

Baillie Gifford China Growth Trust plc

Legal Entity Identifier: 213800KOK5G3XY17ZX18

Regulated Information Classification: Half Yearly Financial Report

Results for the six months to 31 July 2022

Over the six months to 31 July 2022, the Company's net asset value per share (NAV) fell by 10.7%* compared to a 5.4%* fall in the comparative index, on a total return basis.

Baillie Gifford China Growth Trust aims to produce long-term capital growth by investing predominately in shares of, or depository receipts representing the shares of, Chinese companies. At 31 July 2022 the Company had total assets of £199m.

Baillie Gifford China Growth Trust is managed by Baillie Gifford, an Edinburgh-based fund management group with approximately £227 billion under management and advice as at 30 September 2022.

Past performance is not a guide to future performance.

4 October 2022

*The Company's comparative index is the MSCI China All Shares index (in sterling terms). Total return information is sourced from Refinitiv, Baillie Gifford and relevant underlying index providers. See disclaimer at end of this announcement.

‡Neither the contents of the Managers' website nor the contents of any website accessible from hyperlinks on the Managers' website (or any other website) is incorporated into, or forms part of, this announcement

Baillie Gifford China Growth Trust is a listed UK company. The value of its shares and any income from them can fall as well as rise and investors may not get back the amount invested. The Company is listed on the London Stock Exchange and is not authorised or regulated by the Financial Conduct Authority. You can find up-to-date performance information about Baillie China Growth Trust at [bailliegiffordchinagrowthtrust.com](https://www.bailliegiffordchinagrowthtrust.com)‡.

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The following is the unaudited Interim Financial Report for the six months to 31 July 2022 which was approved by the Board on 4 October 2022.

Interim Management Report

Over the six months to 31 July 2022 the weakness in Chinese equities has continued. Positive developments on the regulatory front were swamped by macroeconomic concerns domestically and geopolitical concerns regarding Taiwan.

On the macroeconomic front, Covid lockdowns in a number of the major cities, including Shanghai, resulted in disruption to businesses and to consumers. This exacerbated an already weak economic backdrop. We saw the property market slump and weak manufacturing and consumption numbers. The quarterly meeting of the Politburo disappointed investors by offering little additional support to the economy. This in turn led to concerns resurfacing regarding financial risk to the broader economy. Our view is that these risks are exaggerated for the following reasons:

- Whilst debt to GDP remains elevated, it's important to note that it has stabilised and that the quality of debt has markedly improved. Indeed, the government has done a good job of substantially reducing exposure to the most risky debt within the system¹. In addition, funding conditions have improved, and the People's Bank of China (PBOC) continues to provide iron clad liquidity support for the banking system. As such, the risk of a Lehman's style moment in China is very low.
- The property market is weak with sales down 30-40% from their 2020 peak. However, it's important to note that this peak resulted from stimulus provided by the government in 2020 in the wake of Covid. If we compare sales figures to 2018, numbers are down but not drastically so. More importantly, the loan to value ratio is sitting at only c.25%². Most people are still paying for the majority of their properties out of cash. This contrasts markedly with most other housing booms and busts we've seen in emerging or developed markets where loan to value ratios tend to reach c.90%.
- Some property developers are impaired, but the majority are not, and the system itself is both incredibly large and incredibly fragmented. China Evergrande, one of the largest developers, and one that is facing serious difficulties, represents less than c.2% of total system assets. The next 10 combined do not even add up to 10% of the total.

So whilst China has dropped and is unlikely to achieve its previous target for GDP of 5.5% growth in 2022, the risk of financial instability is low in our view. At the micro level, we'd also note that we have no direct exposure to property developers and very little direct exposure to banks. In the main, the holdings within the Company continue to perform well operationally in line with our original investment theses.

The second factor that has weighed on Chinese equity markets is geopolitical. Here, we saw China respond to Nancy Pelosi's visit to Taiwan with obvious displeasure leading to concerns that the risk of military action has increased. Whilst acknowledging the complexity of the issue and the limitations of our own predictive powers, we would say that we believe the risk of military action remains low.

There are a number of factors that lead us to this view:

- Firstly, we think it's important to remember what China itself has said on Taiwan. Here there has been no significant divergence from its longstanding policy. This was reiterated post Pelosi's visit in a White Paper. This White Paper is significant because it is only the third such White Paper on Taiwan and the first since 2000. In the paper, China reiterated its longstanding policy and preference which is for peaceful reunification. The paper made clear that military action was an absolute last resort. Indeed, this makes sense to us given the incredibly high risks involved. For example, if military action were to occur and the Chinese Communist Party (CCP) fail, it would have devastating consequences for the CCP's legitimacy, for economic growth, and potentially also for China's territorial integrity.
- In addition, and contrary to popular opinion, we'd also note that Xi Jinping has not specified an imminent date by which reunification must occur. Instead, he has loosely linked it to a date that's 25 years away, namely national rejuvenation or 2049. In terms of Xi's personal legacy, we'd note that it appears as closely tied, if not more so, to the success of domestic policies such as Common Prosperity, Made in China 2025, and the China Dream. Indeed, we think it's significant for example that the principal contradiction, or the most important problem for the CCP to solve during Xi's reign, isn't anything to do with Taiwan or with foreign policy. Instead, it's overwhelmingly focused on building a domestic growth model that continues to

benefit all members of society and actively makes consumers lives better i.e. they want to tackle 'uneven and unbalanced growth' and to deliver 'the people's desire for a better life.' These domestically focused policies would be severely disrupted by an incursion into Taiwan, regardless of the outcome. The global response to Russia's invasion of Ukraine has made this abundantly clear. In the face of crippling economic sanctions, the 'people's desire for a better life' would be set back decades.

- Finally, the work that we have commissioned from our third party research providers suggests that, even if China wanted to act militarily, it could not do so. It does not have the military capability. Indeed, Russia's travails in Ukraine have thrown this into stark relief and the difficulty of an amphibious assault on Taiwan over c.100 miles of water is a multiple of that of a land assault on Ukraine.

On balance, therefore, we continue to think that the likelihood of military action is low. That being said, we do acknowledge that this is a rapidly evolving issue and one that requires continued monitoring. It goes without saying that if military action were to occur, it would have very serious consequences for Chinese equities.

More positively, we have seen a marked improvement on the regulatory front within China. Over the last six months, significant political capital has built up behind the idea that regulation needs to be better signalled and more transparent. This culminated most recently with Xi Jinping stating that 'normal supervision' of the platform economy will resume and that specific measures to support it will be rolled out. This is a significant positive for the platform companies in which we invest and it was echoed by founders of companies such as Alibaba, Meituan, Tencent and Bilibili, all of whom we met during the period.

Portfolio Positioning and Recent Activity

The portfolio continues to represent a selection of the best and most innovative public and private Chinese growth companies. We continue to upgrade the growth profile of the Company, and to make investments in companies exposed to China's next decade of growth and policy priorities including the green revolution, advanced manufacturing and industrial upgrading. In addition, we have added to a number of platform companies that have been weak despite good operational performance.

In terms of new purchases, we have bought a new holding in Jiangsu Azure. Jiangsu Azure is a leading small battery maker. It mainly sells batteries into the power tools market. The electrification of the power tools market is a strong structural driver for this company. Indeed, we believe its end market can double in 5 years as a result. In addition, Azure also has growth opportunities in similar markets such as vacuum cleaners and e-bikes. Benefiting from China's world-class battery supply chain and with strong technology know-how, Azure has penetrated top clients globally. Indeed, its focus on the small battery market and its willingness to invest has resulted in it taking share from global competitors such as LG and Samsung. We do not believe the growth opportunity and the quality of management is reflected in the current share price and have therefore decided to take a holding.

We have also bought a new holding in a company called Kinlong. This company sells hardware for doors and windows (hinges, guard rails, locks) to the building industry. It sells its products to businesses and has built up a strong reputation for quality amongst its business customers. It is the number 1 player in a number of the segments in which it operates with c.10% share. The growth opportunity is a function of continued growth in end markets, the expansion of its product portfolio, plus continued market share gains. Its products are a small proportion of total cost but are performance critical and therefore price sensitivity is relatively low. This year, however, the company was hit by a rise in raw material prices which it will take time to pass on. The shares were also weak due to concerns regarding the property market which we believe are overblown. In terms of management, this is a founder run company with the founder retaining a c.37% stake and managing the business in a long-term fashion. We believe now is a good time to take advantage of share price weakness and buy a holding in a good quality, long term growth company.

We also made additions to a number of platform companies that had been weak despite good operational performance and an improvement in the regulatory environment. These included Beike and Alibaba.

In terms of funding for the above, we have sold our holding in BGI, a leading gene sequencing and testing company. BGI's main business at time of purchase was its non-invasive prenatal testing (NIPT). This business continues to see strong volume growth, but pricing has been unexpectedly weak. Growth in BGI's core business has therefore undershot our expectations. In addition, we had hoped that BGI would be able to leverage its success in NIPT to expand into other areas such as early-stage cancer detection. Here, operational progress has been weak relative to its competitors. As such, we believe BGI's fundamentals have deteriorated and that this is not reflected in the current share price. As such, we've decided to sell.

We have also sold Yatsen. This was an investment with the potential to deliver very high returns, but around which there was a lot of uncertainty. At time of purchase, the company appeared to have a good chance to become a domestic leader in China's cosmetics industry. Whilst we still believe that domestic companies are better positioned than multinationals to take advantage of changes in brand perception and domestic tastes, Yatsen has not been able to execute as we would have hoped. Its operational performance has been weak leading to lower growth and expected profitability. The US listing was also a concern which added to extra downward pressure on the share price and significantly reduced liquidity. We have therefore decided to move on.

We have also made reductions to stocks such as Netease, a leading gaming company, and Shenzhen Inovance, a leading automation company. Shenzhen Inovance, in particular, delivered exceptional operational and share price performance with revenue, profit and share price growth of 2.5x and 3x respectively over three years. Post a review of the holding, and acknowledging the cyclicity in the business, we have decided to reduce our holding size.

Performance

Over the six months to the end of July 2022, the Company's net asset value fell by approximately 10%. Over the same period, the benchmark fell by approximately 5%. We would hesitate to draw too much from short term numbers and would hope that shareholders judge our investment returns over periods of five years or longer, the same period over which we judge our companies' performance.

In terms of the net asset value, notable positive contributors are largely limited to our domestically listed, A Share holdings. Notable stocks here include Shenzhen Inovance, a leading automation company, Sanhua Intelligent Controls, a heat and ventilation control company and a supplier to Tesla, Estun Automation, a leading robotics company, and LONGi Green Energy, the world's largest solar panel manufacturer and enabler of China's green revolution. Relative performance was also helped by the fact that we did not have any exposure to distressed property developers such as Country Garden.

The negative contributors to performance were largely stock specific. In the period, we wrote down the valuation of ByteDance, the Company's only private holding, by c.15% to reflect the contraction in multiples that we have seen in platform companies more broadly within China. China Merchants Bank (CMB), a leading consumer bank, had a volatile period of performance. The share price slumped post the news that the bank's president was removed and under investigation. We think the market tends to overstate keyman risk in the short term. The bank's long-established management culture is unlikely to alter, and the impact on core operational performance should be limited. Indeed, CMB reported good results over the period despite a challenging macro environment. This is a bank with a strong consumer and wealth management platform and one that has a history of good and profitable lending. As such, we remain happy holders. Sunny Optical was another negative contributor to performance. This is a manufacturer of lenses and modules that go into smartphones and autos. It's currently experiencing a price war in its core smartphone business as a new entrant has entered the market and is trying to take share. We think this increase in competition will not persist as the new entrant is loss making and unable to make an economic return. More positively, we think the growth potential in Sunny's auto business, where it is one of the market leaders in lenses for autos, is vast. The primary driver here is the trend towards increasingly autonomous vehicles. We believe this growth potential is underappreciated and therefore remain happy to hold the stock. Other negative contributors include Yonyou, a provider of enterprise software to large corporates, Shenzhou International, a leading garment supplier to Adidas and Puma, and Tencent, a leading social media and gaming company. All three companies were weak due to covid lockdowns and macro weakness which affected their ability to do business and their clients' propensity to spend. We think this represents a short term blip to all three companies strong operational performance and long term growth.

Outlook

In Baillie Gifford's two decades of investing in China, we have experienced numerous regulatory cycles, significant volatility and, at times, painful periods of adjustment. However, whilst investment in China may prove volatile over a short term time horizon, we continue to believe that a combination of a vast and growing domestic market, significant investment in research and development, and private and public equity markets that are poorly understood and very short term, give long-term growth investors like ourselves a real opportunity to generate returns for our shareholders.

The principal risks and uncertainties facing the Company are set out below.

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¹Non-standard debt e.g. quasi local government affiliated financing vehicles, development funds.

²Net new extension of mortgages relative to the total value of residential sales in the same period.

For a definition of terms see Glossary of Terms and Alternative Performance Measures, see below.

Total return information is sourced from Refinitiv/Baillie Gifford and relevant underlying index providers. See disclaimer at the end of this announcement.

Past performance is not a guide to future performance.

Valuing Private Companies

We aim to hold our private company investments at 'fair value' i.e. the price that would be paid in an open-market transaction. Valuations are adjusted both during regular valuation cycles and on an ad-hoc basis in response to 'trigger events'. Our valuation process ensures that private companies are valued in both a fair and timely manner.

The valuation process is overseen by a valuations group at Baillie Gifford which takes advice from an independent third party (S&P Global). The valuations group is independent from the investment team, with all voting members being from different operational areas of the firm, and the portfolio managers only receive final valuation notifications once they have been applied.

We revalue the private holdings on a three-month rolling cycle, with one-third of the holdings reassessed each month. For investment trusts, the prices are also reviewed twice per year by the respective investment trust boards and are subject to the scrutiny of external auditors in the annual audit process.

Beyond the regular cycle, the valuations committee also monitors the portfolio for certain 'trigger events'. These may include: changes in fundamentals; a takeover approach; an intention to carry out an Initial Public Offering ('IPO'); company news which is identified by the valuation team or by the portfolio managers or changes to the valuation of comparable public companies. Any ad-hoc change to the fair valuation of any holding is implemented swiftly and reflected in the next published net asset value ('NAV'). There is no delay.

The valuations committee also monitors relevant market indices on a weekly basis and updates valuations in a manner consistent with our external valuer's (S&P Global) most recent valuation report where appropriate. When market volatility is particularly pronounced the team undertakes these checks daily.

List of Investments as at 31 July 2022 (unaudited)

Name	Business	Value £'000	% of total assets *
Tencent	Social media and entertainment company	15,695	7.9
Alibaba	Online retailer, payments and cloud business	11,859	6.0
ByteDance ^u	Social media and entertainment company	10,753	5.4
Kweichow Moutai	Luxury baijiu maker	9,683	4.9
Meituan	Online food delivery company	7,421	3.7
Ping An Insurance	Life and health insurance	7,204	3.6
Li Ning	Domestic sportswear manufacturer	6,278	3.2
Zhejiang Sanhua Intelligent Controls	Heating and cooling component manufacturer	6,190	3.1
China Merchants Bank	Consumer lending and wealth management	6,065	3.0
JD.com	Online retailer	5,070	2.5
CATL	Electric vehicle battery maker	4,586	2.3

Estun Automation	Robotics and factory automation company	4,414	2.2
Proya Cosmetics	Cosmetics and personal care company	4,269	2.1
ENN Energy Holdings	Gas distributor and provider	3,741	1.9
SG Micro	Semiconductor fabless designer	3,484	1.7
Shenzhen Inovance Technology	Factory automation company	3,327	1.7
Ping An Bank	SME and consumer lender	3,307	1.7
NetEase	Gaming and entertainment business	3,295	1.7
Midea Group	White goods and robotics manufacturer	3,257	1.6
Zijin Mining	Renewable energy enabler	3,227	1.6
BeiGene	Immunotherapy biotechnology company	3,216	1.6
Geely Automobile	Domestic automotive manufacturer	3,174	1.6
Shenzhen Megmeet Electrical	Power electronics manufacturer	2,967	1.5
Shandong Sinocera Functional Material	Advanced materials manufacturer	2,960	1.5
LONGi Green Energy	Solar energy provider	2,892	1.5
Guangzhou Kingmed Diagnostics	Diagnostics company	2,785	1.4
Fuyao Glass Industry	Automotive glass manufacturer	2,774	1.4
HUAYU Automotive Systems	Automotive parts manufacturer	2,681	1.4
Asymchem Laboratories (Tianjin)	Life sciences contract research organisation	2,541	1.3
Beijing United Information Tec	Industrial ecommerce platform	2,435	1.2
Kingdee International Software	Software for SMEs and corporates	2,427	1.2
Weichai Power	Construction machinery and heavy duty trucks	2,342	1.2
Yonyou Network Technology	Software for SMEs and corporates	2,301	1.2
Shenzhou International	Garment manufacturer	2,249	1.1
Sunny Optical Technology	Electronic components for smartphones and autos	2,120	1.1
Jiangsu Azure	Air Freight & Logistics	2,075	1.0
Hangzhou Tigermed Consulting	Clinical trial contract research organisation	2,017	1.0
Glodon	Software provider to the construction industry	1,939	1.0
WuXi AppTec	Life sciences contract research organisation	1,936	1.0
Kingsoft	Software for SMEs and corporates	1,924	1.0
Yunnan Energy New Material	Component supplier to renewables industry	1,923	1.0
Bilibili	Social media company	1,862	0.9
Sinocare	Diagnostics and diabetes company	1,683	0.9
Sungrow Power Supply	Component supplier to renewables industry	1,679	0.8
Zai Lab	Biotechnology business	1,660	0.8
Topchoice Medical	Dental services provider	1,618	0.8
Robam Appliances	White goods manufacturer	1,510	0.8
Minth	Automotive parts manufacturer	1,390	0.7
Hua Medicine (Shanghai)	Diabetes drug manufacturer	1,290	0.6
Yifeng Pharmacy Chain	Drug retailer	1,272	0.6
KE Holdings	Online real estate	1,223	0.6
Lufax	SME and consumer lender	1,047	0.5
Kinlong	Building Products	1,038	0.5
Medlive Technology	Medical dictionary and marketing organisation	971	0.5
Pop Mart	Toy and collectibles maker	869	0.4
Brilliance China Automotive #	Automotive makers and BMW partner	812	0.4
New Horizon Health	Early cancer detection	650	0.3

Tencent Music Entertainment	Music streaming platform	632	0.3
Hutchison China MediTech	Biotechnology company	487	0.2
Burning Rock Biotech	Liquid biopsy cancer testing company	415	0.2
Dada Nexus	Logistics and warehousing provider	373	0.2
Total investments		197,284	99.0
Net liquid assets		2,021	1.0
Total assets		199,305	100.0
Bank loans		(6,163)	(3.1)
Shareholders' funds		193,142	96.9

* Total assets before deduction of loans.

u Denotes unlisted holding (private company).

Suspended.

Income Statement (unaudited)

	For the six months ended 31 July 2022			For the six months ended 31 July 2021			For the year ended 31 January 2022 (audited)		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Net losses on investments	-	(23,719)	(23,719)	-	(45,207)	(45,207)	-	(82,850)	(82,850)
Currency (losses)/gains	-	(325)	(325)	-	64	64	-	(68)	(68)
Income from investments and interest receivable	1,944	-	1,944	1,325	-	1,325	1,599	-	1,599
Investment management fee (note 3)	(161)	(484)	(645)	(165)	(495)	(660)	(363)	(1,089)	(1,452)
Other administrative expenses	(290)	-	(290)	(265)	(20)	(285)	(479)	(20)	(499)
Net return before finance costs and taxation	1,493	(24,528)	(23,035)	895	(45,658)	(44,763)	757	(84,027)	(83,270)
Finance costs of borrowings	(59)	(173)	(232)	(25)	(76)	(101)	(46)	(138)	(184)
Net return on ordinary activities before taxation	1,434	(24,701)	(23,267)	870	(45,734)	(44,864)	711	(84,165)	(83,454)
Tax on ordinary activities	(78)	-	(78)	(99)	-	(99)	(119)	-	(119)
Net return on ordinary activities after taxation	1,356	(24,701)	(23,345)	771	(45,734)	(44,963)	592	(84,165)	(83,573)
Net return per ordinary share (note 4)	2.18p	(39.83p)	(37.65p)	1.29p	(76.54p)	(75.25p)	0.97p	(138.22p)	(137.25p)
Note: Dividends paid and payable per share (note 5)	nil			2.55p			7.15p		

The total column of this Statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are prepared under guidance published by the Association of Investment Companies.

All revenue and capital items in this Statement derive from continuing operations.

A Statement of Comprehensive Income is not required as the Company does not have any other comprehensive income and the net return on ordinary activities after taxation is both the profit and comprehensive income for the period.

Balance Sheet (unaudited)

	At 31 July 2022 £'000	At 31 January 2022 (audited) £'000
Fixed assets		
Investments held at fair value through profit or loss (note 6)	197,284	222,015
Current assets		
Debtors	307	100
Cash and cash equivalents	2,177	5,496
	2,484	5,596
Creditors		
Amounts falling due within one year (note 7)	(6,626)	(8,270)
Net current liabilities	(4,142)	(2,674)
Net assets	193,142	219,341
Capital and reserves		
Share capital	17,087	17,087
Share premium account	31,780	31,780
Capital redemption reserve	41,085	41,085
Capital reserve	96,920	121,621
Revenue reserve	6,270	7,768
Shareholders' funds	193,142	219,341
Net asset value per ordinary share*	311.45p	353.70p
Ordinary shares in issue (note 8)	62,012,982	62,012,982

*See Glossary of Terms and Alternative Performance Measures at the end of this announcement.

Statement of Changes in Equity (unaudited)

For the six months ended 31 July 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2022	17,087	31,780	41,085	121,621	7,768	219,341
Net return on ordinary activities after taxation	-	-	-	(24,701)	1,356	(23,345)
Dividends paid (note 5)	-	-	-	-	(2,854)	(2,854)
Shareholders' funds at 31 July 2022	17,087	31,780	41,085	96,920	6,270	193,142

For the six months ended 31 July 2021

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital Reserve* £'000	Revenue reserve £'000	Shareholders' funds £'000
Shareholders' funds at 1 February 2021	16,486	13,182	41,085	189,061	11,610	271,424
Ordinary shares issued (note 8)	601	18,598	-	16,724	-	35,923
Net return on ordinary activities after taxation	-	-	-	(45,734)	771	(44,963)
Dividends paid (note 5)	-	-	-	-	(2,854)	(2,854)
Shareholders' funds at 31 July 2021	17,087	31,780	41,085	160,051	9,527	259,530

* The Capital Reserve as at 31 July 2022 includes investment holding gains of £52,916,000 (31 July 2021 – gains of £1,455,000)

Condensed Cash Flow Statement (unaudited)

	Six months to 31 July 2022 £'000	Six months to 31 July 2021 £'000
Cash flows from operating activities		
Net return on ordinary activities before taxation	(23,267)	(44,864)
Net losses on investments	23,719	45,207
Currency losses/(gains)	325	(64)
Finance costs of borrowings	232	101
Overseas withholding tax	(79)	(99)
Changes in debtors and creditors	(258)	16
Cash from operations*	672	297
Interest paid	(222)	(73)
Net cash inflow from operating activities	450	224
Cash flows from investing activities		
Acquisitions of investments	(18,629)	(59,422)
Disposals of investments	17,466	15,502
Net cash outflow from investing activities	(1,163)	(43,920)
Cashflows from financing activities		
Ordinary shares issued	–	37,215
Bank loans drawn down	–	5,427
Equity dividends paid (note 5)	(2,854)	(2,854)
Net cash (outflow)/inflow from financing activities	(2,854)	39,788
Decrease in cash and cash equivalents	(3,567)	(3,908)
Exchange movements	248	33
Cash and cash equivalents at start of period	5,496	5,962
Cash and cash equivalents at end of period†	2,177	2,087

* Cash from operations includes dividends received in the period of £1,642,000 (31 July 2021 – £939,000) and deposit interest received of £1,000 (31 July 2021 – nil).

† Cash and cash equivalents represent cash at bank and short term money market deposits repayable on demand.

Notes to the condensed financial statements (unaudited)

1 Basis of Accounting

The condensed Financial Statements for the six months to 31 July 2022 comprise the statements and related notes set out below. They have been prepared in accordance with FRS 104 'Interim Financial Reporting' and the AIC's Statement of Recommended Practice issued in November 2014, and April 2021 with consequential amendments, and have not been audited or reviewed by the Auditor pursuant to the Auditing Practices Board Guidance on 'Review of Interim Financial Information'. The Financial Statements for the six months to 31 July 2022 have been prepared on the basis of the same accounting policies as set out in the Company's Annual Report and Financial Statements at 31 January 2022.

Going Concern

The Directors have considered the nature of the Company's assets, its liabilities, projected income and expenditure together with its investment objective and policy, dividend policy and principal risks and uncertainties, as set out on the inside front cover. The Board has, in particular, considered the ongoing impact of market volatility during the Covid-19 pandemic, geopolitical events including the impact of the hostilities in Ukraine and current economic conditions but does not believe the Company's going concern status is affected. The Company's assets, the majority of which are investments in quoted securities which are readily realisable, exceed its liabilities significantly. All borrowings require the prior approval of the Board. Gearing levels and compliance with borrowing covenants are reviewed by the Board on a regular basis. The Company has continued to comply with the investment trust status requirements of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. Accordingly, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing these Financial Statements and confirm that they are not aware of any material uncertainties which may affect the Company's ability to continue to do so over a period of at least twelve months from the date of approval of these Financial Statements.

2 Financial Information

The financial information contained within this Interim Financial Report does not constitute statutory accounts as defined in sections 434 to 436 of the Companies Act 2006. The financial information for the year ended 31 January 2022 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was not qualified, did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying the report, and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

3 Investment Manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed by the Company as its Alternative Investment Fund Manager and Company Secretary on 16 September 2020. The investment management function has been delegated to Baillie Gifford & Co. Dealing activity and transaction reporting have been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited. The management agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances. The annual management fee is (i) 0.75% of the first £50 million of Net Asset Value; plus (ii) 0.65% of Net Asset Value between £50 million and £250 million; plus (iii) 0.55% of Net Asset Value in excess of £250 million, calculated and payable quarterly. Baillie Gifford agreed to waive its investment management fee for the first six months following its appointment as a contribution to the costs that the Company has borne in respect of the Manager changes.

4 Net Return per Ordinary Share

	Six months to 31 July 2022 £'000	Six months to 31 July 2021 £'000	Year to 31 January 2022 (audited) £'000
Revenue return on ordinary activities after taxation	1,356	771	592

Capital return on ordinary activities after taxation	(24,701)	(45,734)	(84,165)
Total net return	(23,345)	(44,963)	(83,573)
Weighted average number of ordinary shares in issue	62,012,982	59,745,488	60,888,553

Net return per ordinary share is based on the above totals of revenue and capital and the weighted average number of ordinary shares in issue during each period.

There are no dilutive or potentially dilutive shares in issue.

5 Dividends

	Six months to 31 July 2022 £'000	Six months to 31 July 2021 £'000
Amounts recognised as distributions in the period:		
Previous year's final of 4.60p (2021 – 4.60p), paid on 27 July 2022	2,854	2,854
	2,854	2,807
Dividends proposed and payable in respect of the period:		
Interim of nil (2020 – 2.55p)	-	1,581
	-	1,581

As stated in the last Annual Report and Financial Statements, the Board's policy is now that any dividend will be paid by way of a final dividend, and therefore no interim dividend will be paid this year.

6 Fair Value Hierarchy

The fair value hierarchy used to analyse the basis on which the fair values of financial instruments held at fair value through the profit or loss account are measured is described below. Fair value measurements are determined by the lowest (that is the least reliable or least independently observable) level of input that is significant to the fair value measurement for the individual investment in its entirety as follows:

Level 1 – using unadjusted quoted prices for identical instruments in an active market;

Level 2 – using inputs, other than quoted prices included within Level 1, that are directly or indirectly observable (based on market data); and

Level 3 – using inputs that are unobservable (for which market data is unavailable).

Investments in securities are financial assets designated at fair value through profit or loss on initial recognition. In accordance with FRS 102 the tables below provide an analysis of these investments based on the fair value hierarchy described above.

Investments held at fair value through profit or loss

As at 31 July 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	185,719	-	-	185,719
Unlisted ordinary shares	-	-	10,753	10,753
Suspended ordinary shares	-	-	812	812
Total financial asset investments	185,719	-	11,565	197,284

As at 31 January 2022 (audited)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Listed equities	207,678	-	-	207,678
Unlisted ordinary shares	-	-	12,855	12,855
Suspended ordinary shares	-	-	1,482	1,482
Total financial asset investments	207,678	-	14,337	222,015

7 Bank Loans

During the period the Company entered into a two year US\$40 million revolving credit facility with The

Royal Bank of Scotland International Limited which expires on 13 April 2024. At 31 July 2022 creditors falling due within one year include borrowings of £6.2 million (US\$7.5 million) (31 January 2022 – £5.3 million (US\$7.5 million)) drawn down under the facility.

8 Share Capital

The Company has authority to allot shares under section 551 of the Companies Act 2006 or sell shares held in treasury. Such authorities will only be used to issue shares or sell shares from treasury at, or at a premium to, net asset value and only when the Directors believe that it would be in the best interests of the Company to do so. In the six months to 31 July 2022 no ordinary shares were issued. In the year to 31 January 2022 – 4,515,000 shares were issued from Treasury and 2,404,151 shares were issued on a non pre-emptive basis.

The Company also has authority to buy back shares. In the six months to 31 July 2022 no ordinary shares were bought back (in the year to 31 January 2022 no ordinary shares were bought back for cancellation) therefore the Company's authority remains unchanged at 8,889,644 ordinary shares.

9 Transaction Costs

During the period the Company incurred transaction costs on purchases of investments of £13,000 (31 July 2021 – £60,000; 31 January 2022 – £76,000) and transaction costs on sales of £22,000 (31 July 2021 – £23,000; 31 January 2022 – £52,000).

10 Related Party Transactions

There have been no transactions with related parties during the first six months of the current financial year that have materially affected the financial position or the performance of the Company during that period and there have been no changes in the related party transactions described in the last Annual Report and Financial Statements that could have had such an effect on the Company during that period.

None of the views expressed in this document should be construed as advice to buy or sell a particular investment.

Principal Risks and Uncertainties

The principal risks facing the Company are inappropriate business strategy, adverse market conditions, poor investment performance, operational failure, tax and regulatory change or breach, single country risk, emerging market risk, unlisted securities, gearing and climate and governance risk. An explanation of these risks and how they are managed is set out on pages 21 and 22 of the Company's Annual Report and Financial Statements for the year to 31 January 2022 which is available on the Company's website: bailliegiffordchinagrowthtrust.com. The principal risks and uncertainties have not changed since the date of the Annual Report. However, as referred to in the Interim Management Report above, geopolitical tensions have increased since the date of the Annual Report.

Responsibility Statement

We confirm that to the best of our knowledge:

- a) the condensed set of Financial Statements has been prepared in accordance with FRS 104 'Interim Financial Reporting';
- b) the Interim Management Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.7R (indication of important events during the first six months, their impact on the Financial Statements and a description of the principal risks and uncertainties for the remaining six months of the year); and
- c) the Interim Financial Report includes a fair review of the information required by Disclosure Guidance and Transparency Rule 4.2.8R (disclosure of related party transactions and changes therein).

On behalf of the Board
Susan Platts-Martin
Chair
4 October 2022

Glossary of Terms and Alternative Performance Measures ('APM')

An alternative performance measure is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework.

Total Assets

The total value of all assets held less all liabilities, other than liabilities in the form of borrowings.

Shareholders' Funds and Net Asset Value

Shareholders' Funds is the value of all assets held less all liabilities, with borrowings deducted at book cost. Net Asset Value ('NAV') is the value of all assets held less all liabilities, with borrowings deducted at either book value or fair value. Per share amounts are calculated by dividing the relevant figure by the number of ordinary shares in issue.

Net Liquid Assets

Net liquid assets comprise current assets less current liabilities, excluding borrowings.

Net Asset Value (Borrowings at Book Value)

Borrowings are valued at adjusted net issue proceeds. Book value approximates amortised cost.

	31 July 2022	31 January 2022
Shareholders' funds (borrowings at book value)	£193,142,000	£219,341,000
Shares in issue	62,012,982	62,012,982
Net Asset Value per ordinary share (borrowings at book value)	311.45p	353.70p

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its net asset value. When the share price is lower than the net asset value per share it is said to be trading at a discount. The size of the discount is calculated by subtracting the share price from the net asset value per share and is usually expressed as a percentage of the net asset value per share. If the share price is higher than the net asset value per share, this situation is called a premium.

	31 July 2022	31 January 2022
Closing NAV per share	311.45p	353.70p
Closing share price	312.00p	339.25p
Premium/(discount)	0.2%	(4.1%)

Total Return (APM)

The total return is the return to shareholders after reinvesting the dividend on the date that the share price goes ex-dividend.

		31 July 2022 NAV	31 July 2022 Share price	31 January 2022 NAV	31 January 2022 Share price
Closing NAV per share/share price	(a)	311.45p	312.00p	353.70p	339.25p
Dividend adjustment factor*	(b)	1.014002	1.014556	1.016038	1.015984
Adjusted closing NAV per share/share price	(c = a x b)	315.82p	316.54p	395.37p	344.67p
Opening NAV per share/share price	(d)	353.70p	339.25p	492.66p	548.00p
Total return	(c+d)-1	(10.7%)	(6.7%)	(27.0%)	(37.1%)

* The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the cum income NAV at the ex-dividend date.

Ongoing Charges (APM)

The total expenses (excluding borrowing costs) incurred by the Company as a percentage of the average net asset value. The ongoing charges are calculated on the basis prescribed by the Association of Investment

Companies.

Gearing (APM)

At its simplest, gearing is borrowing. Just like any other public company, an investment trust can borrow money to invest in additional investments for its portfolio. The effect of the borrowing on the shareholders' assets is called 'gearing'. If the Company's assets grow, the shareholders' assets grow proportionately more because the debt remains the same. But if the value of the Company's assets falls, the situation is reversed. Gearing can therefore enhance performance in rising markets but can adversely impact performance in falling markets.

Potential gearing is the Company's borrowings expressed as a percentage of shareholders' funds.

Invested gearing is the Company's borrowings at book value less cash and cash equivalents (as adjusted for investment and share buy-back/ issuance transactions awaiting settlement) expressed as a percentage of shareholders' funds.

Leverage (APM)

For the purposes of the Alternative Investment Fund Managers Regulations, leverage is any method which increases the Company's exposure, including the borrowing of cash and the use of derivatives.

It is expressed as a ratio between the Company's exposure and its net asset value and can be calculated on a gross and a commitment method. Under the gross method, exposure represents the sum of the Company's positions after the deduction of sterling cash balances, without taking into account any hedging and netting arrangements. Under the commitment method, exposure is calculated without the deduction of sterling cash balances and after certain hedging and netting positions are offset against each other.

Active Share (APM)

Active share, a measure of how actively a portfolio is managed, is the percentage of the portfolio that differs from its comparative index. It is calculated by deducting from 100 the percentage of the portfolio that overlaps with the comparative index. An active share of 100 indicates no overlap with the index and an active share of zero indicates a portfolio that tracks the index.

Unlisted (Private) Company

An unlisted (private) company means a company whose shares are not available to the general public for trading and not listed on a stock exchange.

Participatory Notes (or P-Notes)

A P-Note is a certificate-based instrument that can be issued by a counterparty bank and provides a synthetic stock exposure to an underlying equity instrument. The synthetic exposure results in the P-Note having the same performance as the underlying stock but carries an additional currency exposure due to the P-Note being denominated in US\$. P-Notes are unleveraged instruments.

Variable Interest Entity ('VIE')

VIE structures are used by some Chinese companies to facilitate access to foreign investors in sectors of the Chinese domestic economy which prohibit foreign ownership. The purpose of the VIE structure is to give the economic benefits and operational control of ownership without direct equity ownership itself. The structures are bound together by contracts and foreign investors are not directly invested in the underlying company.

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Sustainable Finance Disclosure Regulation ('SFDR')

The EU SFDR does not have a direct impact in the UK due to Brexit, however, it applies to third-country products marketed in the EU. As Baillie Gifford China Growth Trust is marketed in the EU by the AIFM, Baillie Gifford & Co Limited, via the National Private Placement Regime (NPPR) the following disclosures have been provided to comply with the high-level requirements of SFDR. The AIFM has adopted Baillie Gifford & Co's Governance and Sustainable Principles and Guidelines as its policy on integration of sustainability risks in investment decisions.

Baillie Gifford & Co's approach to investment is based on identifying and holding high quality growth businesses that enjoy sustainable competitive advantages in their marketplace. To do this it looks beyond current financial performance, undertaking proprietary research to build an in-depth knowledge of an individual company and a view on its long- term prospects. This includes the consideration of sustainability factors (environmental, social and/or governance matters) which it believes will positively or negatively influence the financial returns of an investment.

More detail on the Investment Manager's approach to sustainability can be found in the Governance and Sustainability Principles and Guidelines document, available publicly on the Baillie Gifford website ([bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles- and guidelines/](https://bailliegifford.com/en/uk/about-us/literature-library/corporate-governance/governance-sustainability-principles-and-guidelines/)).

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework of criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under SFDR by introducing additional disclosure obligations in respect of Alternative Investment Funds that invest in an economic activity that contributes to an environmental objective. The Company does not commit to make sustainable investments as defined under SFDR. As such, the underlying investments do not take into account the EU criteria for environmentally sustainable economic activities.