 months ending September 2008, the NT\$ gross return for the MSCI Taiwan Index in the Aegis model was a negative 34.3% while the portfolio-only return for the Fund in the model was a negative 40.1%. This implies that a negative 5.8 percentage points of return can be attributed to the active management of the fund. The negative performance was primarily a result of Q1 2008 results, when active management showed a negative contribution of 7.4 percentage points. Q1 2008 results were primarily a result of the strong performance of the financial sector and the underrepresentation of financials in the TFC portfolio given their minimal activity in China. Additionally, poor performance of tech shares which make up a large share of the Fund because of their sizable investment in China, negatively impacted

returns. Q1 2008 results will continue to have an impact on attribution through the remainder of this year.

Over the longer term, since the inception of the Fund's China focused strategy, active management of the Fund has contributed 5.5 percentage points with the MSCI Taiwan Index returning 22.4% in NT\$ terms in the model while the Fund returned 27.9%. This represents a 25% improvement over the MSCI Taiwan Index returns in NT\$. For the same period, sector selection contributed 73% of active returns, asset selection contributed 18% and style factors, such as momentum, yield or value, contributed 9%.

Portfolio Valuation Measures

Market valuations for the Fund's portfolio of high quality companies ended the third quarter at the most attractive levels in many years. The heavily technology weighted portfolio had a weighted average historical price-earnings ratio of 9.5, a weighted average price-book ratio of 2.2, a weighted average cash dividend yield of 6.8%, and a weighted average return on equity of 22.2%. The Fund generally holds shares in companies with high liquidity levels, low leverage, and high quality earnings.

Taiwan Political and Economic Developments

Events in the stock market have overshadowed the initial benefits of the Kuomintang's (KMT) return to power. The KMT kept its promises to expand direct links to China, inaugurating 36 round trip charter flights per week, as well as opening up tourism from China. In the first ten weeks of the weekend charter program, 138,395 passengers in Taiwan took advantage of the direct flights, or about 86% of the available seats. The government also announced new rules on investments in China, where investment limitations will be lifted for about 60% of Taiwan's listed companies, while smaller companies will have investment ceilings raised to 60% of net worth. China's hosting of the Olympics put further negotiations on hold for a period, but in early November Taiwan will be hosting a delegation of about 60 headed by Chen Yu-lin, China's lead negotiator on Taiwan relations. Chen is the highest Chinese government official to visit Taiwan since the Nationalist government moved to Taiwan in 1949. The main focus of the talks will be allowing truly direct flights without having to fly through Hong Kong airspace (taking about one hour off the Shanghai or Beijing flights), increasing both the number of flights and cities served, allowing direct cargo flights (rather than Hong Kong transshipments), allowing direct

port-to-port shipping, improving postal links and easing the tourist application process on both side of the Strait. In addition to the transportation talks, Chinese bankers, including the president of Industrial & Commercial Bank of China, will hold talks with Taiwan counterparts related to dealing with the international financial crisis.

Despite the improving cross-strait relations, the deteriorating global economy has given Taiwan's opposition party an opening. It has held two massive rallies in Taipei protesting President Ma Ying-jeou's inability to deliver prosperity and asserting that Ma has given too many concessions to the Mainland and that Taiwan's economy is being hollowed-out. The Chinese tainted-milk scandal and the Taiwan government's mishandling of the incident, which led to the resignation of the Minister of Health, also stirred public emotion and raised doubts of some about closer economic relations with China. China took the unprecedented step of apologizing to the people of Taiwan for the panic caused by the melamine-tainted milk. Taiwan's previous president, Chen Shui-bian, who is under investigation for money laundering, has also been traveling around Taiwan, speaking and trying to build up anti-KMT sentiment. It is clear that the opposition Democratic Progressive Party will continue to protest the government's position on closer relations with China and to criticize Ma for not doing more to protect Taiwan's economy in light of declining global growth.

The KMT, however, has been responding to global events. In late August, the Taiwan cabinet earmarked US\$5.4 billion for major infrastructure projects in 2009. This was part of Ma's election promise of 12 major projects over eight years, totaling US\$125 billion. In early September, a US\$5.6 billion package of tax cuts and spending increases was announced. Then, as the global financial crisis took hold, the government authorized the US\$15.4 billion National Stabilization Fund, originally created in March 2000, to buy stocks in the Taiwan market to help provide market stability. During September and October, the government also raised the deposit guarantee ceiling, banned short sales and unexpectedly cut interest rates three times by a total of 62.5 basis points. Taiwan holds about \$2.5 billion of Lehman-related securities about half held by institutions and the other half by 51,000 retail clients. But the real impact of the events of September and October will be felt in the export economy. Export orders from China, representing shipments over the next 1-3 months, fell year-on-year in August and September by 8.9% and 10.8%, respectively. The majority of exports to China are

ultimately re-exported out of China, primarily in IT products. Orders from the US were also down but orders from Europe gained year-on-year. And in September, total actual exports declined 1.6% from a year earlier, which is the first decline since February 2007, a month during which economic activity was shortened by the Chinese New Year holidays.

During a very difficult period for worldwide equity markets, the Fund believes that its strategy of investing in China's economic development through Taiwan related companies remains valid. Although estimates of 2009 economic growth in both China and Taiwan have been reduced, they remain attractive by world standards. Economic integration between Taiwan and China remains on track as high level talks between the two sides are taking place in Taipei. Taiwan companies remain very competitive in world markets as indicated by Taiwan's recent ranking by the Economist Intelligence Unit as the second most competitive country worldwide in information technology. Valuations are at their most compelling levels in many years, and we believe that the Fund continues to be a smart way to invest in China.

Yours truly,


Steven R. Champion
President, CEO and Portfolio Manager

November 3, 2008

* Source: MSCI. This information is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any

other damages (including lost profits) even if notified of the possibility of such damages.

The Taiwan China Strategy Index is a custom index calculated by MSCI for, and as requested by, Taiwan Greater China Fund. To calculate this Index MSCI starts with the MSCI Taiwan Index and then excludes those securities selected by Taiwan Greater China Fund on a quarterly basis based on Taiwan Greater China Fund's screening criteria. MSCI has no role in developing, reviewing or approving Taiwan Greater China Fund's investing criteria or the list of companies excluded from the MSCI Taiwan Index by Taiwan Greater China Fund to create the Taiwan China Strategy Index.

** R² is a measure of the correlation between the dependent and independent variables in a regression analysis. In this report, it measures the extent to which the Fund's movements can be explained by movements in a benchmark index. The measurement ranges from 0 to 1, where 1 indicates that all movements of the Fund can be explained by movements in the index.

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TAIWAN GREATER CHINA FUND PORTFOLIO HIGHLIGHTS

(Unaudited) / September 30, 2008

Security Classifications

<u>Percent of Net Assets</u>		<u>Value (000)</u>
Common Stock	98.17%	\$ 70,595
Short-Term Securities	1.53	1,102
Total Investments	99.70	71,697
Other Assets (Less Liabilities)	0.30	219
Net Assets	100.00%	\$71,916

Industry Diversification

<u>Ten Largest Sectors</u>	<u>Percent of Net Assets</u>
Computer Systems & Hardware	21.09 %
Semiconductors	17.90
Electronic Components	10.35
Flat-Panel Displays	10.13
Plastics	9.95
Steel	7.29
Computer Peripherals/ODM	4.38
Food	4.34
Other	2.92
Cement	2.80

Ten Largest Holdings

<u>Company</u>	<u>Percent of Net Assets</u>
Hon Hai Precision Industry Co., Ltd.	10.39 %
MediaTek Inc.	7.65
China Steel Corp.	7.16
AU Optronics Corp.	5.86
Taiwan Semiconductor Manufacturing Co., Ltd.	5.45
Asustek Computer Inc.	5.32
Nan Ya Plastics Corp.	4.62
Delta Electronics Inc.	3.78
Formosa Chemicals & Fiber Corp.	2.82
Formosa Plastics Corp.	2.51

TAIWAN GREATER CHINA FUND

Schedule of Investments (Unaudited) / September 30, 2008

COMMON STOCKS — 98.17%			% of	U.S. Dollar
Cement — 2.80%			Net Assets	Value
1,194,615	shs.	Asia Cement Corp.	1.45	\$1,039,748
1,681,373		Taiwan Cement Corp.	1.35	974,732
				<u>2,014,480</u>
Chemicals — 0.13%				
163,187		Eternal Chemical Co., Ltd.	0.13	95,111
Communications Equipment — 0.32%				
95,787		Gemtek Technology	0.19	136,815
68,488		Zinwell Corporation	0.13	93,778
				<u>230,593</u>
Computer Peripherals/ODM — 4.38%				
344,000	*	Foxconn International Holdings, Ltd.	0.21	150,611
114,899		HTC Corp.	2.41	1,732,209
1,172,433		Lite-on Technology Corp.	1.38	993,109
401,978		Qisda Corp.	0.21	149,318
180,467		Teco Image Systems Co., Ltd.	0.17	122,011
				<u>3,147,258</u>
Computer Systems & Hardware — 21.09%				
528,651		Acer Inc.	1.22	874,224
95,980		Advantech Co., Ltd.	0.25	181,992
1,981,154		Asustek Computer Inc.	5.32	3,824,301
638,494		Compal Electronics Inc.	0.63	456,485
2,146,531		Hon Hai Precision Industry Co., Ltd.	10.39	7,473,041
449,242		Inventec Co., Ltd.	0.30	215,052
1,154,828		Quanta Computer Inc.	1.95	1,403,577
613,075		Wistron Corp.	1.03	737,508
				<u>15,166,180</u>
Electrical & Machinery — 0.66%				
490,000		Teco Electric & Machinery Co., Ltd.	0.23	166,783
1,150,837		Walsin Lihwa Corp.	0.43	305,144
				<u>471,927</u>
Electronic Components — 10.35%				
252,433		Catcher Technology Co., Ltd.	1.09	784,672
1,065,129		Delta Electronics Inc.	3.78	2,714,928
96,256		Epistar Corp.	0.18	125,966
202,979		Everlight Electronics Co.	0.57	410,116
290,557	(a)	Foxconn Technology Co., Ltd.	1.27	916,726
89,445		Kinsus Interconnect Technology Corp.	0.17	121,779
26,695		Motech Industry Co., Ltd.	0.16	117,416
149,799		Shin Zu Shing Co., Ltd.	0.84	603,005
80,818		Transcend Information	0.18	126,865
235,722		Tripod Technology Corp.	0.61	441,102
277,000		TXC Corp.	0.48	347,859
561,378		Unimicron Technology Corp.	0.61	438,870
1,487,000		Yageo Corp.	0.41	295,824
				<u>7,445,128</u>
Electronics/Other — 1.74%				
132,000		Lumax International Corp., Ltd.	0.23	164,125
714,615		Synnex Technology International Corp.	1.51	1,089,565
				<u>1,253,690</u>
Flat-Panel Displays — 10.13%				
3,816,381		AU Optonics Corp.	5.86	4,211,359
2,481,847		Chi Mei Optoelectronics Corp.	2.20	1,585,364
3,973,951		Chunghwa Picture Tubes, Ltd.	0.85	611,463
680,983		Innolux Display Corp.	1.22	878,469
				<u>7,286,655</u>

TAIWAN GREATER CHINA FUND

Schedule of Investments (Continued) (Unaudited) / September 30, 2008

			% of Net Assets	U.S. Dollar Value
Food — 4.34%				
306,405	shs.	Great Wall Enterprises Co.	0.38	\$ 273,827
698,000		Tingyi (Cayman Islands) Holdings Corp.	1.12	808,043
1,912,638		Uni-President Enterprise Corp.	2.34	1,682,525
990,000		Want Want China Holdings, Ltd.	0.50	<u>356,954</u>
				3,121,349
Glass, Paper & Pulp — 0.72%				
650,384		Taiwan Glass Ind. Corp.	0.51	363,902
601,409		Yuen Foong Yu Paper Manufacturing Co., Ltd.	0.21	<u>153,294</u>
				517,196
Plastics — 9.95%				
1,191,299		Formosa Chemicals & Fiber Corp.	2.82	2,029,287
1,134,983		Formosa Plastics Corp.	2.51	1,802,820
2,287,319		Nan Ya Plastics Corp.	4.62	<u>3,323,920</u>
				7,156,027
Retailing — 0.65%				
103,950		Far Eastern Department Store Co., Ltd.	0.09	66,240
138,512		President Chain Store Corp.	0.56	<u>400,848</u>
				467,088
Rubber — 0.87%				
531,777		Cheng Shin Rubber Ind. Co., Ltd.	0.87	622,353
Semiconductors — 17.90%				
2,740,762	(a)	Advanced Semiconductor Engineering Inc.	1.90	1,367,378
151,040	*	Inotera Memories Inc.	0.06	44,321
544,543	(a)	MediaTek Inc.	7.65	5,501,204
113,264		Novatek Microelectronics Corp.	0.23	165,123
407,341	*	Powerchip Semiconductor Corp.	0.09	61,157
118,525		Powertech Technology Inc.	0.35	254,215
1,011,000	*	ProMOS Technologies Inc.	0.14	102,135
67,345		Realtek Semiconductor Corp.	0.15	110,740
573,193		Siliconware Precision Industries Co., Ltd.	0.91	650,333
2,401,005		Taiwan Semiconductor Manufacturing Co., Ltd.	5.45	3,918,272
2,194,397		United Microelectronics Corp.	0.97	<u>699,168</u>
				12,874,046
Steel — 7.29%				
5,276,621		China Steel Corp.	7.16	5,150,243
111,000		Tung Ho Steel Enterprise Corp.	0.13	<u>90,917</u>
				5,241,160
Textiles — 0.98%				
1,016,093		Far Eastern Textile, Ltd.	0.98	701,179
Transportation — 0.95%				
206,000	*	China Airlines	0.06	43,607
248,000		U-Ming Marine Transport Corp.	0.48	346,902
859,261		Yang Ming Marine Transport Corp.	0.41	<u>291,135</u>
				681,644
Other — 2.92%				
234,050		Giant Manufacturing Co., Ltd.	0.80	575,476
508,000		Merida Industry Co., Ltd.	1.12	808,492
1,057,473		Pou Chen Corp.	0.89	637,695
86,063		Yung Chi Paint & Varnish Manufacturing Co., Ltd.	0.11	<u>80,256</u>
				2,101,919
TOTAL COMMON STOCK (COST \$87,806,211)				<u>70,594,983</u>

TAIWAN GREATER CHINA FUND

Schedule of Investments (Continued) (Unaudited) / September 30, 2008

SHORT-TERM SECURITIES — 1.53% †	% of	U.S. Dollar
Time Deposit — 1.53%	Net Assets	Value
Bank of America - London, 3.57%, Due 10/01/08 ‡	1.03	739,839
Citibank - London, 3.57%, Due 10/01/08	0.50	362,067
TOTAL SHORT-TERM SECURITIES (COST \$1,101,906)		1,101,906
TOTAL INVESTMENTS IN SECURITIES AT FAIR VALUE		
(COST \$88,908,117)	99.70	71,696,889
OTHER ASSETS (LESS LIABILITIES)	0.30	219,338
NET ASSETS	100.00	\$71,916,227

At September 30, 2008, the cost of investments, excluding short-term investments, for U.S. federal income tax purposes was approximately equal to the cost of such investments for financial reporting purposes. At September 30, 2008, the unrealized depreciation of \$17,211,228 for financial reporting purposes consisted of \$4,771,500 of gross unrealized appreciation and \$21,982,728 of gross unrealized depreciation.

(a) All or a portion of the security is out on loan

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

† Inclusive of all short-term holdings, including collateral received from securities lending activities. Not including such collateral, the percentage of portfolio holdings would be 0.50%.

‡ Represents investment of collateral received from securities lending transactions.

— Fair Value Measurements — Effective January 1, 2008, the Trust adopted FAS 157 - Fair Value Measurements (“FAS 157” or “the Statement”). FAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (“GAAP”), and expands disclosures about fair value measurement. The changes to current practices resulting from the application of the Statement relate to the definition of fair value, the methods used to measure fair value, and expanded disclosures about fair value measurement. The Statement emphasizes that fair value is a market based measurement, not an entity specific measurement; as such, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the Statement establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from sources independent of the Trust (observable inputs) and (2) the Trust’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three levels defined by the FAS 157 hierarchy are as follows:

Level I — Quoted prices (unadjusted) in active markets for *identical* assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level II — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level II assets include the following: quoted prices for *similar* assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

Level III — Unobservable pricing input at the measurement date for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available.

In some instances, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement in its entirety falls shall be determined based on the lowest input level that is significant to the fair value measurement in its entirety.

The following table summarizes the valuation of the Trust’s securities using the fair value hierarchy:

At September 30, 2008	Total	Level I	Level II	Level III
Investments	\$71,696,889	\$71,696,889	-	-