

R O C TAIWAN FUND  
Form 10-K  
March 01, 2002

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Dear Stockholders  
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The net asset value per share (NAV) of The R.O.C. Taiwan Fund declined 6.6% in 2001, compared to the 17.1% gain of the Taiwan Stock Exchange Index (TAIEX). During the year, the New Taiwan dollar depreciated 6.0% against the U.S. dollar.

In a year marked by big surges and long-lasting slumps, Taiwan's market was buffeted by economic recession at home and abroad as well as man-made and natural catastrophes. The TAIEX was still able to finish 2001 as one of the world's best performers.

Supported by heavy trading and the U.S. Federal Reserve's surprise interest-rate cut in early January, Taiwan's market got off to a fast start and rose almost 29% by mid-February to the year's high. Domestic investors flush with Chinese New Year bonuses helped fuel the rally. Funds from abroad added to liquidity: foreign institutions were net buyers of more than US\$2 billion worth of stock in the first month and a half of the new year. Taiwan's central bank had also adopted a loose monetary policy, acting even before the Fed to lower interest rates and making three more cuts in the first quarter. Investor optimism got a further boost when the first U.S. interest-rate reduction was followed by a double-digit January gain of the Nasdaq, which is closely watched in Taiwan as an indicator for its own technology-heavy market.

Political developments played a role in the rally as well. After an acrimonious period the previous year, tensions between Taiwan's ruling and opposition political parties eased somewhat. The opposition-dominated legislature passed, after a month-long delay, the government's annual budget. The improved political climate also brought about resumption of a nuclear power plant's construction that had been halted by the government as a result of a political

The early rally proved short-lived, however, as negative factors already present in the first quarter adversely affected the market over the next two quarters. By early October, the TAIEX had fallen nearly 44% from the mid-February high to the year's low. Chief among the causes for concern to investors was the weakening economy. With exports declining at double-digit rates each month after March, industrial production slowed and unemployment rose to record-high levels.

The economy's slide into recession was reflected in poor results for listed companies. Exceptions included notebook computer producers and a few makers of PC components, which benefited as the world's major computer brand owners increasingly outsourced production to Taiwan. But the continuing fall in capital spending on technology in the U.S., the largest export market for Taiwan's technology products, took its toll on most others. Perhaps hardest hit were those in the semiconductor industry. Losses at memory-chip makers mounted as the price of major products fell below production costs. Foundries (semiconductor manufacturers doing contract work for other chipmakers and designers) suffered from order cancellations and saw production drop well below half of full capacity.

Investor expectations during the summer that both the economy and stock market had hit bottom proved premature as catastrophic events in September unfolded. First came the terrorist attacks in the U.S., which temporarily disrupted Taiwan's trade and raised longer-term concerns about the impact on the American economy. Less than a week after the attacks, a typhoon hit Taiwan and caused widespread damage to its transportation system.

The fourth-quarter surge of U.S. stocks, especially the 30% Nasdaq rise, and a new wave of heavy buying by foreign institutions

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dispute in late 2000.

helped

lift the Taiwan market out of the doldrums. The Taiwan central bank also lowered interest rates three more times (for a total of 12 cuts since December 2000) during the last quarter. And signs of a turnaround for many technology companies lent fundamental support for the end-of-year rally. The improving outlook was most evident for the semiconductor industry. Taiwan's foundries reported stepped up production levels and forecast better financial results. Meanwhile, memory-chip prices started to rise for the first time in more than a year. The TAIEX responded with gains that accelerated each month, climaxing with December's 25% rise. That came after the ruling party won a surprise victory in December 1 elections that made it the dominant party in the legislature and raised hopes that the government could act decisively to effect economic recovery.

Those hopes arose against the background that, as recessionary conditions spread throughout most of the developed world and foreign demand plummeted, Taiwan's economy had its worst performance on record. Merchandise exports, equivalent to about 40% of gross national product, declined 17% on the year. Under the impact of the poor economic conditions and continuing transfer of manufacturing to China, private investment also suffered a double-digit drop. And the long period of falling share prices and rising unemployment led to a sharp reduction in private consumption growth, which just barely remained in positive territory. We estimate that the economy contracted about 2% in 2001. For the new year, Taiwan's economy should pick up gradually and achieve growth of 2.1% as recovery takes hold in the U.S.

Surprised by the powerful wave of liquidity in the final months of the year, the Fund had a disappointing 2001. Only after Taiwan's liquidity-driven rally was well underway did it become clear we were in the midst of a global phenomenon. And even though we moved

aggressively in December, the action was tardy and only made up some of the lost ground.

We are projecting that the economy in the new year will swing upward. In fact, the course of Taiwan's recovery in certain industries could well be a "leading indicator" for the U.S. economy. American companies can be expected to replenish inventories, depleted over the last year or so, by turning to Taiwan producers of a wide range of products as the outsourcing trend continues. This turnaround may already have started in certain industries. Bulging orders received by some of Taiwan's technology companies should presage a strong performance in the first quarter despite it being the traditional slow season.

Whether the full-scale U.S. rebound comes in the third or fourth quarter, Taiwan's turnaround should come earlier. The wide diversity of views on the timing of this recovery could be reflected in considerable market volatility during the year. Still, most analysts have been revising upward their Taiwan economic forecasts. Given our own positive outlook, we intend to remain fully invested and overweight in technology companies, which account for more than half of Taiwan's total stock market capitalization. We especially favor makers of TFT-LCD (flat-panel) monitors, motherboards and notebook computers as well as semiconductor foundries and IC design houses.

We are grateful for your support and look forward to reviewing our market outlook and portfolio strategy with you in future reports.

Respectfully submitted,  
  
/s/ Michael Ding  
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Michael Ding  
President

January 25, 2002

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 PORTFOLIO HIGHLIGHTS  
 Year Ended December 31, 2001  
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 Ten Largest Holdings  
 -----

| Company                               | Percent of<br>Net Assets |
|---------------------------------------|--------------------------|
| Hon Hai Precision Industry Co., Ltd.  | 5.79%                    |
| Taipei Bank                           | 5.62                     |
| United Microelectronics Corp.         | 5.20                     |
| Cathay Financial Holding Co., Ltd.    | 5.03                     |
| Sonix Technology Co., Ltd.            | 4.62                     |
| Synnex Technology International Corp. | 4.25                     |
| Chunghwa Telecom Co., Ltd.            | 4.20                     |
| Wintek Corp.                          | 4.20                     |
| Amtran Technology Co., Ltd.           | 4.10                     |
| Macronix International Co., Ltd.      | 3.47                     |

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 Industry Diversification  
 -----

|                              | Pe<br>Ne |
|------------------------------|----------|
| Semiconductors               |          |
| Computers & Office Equipment |          |
| Electronics                  |          |
| Communications Equipment     |          |
| Banking                      |          |
| Other Financials             |          |
| Telephone Services           |          |
| Retailing                    |          |
| Computer Services & Software |          |
| Food                         |          |

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 THE R.O.C. TAIWAN FUND  
 Consolidated Schedule of Investments / December 31, 2001  
 -----

COMMON STOCKS-- 92.98%

| Number of<br>Shares | Description | % of<br>Net Assets | Market<br>(U.S. D |
|---------------------|-------------|--------------------|-------------------|
| -----               | -----       | -----              | -----             |

Automobile-- 0.63%

|           |                            |      |       |
|-----------|----------------------------|------|-------|
| 2,412,268 | Yulon Motor Co., Ltd ..... | 0.63 | 1,1   |
|           |                            |      | ----- |
|           |                            |      | 1,1   |

Banking -- 9.23%

|            |                                   |      |       |
|------------|-----------------------------------|------|-------|
| 3,000,000  | * Chinatrust Commercial Bank..... | 1.02 | 1,7   |
| 13,271,910 | Taipei Bank.....                  | 5.62 | 9,9   |
| 11,000,000 | * Bank Sinopac.....               | 2.59 | 4,5   |
|            |                                   |      | ----- |
|            |                                   |      | 16,2  |

Other Financials -- 7.30%

|           |  |      |       |
|-----------|--|------|-------|
| 5,462,379 | Cathay Financial Holding Co., Ltd..... | 5.03 | 8,8   |
| 5,832,000 | * Yuan Ta Securities Co., Ltd. ....    | 2.27 | 4,0   |
|           |  |      | ----- |
|           |  |      | 12,8  |

Communications Equipment-- 9.40%

|            |                                |      |       |
|------------|--------------------------------|------|-------|
| 10,152,500 | * Wintek Corporation. ....     | 4.20 | 7,4   |
| 1,000,000  | * Ambit Microsystems Corp..... | 2.60 | 4,5   |
| 1,875,000  | AboCom Systems, Inc.....       | 2.60 | 4,5   |
|            |                                |      | ----- |
|            |                                |      | 16,5  |

Computer Services and Software-- 3.47%

|           |                             |      |       |
|-----------|-----------------------------|------|-------|
| 1,937,500 | Cradle Technology Corp..... | 3.47 | 6,1   |
|           |                             |      | ----- |
|           |                             |      | 6,1   |

Computers & Office Equipment-- 12.97%

|           |                                    |      |       |
|-----------|------------------------------------|------|-------|
| 2,000,000 | * Compal Electronics Inc.....      | 1.43 | 2,5   |
| 989,000   | * Quanta Computer Inc.....         | 1.82 | 3,2   |
| 5,000,000 | * AU Optronics Corp.....           | 3.02 | 5,3   |
| 5,000,000 | * Chungwa Picture Tubes, Ltd ..... | 2.60 | 4,5   |
| 4,000,000 | * Amtran Technology Co., Ltd.....  | 4.10 | 7,2   |
|           |                                    |      | ----- |
|           |                                    |      | 22,8  |

Electrical & Machinery-- 0.00%

|    |  |      |       |
|----|--|------|-------|
| 61 | Teco Electric & Machinery Co., Ltd ..... | 0.00 |       |
|    |  |      | ----- |

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Electronics-- 9.64%

| Number of Shares | Description                               | % of Net Assets | Market (U.S. D) |
|------------------|---|-----------------|-----------------|
| 2,240,000        | Hon Hai Precision Industry Co., Ltd ..... | 5.79            | 10,2            |
| 500              | Asustek Computer Inc .....                | 0.00            |                 |
| 1,000,000        | * Realtek Semiconductor Corp .....        | 2.76            | 4,8             |
| 391,000          | Glotech Industrial Corp .....             | 0.08            | 1               |
| 902,000          | Sinbon Electronics Co., Ltd .....         | 1.01            | 1,7             |
|                  |   |                 | 17,0            |

See accompanying notes to consolidated financial statements.

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Schedule of Investments (Cont'd.)

| Number of Shares | Description | % of Net Assets | Market (U.S. D) |
|------------------|-------------|-----------------|-----------------|
|------------------|-------------|-----------------|-----------------|

Food-- 2.06%

|            |                                       |      |     |
|------------|---------------------------------------|------|-----|
| 10,000,000 | * Uni-President Enterprise Corp ..... | 2.06 | 3,6 |
|            |                                       |      | 3,6 |

Plastics-- 1.36%

|           |                             |      |     |
|-----------|-----------------------------|------|-----|
| 2,625,774 | Formosa Plastics Corp ..... | 1.36 | 2,4 |
| 1,074     | Nan Ya Plastics Corp .....  | 0.00 |     |
|           |                             |      | 2,4 |

Retailing-- 4.25%

|           |  |      |     |
|-----------|--|------|-----|
| 5,646,250 | Synnex Technology International Corp ..... | 4.25 | 7,4 |
|           |  |      | 7,4 |

Semiconductors-- 19.84%

|           |   |      |      |
|-----------|---|------|------|
| 6,319,250 | * United Microelectronics Corp .....                | 5.20 | 9,1  |
| 1,500,000 | * Taiwan Semiconductor Manufacturing Co., Ltd ..... | 2.12 | 3,7  |
| 8,000,000 | * Macronix International Co., Ltd .....             | 3.47 | 6,1  |
| 5,000,000 | Winbond Electronics Corp .....                      | 2.05 | 3,6  |
| 250,400   | Mediatek Inc, .....                                 | 2.38 | 4,1  |
| 2,000,000 | * Sonix Technology Co., Ltd .....                   | 4.62 | 8,1  |
|           |   |      | 35,0 |

Steel & Other Metals-- 0.04%

|         |                        |      |  |
|---------|------------------------|------|--|
| 190,860 | China Steel Corp ..... | 0.04 |  |
|---------|------------------------|------|--|

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Telephone Services-- 6.72%

|           |   |                                |      |      |
|-----------|---|--------------------------------|------|------|
| 5,000,000 | * | Chunghwa Telecom Co. Ltd ..... | 4.20 | 7,4  |
| 3,343,830 | * | Taiwan Cellular Corp .....     | 2.52 | 4,4  |
|           |   |                                |      | 11,8 |

Textiles-- 0.40%

|           |   |                               |      |   |
|-----------|---|-------------------------------|------|---|
| 1,898,000 | * | Far Eastern Textile Ltd ..... | 0.40 | 7 |
|           |   |                               |      | 7 |

Transportation-- 0.57%

|           |  |                                       |      |   |
|-----------|--|---------------------------------------|------|---|
| 4,517,000 |  | Yang Ming Marine Transport Corp ..... | 0.57 | 9 |
|           |  |                                       |      | 9 |

Others-- 5.10%

|           |   |  |      |     |
|-----------|---|--|------|-----|
| 3,180,000 |   | Ability Nagase Co., Inc .....            | 1.29 | 2,2 |
| 800,000   | * | Stark Technology Inc .....               | 1.73 | 3,0 |
| 2,200,000 | * | Taiwan Secom Co., Ltd .....              | 1.21 | 2,1 |
| 4,741,170 |   | Kang Na Hsiung Enterprise Co., Ltd ..... | 0.87 | 1,5 |
|           |   |  |      | 8,9 |

TOTAL COMMON STOCKS (COST \$162,519,261) 164,1

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

See accompanying notes to consolidated financial statements.

THE R.O.C. TAIWAN FUND  
Consolidated Schedule of Investments (continued)

BONDS --2.13%

|                                     |  |   | % of<br>Net Assets | Market<br>(U.S. Do |
|-------------------------------------|--|---|--------------------|--------------------|
| Convertible Corporate Bonds - 2.13% |  |   |                    |                    |
| Par Value                           |  |   |                    |                    |
| 2,069,319                           |  | AU Optronics Corp., 2.00%, Due 11/18/08 ..... | 2.13               | 3,7                |

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|   |  |        |         |
|---|--|--------|---------|
| TOTAL BONDS (COST \$2,773,059) .....                            |  |        | 3,7     |
| -----   |  |        |         |
| SHORT-TERM INVESTMENT-- 1.93%                                   |  |        |         |
| Commercial Paper-- 1.93%  |  |        |         |
| -----   |  |        |         |
| Principal Amount  | Issuer (Guarantor)   |        |         |
| -----   | -----  |        |         |
| 570,076   | General Motors Asia Corporation Taiwan<br>(Citibank, N.A.), 2.25%, Due 01/03/02 .....        | 0.32   | 5       |
| 2,850,302   | McDonald's Restaurant (Taiwan) Co., Ltd<br>(Standard Chartered Bank), 2.18%, Due 01/08/02 .. | 1.61   | 2,8     |
| -----   |  |        |         |
| Total short-term investments (AMORTIZED COST \$3,419,104) ..... |  |        | 3,4     |
| -----   |  |        |         |
| TOTAL INVESTMENTS IN SECURITIES                                 |  |        |         |
| AT MARKET VALUE (COST \$168,711,424) .....                      |  | 97.04  | 171,2   |
| OTHER ASSETS (LESS LIABILITIES) .....                           |  | 2.96   | 5,2     |
| -----   |  |        |         |
| NET ASSETS .....  |  | 100.00 | \$176,5 |
|   |  | =====  | =====   |

See accompanying notes to consolidated financial statements.

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 THE R.O.C. TAIWAN FUND  
 Consolidated Statement of Assets and Liabilities  
 December 31, 2001 (Expressed in US Dollars)  
 -----

Assets

|  |  |         |
|--|--|---------|
| Investments in securities at market value (Notes 2B, 3 and 6):               |  |         |
| Common stocks (cost-- \$162,519,261) .....                                   |  | \$164,1 |
| Short-term investments (amortized cost-- \$3,419,104) .....                  |  | 3,4     |
| Convertible corporate bonds (cost-- \$2,773,059) .....                       |  | 3,7     |
| -----  |  |         |
| Total investments in securities at market value (cost-- \$168,711,424) ..... |  | 171,2   |
| Cash .....   |  | 2,9     |
| Receivable from investment securities sold .....                             |  | 2,5     |

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|   |         |
|---|---------|
| Prepaid expense .....   |         |
| Other receivables .....   |         |
| Total assets .....  | 176,8   |
| Liabilities   |         |
| Management fee payable (Note 4) .....   | 1       |
| Custodian fee payable (Note 5) .....  |         |
| Accrued Republic of China taxes (Note 2G) .....   |         |
| Other payables .....  | 1       |
| Total liabilities .....   | 3       |
| Net assets .....  | \$176,5 |
| Components of net assets (Note 2)   |         |
| Par value of shares of beneficial interest (Note 7) .....                                 | 3       |
| Additional paid-in capital .....  | 310,0   |
| Accumulated net investment loss .....   | 3,6     |
| Accumulated realized loss on investments .....  | (94,0   |
| Unrealized appreciation on investments (Note 6) .....                                     | 2,5     |
| Cumulative translation adjustment (Note 2E) .....   | (46,0   |
| Net assets .....  | \$176,5 |
| 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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 THE R.O.C. TAIWAN FUND  
 Consolidated Statement of Operations  
 For the Year ended December 31, 2001 (Expressed in US Dollars)  
 -----

INVESTMENT INCOME (NOTE 2C)

|                 |        |
|-----------------|--------|
| Dividends ..... | \$ 2,7 |
| Interest .....  | 7      |
|                 | -----  |
|                 | 3,5    |

|   |       |
|---|-------|
| REPUBLIC OF CHINA TAXES (NOTE 2G) ..... | 1,7   |
|   | ----- |
|   | 1,7   |

EXPENSES

|                               |     |
|-------------------------------|-----|
| Management fee (Note 4) ..... | 2,3 |
| Custodian fee (Note 5) .....  | 2   |



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|   |          |
|---|----------|
| Professional fees .....   | 4        |
| Administrative fee .....  |          |
| Insurance expenses .....  |          |
| Trustee fees .....  |          |
| Transfer agent fee .....  |          |
| Other expenses .....  | 1        |
|   | -----    |
|   | 3,5      |
|   | -----    |
| Net investment loss .....   | (1,7     |
|   | -----    |
| NET REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCIES (NOTES 2 AND 6) |          |
| Net realized gain (loss) on:  |          |
| investments (excluding short-term investments) .....  | (66,7    |
| foreign currency transactions .....   | 1        |
|   | -----    |
| net realized loss on investments and foreign currency transactions .....                      | (66,6    |
| Net increase (decrease) in unrealized appreciation on:  |          |
| investments (excluding short-term investments) .....  | 68,7     |
| translation of assets and liabilities in foreign currencies .....                             | (12,7    |
|   | -----    |
| Net realized and unrealized loss from investments and foreign currencies .....                | (10,6    |
|   | -----    |
| Net decrease in net assets resulting from operations .....                                    | \$ (12,4 |
|   | =====    |

See accompanying notes to consolidated financial statements.

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THE R.O.C. TAIWAN FUND  
Consolidated Statement of Changes in Net Assets  
For the Years ended December 31, 2001 and 2000 (Expressed in US Dollars)  
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|   | 2001           |       |
|---|----------------|-------|
|   | -----          | ----- |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS   |                |       |
| Net investment loss .....   | \$ (1,768,293) | \$ (  |
| Net realized loss on investments and foreign<br>currency transactions .....                                   | (66,658,670)   | (     |
| Net increase (decrease) in unrealized appreciation<br>on investments .....                                    | 68,725,588     | (11   |
| Net decrease in unrealized appreciation on<br>translation of assets and liabilities in foreign currencies ... | (12,711,118)   | (1    |
|   | -----          | ----- |
| Net decrease in net assets resulting<br>from operations .....   | (12,412,493)   | (13   |
|   | -----          | ----- |

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DISTRIBUTIONS TO SHAREHOLDERS FROM (NOTE 2F)

|                                  |                |       |
|----------------------------------|----------------|-------|
| Net realized gain on investments | --             | (1    |
| Total distributions              | --             | (1    |
| Decrease in net assets           | (12,412,493)   | (14   |
| Net assets, beginning of year    | 188,938,628    | 33    |
| Net assets, end of year          | \$ 176,526,135 | \$ 18 |

See accompanying notes to consolidated financial statements.

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 THE R.O.C. TAIWAN FUND  
 Consolidated Financial Highlights  
 (Expressed in US Dollars)  
 -----

|  | Years Ended D   |                 |              |
|--|-----------------|-----------------|--------------|
|  | 2001            | 2000            | 1999         |
|  | -----           | -----           | -----        |
| PER SHARE OPERATING PERFORMANCE:   |                 |                 |              |
| Net asset value, beginning of year .....   | 5.78            | 10.23           | 7.           |
| Net investment loss .....  | (0.05)          | (0.11)          | (0.          |
| Net realized and unrealized gain (loss) on<br>investments and foreign<br>currency transactions ..... | 0.06            | (3.56)          | 2.           |
| Net increase (decrease) in unrealized<br>appreciation on translation of<br>foreign currencies .....  | (0.39)          | (0.41)          | 0.           |
| Total from investment operations   | -----<br>(0.38) | -----<br>(4.08) | -----<br>2.  |
| NET EFFECT OF SHARE TRANSACTIONS .....   | --              | --              | -            |
| DISTRIBUTIONS TO SHAREHOLDERS FROM:  |                 |                 |              |
| Capital .....  | --              | --              | -            |
| Net investment income .....  | --              | --              | -            |
| Net realized gain on investments .....   | --              | (0.37)          | -            |
| Total distributions*   | -----<br>--     | -----<br>(0.37) | -----<br>-   |
| NET ASSET VALUE, END OF YEAR .....   | -----<br>5.40   | -----<br>5.78   | -----<br>10. |
|  | =====           | =====           | =====        |

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|   |         |         |       |
|---|---------|---------|-------|
| PER SHARE MARKET PRICE, END OF YEAR .....                       | 4.75    | 4.56    | 8.    |
| TOTAL INVESTMENT RETURN (%):                                    |         |         |       |
| Based on the Trust's market price .....                         | 4.17    | (41.71) | 36.   |
| Based on the Trust's net asset value .....                      | (6.57)  | (39.94) | 35.   |
| RATIOS AND SUPPLEMENTAL DATA:                                   |         |         |       |
| Net assets, end of year (in thousands) .....                    | 176,526 | 188,939 | 334,5 |
| Ratio of expenses to average net assets (%) .....               | 2.01    | 1.67    | 1.    |
| Ratio of net investment loss to average<br>net assets (%) ..... | (1.01)  | (1.09)  | (1.   |
| Portfolio turnover ratio (%) .....                              | 173     | 165     | 1     |

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

See accompanying notes to consolidated financial statements.

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THE R.O.C. TAIWAN FUND

Notes to Consolidated Financial Statements / December 31, 2001 (Expressed in US Dollars)  
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Note 1-- Organization and Acquisition of The  
Taiwan (R.O.C.) Fund

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The R.O.C. Taiwan Fund (the "Trust") 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 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.

Note 2 -- Summary of Significant Accounting  
Policies

-----  
A -- Basis of presentation and principles of

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

D -- Realized gains and losses -- Realized gains and losses on security transactions are determined for financial reporting purposes using the average cost method for the cost of investments. For federal income tax purposes, realized gains and losses on security transactions are determined using the first-in-first-out method. For the fiscal year ended December 31, 2001, the Trust generated a net capital loss of \$89,141,756, which includes a post October 1, 2000 net capital loss of \$26,651,342. This loss may be used to offset any future capital gains generated by the Trust and, unused, will expire on December 31, 2009.

E -- Foreign currency translation--Substantially all of the Trust's income is earned, and its expenses are largely paid, in New Taiwan Dollars ("NT\$"). The cost and market value of

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

B --Valuation of investments-- Common stocks and convertible corporate bonds represent securities that are traded on the Taiwan Stock Exchange or the Taiwan over-the-counter market. Such securities are valued at the closing market price, or, if not quoted at the end of the period, generally at the last quoted closing market price. Short-term investments are valued at amortized cost, which approximates market value. Under this method, the difference between the cost of each security and its value at maturity is accrued into income on a straight-line basis over the days to maturity.

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 generally accepted accounting principles. Permanent book and tax differences primarily relate to the treatment of the Trust's gains from the disposition of passive foreign investment company shares as well as net operating losses for U.S. federal income tax purposes. Temporary book and tax differences are primarily due to differing treatments for certain foreign currency losses and wash sale loss deferrals.

G -- Taxes -- The Trust intends to continue to elect and to continue to qualify as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Code"). If the Trust complies with all of the applicable requirements of the Code, it will not be subject to U.S. federal income and excise taxes provided that it distributes all of its investment company taxable income and net capital gains to its

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, 2001, this rate was approximately NT\$35.084 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 change in net assets resulting from operations.

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.

### 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

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, 2001

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shareholders.

The Republic of China ("R.O.C.") levies a tax at the rate of 20% on cash dividends and interest received by the Trust on investments in R.O.C. securities. In addition, a 20% tax is levied based on the par value of stock dividends (except those which have resulted from capitalization of capital surplus) received by the Trust.

Realized gains on securities transactions are not subject to income tax in the R.O.C.; instead, a securities transaction tax of 0.3% of the market value of stocks sold or transferred, and 0.1% of the market value of bonds and beneficial certificates sold or transferred, is levied. Proceeds from sales of investments are net of securities transaction tax paid of \$702,990 for the twelve months ended December 31, 2001.

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.

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Note 6 -- Investments in Securities

Purchases and proceeds from sales, excluding short-term investments, for the twelve months ended December 31, 2001, included approximately \$267,501,674 for stock and bond purchases and approximately \$301,085,442 for stock and bond sales, respectively.

At December 31, 2001, the cost of investments, including bonds and short-term investments, for U.S. federal income tax purposes was approximately \$166,556,740. At December 31, 2001, the net unrealized appreciation on investments for financial reporting and tax purposes equaled \$4,739,711.

the Trust paid the Manager a fee in NT\$, 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 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.

NOTE 5 -- CUSTODIAN

Pursuant to the Investment Contract, the Central Trust of China ("CTC") serves as custodian of the assets of the Trust held in the R.O.C. CTC owns 7.74% of the outstanding capital stock of IIT. Through December 31, 2001, the Trust paid CTC a monthly fee in NT\$ at the annual rate of 0.15% of the NAV with respect to Trust assets held in Taiwan under the Investment Contract up to NT\$6 billion, 0.13% of such NAV in excess of NT\$6 billion up to NT\$8 billion, 0.11% of such NAV in excess of NT\$8 billion up to NT\$10 billion, and 0.09% of such NAV in excess of NT\$10 billion, subject to a minimum annual fee of NT\$2.4 million.

The Fund and its predecessor, The Taiwan (R.O.C.) 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, 2000. The Fund intends to apply for such status for succeeding accounting periods.

Michael Ding has been portfolio manager of the Fund since July 1999, its President since September 1999 and a trustee since June 2001. He had been the Fund's deputy manager since March 1999. Mr. Ding is also the President and Chief Investment Officer

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Note 7 -- Shares of Beneficial Interest

The Trust's "Declaration of Trust" permits the Trustees to issue an unlimited number of shares of beneficial interest or additional classes of other securities. The shares have a par value of \$0.01, and no other classes of securities are outstanding at present. At December 31, 2001, 32,698,976 shares were outstanding.

of International Investment Trust Co. (IIT) the Fund's investment manager. He has worked for the past three years at IIT, where he was previously senior vice president. Mr. Ding served as chief economist and head of research at Citicorp International Securities Ltd. in Taipei from 1996 to 1999 and as head of research and information for the greater China region at McKinsey & Co. from 1994 to 1996.

KPMG [LOGO]

Independent Auditors' Report

The Trustees and Shareholders of The R.O.C. Taiwan Fund:

We have audited the accompanying consolidated statement of assets and liabilities of The R.O.C. Taiwan Fund, a Massachusetts business trust (the "Trust"), including the consolidated schedule of investments, as of December 31, 2001, 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 the physical examination of short-term investments owned as of December 31, 2001, and confirmation of securities owned as of December 31, 2001, by correspondence with the custodian and brokers. As to securities sold but not delivered, we performed other appropriate auditing procedures. 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

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highlights referred to above present fairly, in all material respects, the financial position of The R.O.C. Taiwan Fund as of December 31, 2001, 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.

/s/ KPMG

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KPMG

Taipei, Taiwan  
January 14, 2002

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THE R.O.C. TAIWAN FUND  
www.roctaiwanfund.com  
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### MANAGER:

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Fax: 886-2-2717-3077

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R.O.C

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TAIWAN FUND  
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### OFFICERS AND TRUSTEES:

Theodore S. S. Cheng, Chairman and Trustee  
Michael Ding, President and Trustee  
Edward B. Collins, Trustee and Audit Committee  
Member  
David N. Laux, Trustee and Audit Committee  
Member  
Alfred F. Miossi, Trustee and Audit Committee  
Member  
Robert P. Parker, Trustee and Audit Committee  
Member  
Peggy Chen, Chief Financial Officer,  
Treasurer, and Secretary

Annual Report

December 31, 2001

### CUSTODIAN:

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

### TRANSFER AGENT,

### PAYING AND PLAN AGENT:

State Street Bank and Trust Co.  
P.O. Box 8200  
Boston, Massachusetts 02266-8200  
U.S.A.  
Telephone: 1-800-426-5523

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U.S. LEGAL COUNSEL:  
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For information on the Fund, including the NAV, please call toll free  
1-800-343-9567.