RNS Announcement

Baillie Gifford China Growth Trust plc

Legal Entity Identifier: 213800KOK5G3XYI7ZX18

Results for the year to 31 January 2023

Regulated Information Classification: Additional regulated information required to be disclosed under the applicable laws and regulations.

The following is the results announcement for the year to 31 January 2023 which was approved by the Board on 4 April 2023.

Over the year the Company's net asset value total return† was -5.7% and the share price total return† was -7.9%, compared with a total return of -2.2% for the MSCI China All Shares Index (in sterling terms).

- In the period from 16 September 2020 (the date of the adoption of the China strategy), the Company's net asset value and share price returned -14.2% and -16.4% respectively compared to a total return of -12.7% for the MSCI China All Shares Index (in sterling terms).
- Notable positive contributors are varied and include Sanhua Intelligent Controls, a heat pump manufacturer for electric vehicles and air conditioners; Zijin Mining, a copper mining business that is likely to experience significant demand as a result of the green revolution globally; and Beigene, a biotech firm specialising in cancer treatment.
- In terms of negative contributors, the Company saw weak share price performance from a number of its communication service holdings including Tencent, Bilibili and ByteDance (the Company's only unlisted investment which represented 5.7% of the total assets as at 31 January 2023).
- The Company has also bought a number of stocks over the year. These include Centre Testing, a company that provides testing, inspection and certification services to a broad range of companies and industries; and Donguan Yiheda, a company that makes a wide variety of parts used in factory automation equipment. Both companies are contributing to the upgrading of traditional industries in China.
- Whilst investment in China may prove volatile over a short term horizon, the Managers have a long-term investment approach and are optimistic about the prospects for the future.

† Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures at the end of this announcement. Source: Refinitiv/Baillie Gifford and relevant underlying index providers.

Baillie Gifford China Growth Trust aims to achieve long term capital growth through investment principally in Chinese companies which are believed to have above average prospects for growth. At 31 January 2023 the Company had total assets of £210m.

The Company is managed by Baillie Gifford & Co, an Edinburgh based fund management group with approximately £232 billion under management and advice as at 4 April 2023.

Past performance is not a guide to future performance. The value of an investment and any income from it is not guaranteed and may go down as well as up and investors may not get back the amount invested. The Company may borrow money to make further investments. This is commonly referred to as gearing. The risk is that, when this money is repaid by the Company, the value of these investments may not be enough to cover the borrowing and interest costs, and the Company makes a loss. If the Company's investments fall in value, gearing will increase the amount of this loss. The more highly geared the Company, the greater this effect will be.

Investment in investment trusts should be regarded as medium to long term. You can find up to date performance information about China Growth at bailliegiffordchinagrowthtrust.com

See disclaimer at the end of this announcement.

4 April 2023

For further information please contact:

Naomi Cherry, Baillie Gifford & Co

Tel: 0131 474 5548

Jonathan Atkins, Director, Four Communications

Tel: 0203 920 0555 or 07872 495396

Chair's Statement

The 12 months under review has been a volatile and disappointing period for Chinese equities. For the majority of the Company's financial year, the Chinese economy struggled with physical lockdowns resulting from its Zero Covid policy and market sentiment was negatively impacted by regulatory crackdowns, as well as politics and geopolitics. In the last quarter of the Company's financial year, there has been more positive news to report as China began to reopen earlier and more quickly than expected bringing the timing of the economic recovery forward.

Given travel restrictions to China, in April 2022 the Board met virtually with the Managers' team based in Shanghai engaging with the various individuals on a number of topics relevant to the Company. The 'boots on the ground' in China is a key strength of the Managers that the Board identified early on when considering the change of manager in 2020. The Board were impressed with the calibre of the individuals who are working, alongside the team based in Edinburgh, to identify the best stocks for the Company's portfolio.

During the financial year to 31 January 2023, the Company's net asset value total return, calculated by deducting borrowings at fair value, was -5.7% and the share price total return was -7.9%. This compares with a total return of -2.2% for the MSCI China All Shares Index (in sterling terms).

Over the period from 16 September 2020 (the date of the adoption of the China strategy), the Company's net asset value and share price returned -14.2% and -16.4% respectively compared to a total return of -12.7% for the MSCI China All Shares Index (in sterling terms).

As I noted in my statement last year, the Managers have a long-term investment approach, and we would ask shareholders to judge performance over periods of five years or more. Further information about the Company's portfolio performance is covered by our portfolio managers, Sophie Earnshaw and Roderick Snell, in their Managers' Report.

Discount/Premium and Share Issuance

The Company's share price discount to net asset value at the last financial year end was 4.1%, and the Company's share price ended the year at a discount to net asset value of 6.3%.

Unlike the financial year ending 31 January 2022, no shares have been issued by the Company during the period as the shares have predominantly traded at a discount to net asset value. The discount has been 15.5% at its widest but the shares have also traded at a modest premium of up to 2.9% during the period. The Company has not bought back any shares over the period, though the Board keeps its liquidity policy under close review.

Dividend

Since the adoption of the China strategy and the appointment of Baillie Gifford as Manager in September 2020, the Company's long term returns are now expected to be predominantly generated from capital growth as opposed to income. During the financial year, the revenue return per share increased by 121% from 0.97p to 2.14p.

Last year, being the first complete financial year since the adoption of the China mandate, the Board agreed to match the dividend of the previous financial year and was able to do so given the sizeable reserves of the Company. This year the dividend will reset to a level that is in accordance with the dividend policy of the Company, which is that any dividend paid will be by way of a final dividend and be not less than the minimum required for the Company to maintain its investment trust status.

The Board is proposing a final dividend of 1.7p which, subject to shareholder approval, will be paid on 26 July 2023, with the shares trading ex-dividend on 22 June 2023.

Ongoing Costs

The ongoing charges figure for the year is 0.94%. Last year, the ongoing charges were 0.72% (and without the fee waiver provided by Baillie Gifford in relation to the first six months of its appointment in September 2020 it would have been 0.81%).

Gearing

In April 2021, the Company entered into a US$40m revolving credit facility with The Royal Bank of Scotland International ('RBSI'). As at 31 January 2023, US$7.5m has been drawn down under the facility, and gearing stood at 2.5%.

Unlisted Investments

The Company holds one unlisted investment, ByteDance, which represented 5.7% of the total assets as at 31 January 2023. The valuation process, which is based on an independent assessment by S&P Global, is set out on page 7 of the Annual Report.

ESG

The consideration of Environmental, Social and Governance ('ESG') factors is an integral part of the Managers' long-term investment approach. Further details on the Managers' approach can be found on pages 9 to 14 of the Annual Report.

The Board

The Board welcomed Jonathan Silver to the Board in September 2022 following a search undertaken with the support of an external recruitment consultant. Jonathan is a chartered accountant who has held a number of senior financial positions and sits on other boards including another investment trust.

Andrew Robson is to retire from the Board at the AGM in 2023. The Board extends its thanks to Andrew for his valued contribution. Andrew has been an exemplary Chair of the Audit Committee since his appointment in July 2014 and has acted as senior independent director since

June 2021. Jonathan Silver will take up the position as Chair of the Audit Committee and Magdalene Miller will take over as Senior Independent Director.

As Andrew and I both complete our nine year tenure this summer, the Board considered that it would be appropriate for me to stay on as Chair until 2024 in the interest of continuity given recent changes to the Company's mandate, manager and a number of other Board changes. Our next hire will be for my successor as Chair as I plan to step down in the first half of next year after a suitable handover period. A search is underway supported by an external recruitment consultant and a new appointment to the Board will be announced in due course.

All Directors are subject to annual re-election at the AGM in June. Biographies of each of the Directors can be found on page 27 of the Annual Report.

Annual General Meeting

The AGM will be held at 4pm on Thursday, 15 June 2023 at the Institute of Directors, 116 Pall Mall, London. The meeting will be followed by a presentation from the Managers and all shareholders are invited to attend.

I would remind shareholders that they are able to submit proxy voting forms before the applicable deadline on Tuesday, 13 June 2023, and also to direct any questions to the Board or Managers in advance by email to trustenquiries@bailliegifford.com or calling 0800 917 2112 (Baillie Gifford may record your call).

Outlook

China's macroeconomic, regulatory and pandemic policies are looking to align with a pro-growth stance, for the first time in three years. China is likely to be one of the very few major economies where growth could accelerate in 2023, enjoying a re-opening like much of the rest of the world experienced in 2022. In addition and unlike the majority of the world, China is experiencing extremely low inflation (averaging approximately 2% at December 2022).

The rapid re-opening from Zero Covid, the increased household savings and clear domestic policy support for growth for 2023 all point towards the 'need' for a strong recovery. China has a very different development model from the West and it is important to understand the context of the changes happening in China. The Managers Report details the principles to be borne in mind when investing in China. There are several risks, not least geopolitical, where misjudgements notably in respect of Taiwan could lead to severe market disruption. However, whilst China is a market where there is likely to be ongoing short term volatility, the prospects for significant long term growth remain.

Susan Platts-Martin

Chair

4 April 2023

For a definition of terms, see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

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See disclaimer at the end of this announcement.

Managers' Report

This has been another volatile year for Chinese growth equities; one of significant change and, perhaps, under-appreciated continuity. Market sentiment, as ever, has proven fickle. Headlines announcing the demise of the asset class have been replaced by frantic calls to reposition oneself for the great reopening.

At Baillie Gifford, we think it's important to remain level-headed in all market environments. We aim to look through the noise and identify long-term structural trends and the companies that benefit from them. As such, we'll highlight a number of broadly positive changes that have occurred in the second half of last year, followed by a number of factors that are likely to remain consistent.

So, what's changed? In October we witnessed the 20th National Congress of the Chinese Communist Party ('CCP') in which the constitution was changed to allow Xi Jinping to serve a third term as President. Membership of the seven-person Politburo Standing Committee also changed significantly. The market's reaction to this news was overwhelmingly negative and, as we noted at the time, discounted a number of significant positives. The most important of which, in our view, was the government's ability, post consolidation of power, to act decisively and swiftly to counter severe economic weakness. Fast forward a couple of months and this is exactly what we have witnessed. Rather than a sharp ideological turn to the left, the CCP put forward a markedly pro-growth agenda whilst dismantling two of the biggest detractors to economic growth, namely Zero Covid and the 'Three Red Lines', (which set caps on leverage for property developers). Support for the private sector has been reiterated in numerous forums and the regulatory environment has remained stable as was promised in May. Economic growth is rebounding and market sentiment has improved.

From afar these changes might appear bewildering. But they result from a set of principles that are under-appreciated in their continuity and are important to bear in mind when building a conceptual framework for investing in China. These are as follows:

- The CCP has a longstanding commitment to wealth creation and this continues under Xi. Let's not forget that the principle contradiction, or the most important problem identified by the CCP to solve under Xi's reign, is 'uneven and unbalanced growth and the people's desire for a better life'.

- This ‘desire for a better life’ will be delivered in a uniquely Chinese way, one that attempts to harness the benefits whilst rectifying some of the biggest excesses of capitalism. Common prosperity, or the attempt to rectify severe income inequality, is key here. But contrary to popular belief, it is not new. Instead, one can trace it back to the founder of the socialist market economy, Deng Xiaoping, and his oft repeated but truncated quote: ‘Let some people get rich first’. The second half of this quote is well-known in China but largely forgotten in the West: ‘for the purpose of achieving common prosperity faster’.
- As Xi’s report to the 20th National Congress made clear, both the state and the private sector are vital to China achieving its goal of becoming a prosperous society by 2049. The private sector is crucial in that it creates the majority of GDP growth, technological innovation and job creation. But its investment priorities will continue to be guided by the state and by a regulatory framework that prioritises wealth creation for all, rather than wealth creation for the few.
- Whilst China’s unique brand of authoritarianism has not precluded economic growth or innovation as many thought it would, it does present challenges to investors that are likely to persist. We should expect periods in the future where the balance between market versus state becomes unstable. We should expect periods of volatility caused by abrupt changes to regulatory norms. But we should also expect continued pragmatism and a willingness to roll back policies that do not contribute to China’s long-term goals; goals which are, in the main, conducive to investment returns.

Reminding ourselves of these underlying principles and the conceptual framework that results is important during periods of volatile performance. It allows us to keep our heads when everyone around us is losing theirs. Put another way, being cognisant that China’s development model is markedly different to our own and likely to remain so helps us to take advantage of the opportunities of investing there, whilst also being fully aware of the risks.

In our view, the opportunities open to growth investors in China have remained remarkably consistent throughout this period of volatility. Indeed, our analysis of company fundamentals over time continues to point to China as a place to find high growth companies. For example, over the last five years, over 10% of Chinese companies with a starting market cap of $2bn or more have grown their profits by over five fold. That compares to around 6% for global markets and for the US.

In addition, the type of growth company on offer continues to expand. We have companies such as Li Ning or Proya that are poised to benefit both from China’s growing middle class, but also from a shift in brand preferences amongst younger Chinese consumers; we have companies like Longi and CATL that have helped China build out almost 2/3rds of the world’s solar capacity and 2/3rds of the world’s battery capacity with the goal of helping China achieve net zero by 2060; we have companies such as Inovance and Estun that continue to move up the value chain in robotics and automation and thereby contribute to broader productivity growth; we have companies such as Sinocera and SG Micro that are helping China develop expertise and self-sufficiency in materials science and semi-conductors… The list goes on.

As noted above, the opportunities within China have remained remarkably consistent. But so have the risks. This is an asset class in which drawdowns and periods of market volatility are the norm rather than the exception. Indeed, the propensity for volatility has likely been heightened by the increasingly competitive relationship between China and the US, and tensions with Taiwan as noted more fully in our Interim Management Report published in October 2022. As such, this remains an asset class with big risks and big opportunities, and one that is only suitable for those with the appropriate risk tolerance and long-term time horizon.

Portfolio Positioning and Recent Activity

The current portfolio represents a selection of the best and most innovative public and private Chinese growth companies. As one would expect for a long-term growth manager, the themes that we are excited about within the Company remain largely consistent with those discussed in last year's Managers' Report. These include our investments in companies exposed to the green revolution both in China and abroad; companies that contribute to China's ambition to advance its manufacturing capabilities in robotics and automation; 'little giants' that have developed significant expertise in relatively niche but strategically important industries such as semiconductors; software related companies that are helping traditional industries upgrade; leading domestic brands that have the scope to challenge foreign brands within China and abroad; long duration growth companies within the platform economy that continue to add value to consumers' lives; in short, companies that we believe at the broadest level are likely to contribute to China's economic, societal and environmental development over the next decade.

In terms of new purchases, we bought holdings in Centre Testing and Dongguan Yiheda, both of which are contributing to the upgrading of traditional industries in China. Centre Testing is a company that provides testing, inspection and certification services to a broad range of companies and industries. Our first in-depth report on the company was written in early 2020. Whilst we admired the growth potential of the business and the quality of the management team, we were less convinced by the valuation. Since then, the shares have substantially de-rated providing us with a good opportunity to make an attractive investment. Centre Testing is a leading private player within an industry dominated by state-owned enterprises and foreign companies. It has a scale and reputation advantage over smaller domestic competitors and a service edge over global companies and state-owned-enterprises. This should allow it to take share. It is also able to supplement this organic growth via acquisitions of smaller competitors in new verticals. As such, we believe it is likely to grow at a double-digit rate for a very long time, an outcome that is not reflected in the current valuation.

Dongguan Yiheda makes a wide variety of parts used in factory automation equipment. It offers a product catalogue to design engineers of non-standard, customisable parts. It then manufacturers these parts quickly and at scale thereby saving time and reducing costs for its design engineer customers. The opportunity for Yiheda is to increase the number and type of parts it offers within its catalogue and thereby gain a greater share of wallet within factory automation equipment. The overall addressable market in machine parts is large and growing and the founder believes it can treble its share. The growth runway for the company is therefore very long and the business itself is profitable and cash generative.

As noted in our Interim Report, we also made investments in Jiangsu Azure, a leading small form battery maker in the power tools market, and Kinlong, a hardware provider to the building industry. For Jiangsu Azure, the electrification of the power tools market is a strong structural growth driver, whilst the company also has longer term opportunities in batteries for vacuum cleaners and e-bikes. Its focus on these relatively niche markets and its willingness to invest also gives it scope to take further share from global competitors such as LG and Samsung. Kinlong has a strong reputation for quality amongst its building industry customers. It is the number one player in a number of the segments in which it operates with c.10% share. Its growth opportunity is a function of continued growth in end markets, the expansion of its product portfolio, and continued market share gains. This is another good quality, long-term growth company that we were able to buy at a time of share price weakness.

We have also made additions to a number of stocks throughout the year on valuation grounds. These include Alibaba, China's leading ecommerce business; KE Holdings, an online real estate portal; China Merchant's Bank, China's leading wealth management and high-end banking business; and Ping An Bank, a leading retail bank and part of the Ping An group of companies.

In order to fund the above, we sold a number of our lower conviction, smaller holdings. These include both Tencent Music and Bilibili. Tencent Music was bought due to its potential in on-demand music streaming. However, both the regulatory backdrop and the competitive environment deteriorated markedly post-purchase. The regulator's anti-monopoly ruling impacted the viability of Tencent Music's exclusivity contracts with labels and has made it much easier for competitors to add popular songs to their portals. ByteDance has also entered the market and is increasingly seen as a platform via which new artists can be incubated. As such, we believe the company's growth outlook and longer term profitability are likely to be lower than we initially thought and that investment returns from here are unlikely to be attractive. Bilibili is a media and entertainment company popular with generation Z. We sold the holding during the period due to unexpectedly strong competition from ByteDance and Kuaishou, and markedly weaker operational performance as a result. The company appeared overly reliant on subsidies for growth and as such we became less convinced by its long-term business model.

In the healthcare space, we sold BGI, Zai Labs, and Hutchison China Meditech, partly due to weaker than expected operational performance, and partly to reduce our healthcare overweight given concerns around sanctions risk within this sector. We also sold small holdings in Lufax, an SME lender, and Yatsen, a cosmetics company.

Performance

Over the twelve months to the end of January 2023, the Company's net asset value total return was -5.7%. Over the same period, the benchmark total return was -2.2%. Our underperformance was largely due to allocation including lack of exposure to energy and consumer staples, and an overweight position in communication services. Whilst we acknowledge that short-term underperformance is painful, we would hope that shareholders judge our investment returns over a period of five years or longer, the same period over which we judge our companies' performance.

In terms of the net asset value, notable negative contributors at stock level included Tencent, Bilibili and ByteDance, all of which are classified as communication services. Tencent's operational performance was severely hampered by the lack of game approvals during the first nine months of the year, in addition to cyclical weakness in its advertising and social media businesses. The outlook for the company, however, is much brighter with game approvals having restarted and the rebound in the Chinese economy likely to feed through to Tencent's advertising business. ByteDance is the Company's only private holding. In response to the decline in peer valuations, Baillie Gifford also made negative adjustments to our internal valuation. That being said, ByteDance's operational performance has remained exceptionally strong, both domestically and overseas, despite a very challenging macroeconomic backdrop. The company has also been buying back shares at prior valuations implying confidence in the business's future development. As such, we continue to believe that the current valuation does not reflect the company's very sizeable growth opportunity. In addition, relative performance was also hurt by our lack of exposure to Pinduoduo, a leading ecommerce company that mainly operates in lower tier cities.

Other negative contributors to performance included Sunny Optical, a manufacturer of lenses and modules that go into smartphones and autos, CATL, China's largest electric vehicle ('EV') battery manufacturer, Asymchem, a leading contract manufacturing organisation in the healthcare space, and Jiangsu Azure, a leading small form battery manufacturer. As noted in our interim report, Sunny Optical was experiencing a price war in its core smartphone business which was started by a new entrant to the market. 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 is underappreciated and therefore remain holders of the stock.

CATL's shares were weak in line with other EV names globally. Importantly, operational performance remains strong with the company pre-announcing almost treble digit earnings growth in 2022. NEV penetration remains low globally and the company's strength in energy storage provides an additional growth driver for the next decade.

Asymchem has been weak along with the broader healthcare space as concerns around the regulators attitude to drug pricing have weighed on sentiment. We believe the sell-off in Asymchem is unjustified given it has significant scope to take volume share within the industry due to its globally innovative manufacturing processes for small molecule drugs. Operationally, the company is firing on all cylinders and recently reported over 200% earnings growth in 2022. That being said, this is one of the few holdings in the Company with significant revenue exposure to the US and, as such, it comes with added geopolitical risk.

In terms of notable positive contributors, these are varied. Sanhua Intelligent Controls, a heat pump manufacturer for air conditioners and electric vehicles, was our top contributor. It delivered significant operational performance with 33% growth in sales and 26% growth in earnings for the year to September. Autos account for around a third of its business. Here, its industry leading technology and manufacturing scale allow it to fully benefit from the electric vehicle boom in China. Its air-conditioning business accounts for the remainder of its business and here it is expanding capacity overseas and taking share.

Zijin Mining is another top contributor. We own this company due to its significant exposure to copper, one of the metals that is likely to experience significant demand as a result of the green revolution globally, and limited supply.

Beigene, a biotech firm specializing in cancer treatment, was also a top performer. It published phase 3 trial results for one of its drugs, demonstrating superior efficacy and safety versus the competition. This led to earnings upgrades for the company. We continue to believe that its growth potential is underappreciated and that its internal pipeline plus its attractiveness to global pharmaceutical companies looking to enter China, sets it apart.

Ping An, China's leading private insurance company, also contributed strongly to relative performance. The company had been disproportionately hit by China's Zero Covid policy which impacted its agents' ability to sell their products, whilst the company's internal restructuring also hurt short term revenue growth. Internal restructuring is almost complete and we believe the company's productivity and profitability are likely to benefit going forward. Its sales agents have also been able to resume face to face meetings as Zero Covid has been overturned. This is one of our largest overweights and a stock that we believe has significant upside potential ahead of it.

Outlook

We continue to believe that China offers an attractive mix of substantial risk but also substantial reward for long-term investors. Indeed, the big picture opportunities within China remain incredibly compelling. That being said, this is a volatile market and one must be comfortable with this volatility before investing. In terms of the Company's underlying holdings, we remain confident in the companies in which we invest and believe that, over time, their continued strong operational performance will be matched by strong share price returns.

Roderick Snell

Sophie Earnshaw

Baillie Gifford & Co

4 April 2023

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Source: Refinitiv/Baillie Gifford and relevant underlying index providers.

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Review of Investments

Alibaba

Alibaba is a leading online retailer. Its ecommerce business continues to grow strongly driven by increasing online penetration in segments such as grocery and Fast Moving Consumer Goods, whilst the integration of live streaming and social media to the platform has materially strengthened its appeal to customers and merchants alike. In addition, Alibaba has a strong position in infrastructure as a service, or the cloud, where it has a similar business to Amazon Web Services and significant growth potential. Alibaba's partnership structure and its capable and experienced management team are well-aligned with shareholders and continue to offer a long-term and compelling vision for the company.

Tencent

Tencent is a leading social media and entertainment platform. It has a dominant position in online gaming and an ecosystem in WeChat that we believe is one of the strongest in China. Monetisation of WeChat's over one billion monthly active users has only just begun and represents a transformational growth opportunity for the company. Further growth opportunities are provided by Tencent's strong positions in cloud infrastructure and consumer and SME lending, along with its portfolio of investee companies which span online music streaming, ecommerce, and short form video. Pony Ma, the founder and Chairman of the company, is indelibly focused on the long term and has executed exceptionally well in one of China's fastest moving industries.

ByteDance

ByteDance is a social media and short form video company and it represents the Company's first private investment. It was founded in 2012 by Yiming Zhang and the company has grown to rank amongst the world's largest companies of its kind. Its short form video app, Douyin, is market leader in China with over 1.7 billion daily active users, and TikTok, its global equivalent, is dominating the format globally. ByteDance benefits from a technological edge in machine learning which it uses to bring out new applications tailored to different media forms and different demographics. The company's ability to innovate in this space is exceptional and we believe one of the key drivers of its likely future success. We believe ByteDance has the potential to be a generation defining media company.

Ping An Insurance

Ping An Insurance is one of China's leading financial services groups. It is China's second largest life insurer, a market with multi-decade growth potential driven by China's emerging middle class and rising disposable income. It also has a leading position in property and casualty insurance where it has consistently delivered strong returns. In addition, it has consistently invested in artificial intelligence and machine learning in order to increase the efficiency and long-term viability of its core business. Again, this is a company with a long-term, growth mind-set that we believe will deliver substantial returns to shareholders.

Kweichow Moutai

Kweichow Moutai is one of the most important and iconic Chinese brands. It manufactures premium baijiu (white alcohol) which has a heritage and respect embedded within Chinese culture. Its unique brewing conditions and process provide a core competitive advantage. When combined with supply scarcity and limited competition in the very high-end market, Moutai is able to price at a premium and maintain a loyal customer base. It is an extremely profitable business. We believe in the strength and heritage of the brand, the sustainability of revenue growth, and the longevity of its core competitive advantage.

Meituan

Meituan is an online marketplace for the local service industry in China. It operates in an expanding range of categories and cities with strong market shares in on-demand restaurant delivery, in-store dining, hotel booking and film ticketing. These verticals are each in an early stage of development, leading to strong growth expectations for many years to come. Additionally, the company is cementing its position as a key partner for merchants in all of these segments by offering value-added services such as software and back-end solutions. Wang Xing, the founder and CEO, continues to invest heavily for growth. Indeed, his vision for the company is that it becomes the default means by which Chinese consumers access the local services industry.

Li Ning

Li Ning is China's second-largest domestic sportswear company (and takes its name from the founder who – as some may remember – won 6 gymnastics medals for China at the 1984 Summer Olympics). It remains something of a turnaround story, having run into problems between 2010 and 2015 as the model shifted from wholesale distribution to direct stores. These problems now look to have been largely remedied, and although Li Ning's returns remain lower than many of its local and international peers, we are optimistic that improvements in the supply chain and distribution channels will continue under the well-regarded new CEO, Kosaka Takeshi, who joined in September 2019. More broadly, we are intrigued by indications that the company's brands – especially 'China Li Ning', which blends traditional Chinese embroidery styles into their products – is gaining traction among a younger and more affluent demographic, perhaps reflecting the possibility that national pride is beginning to play a greater part in patterns of consumption. Is it conceivable that Li Ning – with a national market share of around 8% at present – could even start to chip away at the 35–40% of the market currently controlled by premium foreign brands like Adidas and Nike?

China Merchants Bank

China Merchants Bank is a leading consumer bank in China with a lengthy track record and solid market share. It has outcompeted its state-owned rivals via a relentless focus on the consumer. As such, it has built up an enviable position in consumer lending and in wealth management, both segments with strong growth potential. In terms of lending quality, this has been strong through the cycle and we believe this is a bank that will continue to offer attractive returns to shareholders.

JD.com

JD.com is the second largest ecommerce player in China after Alibaba, with particular strengths in logistics and delivery. The growth opportunity remains large and we believe that JD's competitive edge is being sustained, despite operating in a very competitive environment. The management team has taken some proactive steps to ensure decision making is more devolved and we have been encouraged by the openness at recent discussions regarding future strategy and governance improvements. We believe that there is an excellent chance that JD remains one of the go-to ecommerce businesses in China.

Zhejiang Sanha Intelligent Controls

Zhejiang Sanhua is one of the world's largest manufacturers of controls and components for heating, ventilation and air conditioning (HVAC) systems, electric vehicles and home appliances. Sanhua has a global customer base of top tier manufacturers, with half of their revenues generated from China and half from overseas. The company has over 50% market share in its key products. Sanhua's ability to produce quality at scale is a key competitive advantage. This is a founder-owned company whose global position has been underappreciated in a China context. We expect Sanhua to benefit from consumption growth in general, as well as growth in the electric vehicle market, and an industry shift in home appliances towards stricter environmental standards.

List of Investments at 31 January 2023

Name	Business	Value £'000	% of total assets
Alibaba	Online retailer, payments and cloud business	13,819	6.6
Tencent	Social media and entertainment company	12,694	6.0
ByteDance [u]	Social media and entertainment company	11,953	5.7
Ping An Insurance	Life and health insurance	9,559	4.6
Kweichow Moutai	Luxury baijiu maker	9,436	4.5
Meituan	Online food delivery company	7,977	3.8
Li Ning	Domestic sportswear manufacturer	7,692	3.7
China Merchants Bank	Consumer lending and wealth management	7,631	3.6

JD.com	Online retailer	5,074	2.4
Zhejiang Sanhua Intelligent Controls	Heating and cooling component manufacturer	4,946	2.4
BeiGene	Immunotherapy biotechnology company	4,929	2.3
Zijin Mining	Renewable energy enabler	4,580	2.2
CATL	Electric vehicle battery maker	4,268	2.0
Estun Automation	Robotics and factory automation company	4,158	2.0
Shandong Sinocera Functional Material	Advanced materials manufacturer	4,156	2.0
Ping An Bank	SME and consumer lender	4,134	2.0
Proya Cosmetics	Cosmetics and personal care company	3,991	1.9
SG Micro Corp	Semiconductor designer	3,881	1.8
Shenzhen Inovance Technology	Factory automation company	3,659	1.7
ENN Energy	Gas distributor and provider	3,482	1.7
Guangzhou Kingmed Diagnostics	Diagnostics company	3,430	1.6
Midea	White goods and robotics manufacturer	3,223	1.5
NetEase	Gaming and entertainment business	3,082	1.4
Centre Testing International	Testing and inspecting services provider	3,037	1.4
Fuyao Glass Industry	Automotive glass manufacturer	2,877	1.4
Shenzhen Megmeet Electrical	Power electronics manufacturer	2,827	1.3
Glodon	Software provider to the construction industry	2,762	1.3
Yonyou Network Technology	Software for SMEs and corporates	2,760	1.3
Shenzhou International	Garment manufacturer	2,651	1.3

Geely Automobile	Domestic automotive manufacturer	2,626	1.3
Beijing United Information Tec	Industrial ecommerce platform	2,620	1.2
Asymchem Laboratories (Tianjin)	Life sciences contract research organisation	2,476	1.2
Kingdee International Software	Software for SMEs and corporates	2,472	1.2
Weichai Power	Construction machinery and heavy duty trucks	2,438	1.2
Longi	Solar energy provider	2,279	1.1
Hangzhou Tigermed Consulting	Clinical trial contract research organisation	2,267	1.1
HUAYU Automotive Systems	Automotive parts manufacturer	2,196	1.0
Kingsoft	Software for SMEs and corporates	2,090	1.0
Sunny Optical Technology	Electronic components for smartphones and autos	2,083	1.0
Brilliance China Automotive	Automotive makers and BMW partner	2,051	1.0
WuXi AppTec	Life sciences contract research organisation	2,045	1.0
KE Holdings†	Online real estate	1,969	0.9
Sinocare	Diagnostics and diabetes company	1,889	0.9
Topchoice Medical	Dental services provider	1,766	0.8
Sungrow Power Supply	Component supplier to renewables industry	1,736	0.8
Jiangsu Azure	Air Freight & Logistics	1,590	0.8
Robam Appliances	White goods manufacturer	1,580	0.8
Minth	Automotive parts manufacturer	1,505	0.7
Hua Medicine (Shanghai)	Diabetes drug manufacturer	1,503	0.7
Dongguan Yiheda Automation Co	Factory automation equipment manufacturer	1,426	0.7

Yunnan Energy New Material	Component supplier to renewables industry	1,381	0.7
Yifeng Pharmacy Chain	Drug retailer	1,375	0.7
Kinlong	Building Products	1,262	0.6
Pop Mart	Toy and collectibles maker	1,210	0.5
Medlive Technology	Medical dictionary and marketing organisation	1,036	0.5
New Horizon Health	Early cancer detection	838	0.4
Dada Nexus†	Logistics and warehousing provider	745	0.3
Burning Rock Biotech†	Liquid biopsy cancer testing company	377	0.2
Total investments		209,499	99.7
Net liquid assets*		533	0.3
Total assets*		**210,032**	**100.0**
Borrowings		(6,092)	(2.9)
Shareholders' funds		**203,940**	**97.1**

* For a definition of terms used, see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

u Denotes unlisted holding (private company).

† Includes investments in American Depositary Receipts ('ADRs').

	Listed equities	Unlisted Securities	Net liquid Assets	Total Assets

	%	%	%	%
31 January 2023	**94.0**	**5.7**	**0.3**	**100.0**
31 January 2022	93.0	5.7	1.3	100.0

Baillie Gifford Statement on Stewardship

Baillie Gifford's over-arching ethos is that we are 'actual' investors. We have a responsibility to behave as supportive and constructively engaged long-term investors. We invest in companies at different stages in their evolution, across vastly different industries and geographies and we celebrate their uniqueness. Consequently, we are wary of prescriptive policies and rules, believing that these often run counter to thoughtful and beneficial corporate stewardship. Our approach favours a small number of simple principles which help shape our interactions with companies.

Our Stewardship Principles

Prioritisation of Long-term Value Creation

We encourage our holdings to be ambitious and focus their investments on long-term value creation. We understand that it is easy to be influenced by short-sighted demands for profit maximisation but believe these often lead to sub-optimal

long-term outcomes. We regard it as our responsibility to steer holdings away from destructive financial engineering towards activities that create genuine economic and stakeholder value over the long run. We are happy that our value will often be in supporting management when others don't.

A Constructive and Purposeful Board

We believe that boards play a key role in supporting corporate success and representing the interests of all capital providers. There is no fixed formula, but it is our expectation that boards have the resources, information, cognitive and experiential diversity they need to fulfil these responsibilities. We believe that good governance works best when there are diverse skillsets and perspectives, paired with an inclusive culture and strong independent representation able to assist, advise and constructively challenge the thinking of management.

Long-term Focused Remuneration With Stretching Targets

We look for remuneration policies that are simple, transparent and reward superior strategic and operational endeavour. We believe incentive schemes can be important in driving behaviour, and we encourage policies which create genuine long-term alignment with external capital providers. We are accepting of significant payouts to executives if these are commensurate with outstanding long-run value creation, but plans should not reward mediocre outcomes. We think that performance hurdles should be skewed towards long-term results and that remuneration plans should be subject to shareholder approval.

Fair Treatment of Stakeholders

We believe it is in the long-term interests of enterprises to maintain strong relationships with all stakeholders – employees, customers, suppliers, regulators and the communities they exist within. We do not believe in one-size-fits-all policies and recognise that operating policies, governance and ownership structures may need to vary according to circumstance. Nonetheless, we believe the principles of fairness, transparency and respect should be prioritised at all times.

Sustainable Business Practices

We believe an entity's long-term success is dependent on maintaining its social licence to operate and look for holdings to work within the spirit and not just the letter of the laws and regulations that govern them. We expect all holdings to consider how their actions impact society, both directly and indirectly, and encourage the development of thoughtful environmental practices and 'net-zero' aligned climate strategies as a matter of priority.

Climate change, environmental impact, social inclusion, tax and fair treatment of employees should be addressed at board level, with appropriately stretching policies and targets focused on the relevant material dimensions. Boards and senior management should understand, regularly review and disclose information relevant to such targets publicly, alongside plans for ongoing improvement.

Income Statement

For the year ended 31 January

	Notes	**2023 Revenue £'000**	**2023 Capital £'000**	**2023 Total £'000**	2022 Revenue £'000	2022 Capital £'000	2022 Total £'000
Net (losses)/gains on investments		**–**	**(12,378)**	**(12,378)**	–	(82,850)	(82,850)
Currency losses		**–**	**(216)**	**(216)**	–	(68)	(68)
Income		**2,407**	**–**	**2,407**	1,599	–	1,599
Investment management fee	3	**(311)**	**(932)**	**(1,243)**	(363)	(1,089)	(1,452)

Other administrative expenses		**(550)**	**–**	**(550)**	(479)	(20)	(499)
Net return before finance costs and taxation		**1,546**	**(13,526)**	**(11,980)**	757	(84,027)	(83,270)
Finance costs of borrowings		**(116)**	**(347)**	**(463)**	(46)	(138)	(184)
Net return on ordinary activities before taxation		**1,430**	**(13,873)**	**(12,443)**	711	(84,165)	(83,454)
Tax on ordinary activities		**(105)**	**–**	**(105)**	(119)	–	(119)
Net return on ordinary activities after taxation		**1,325**	**(13,873)**	**(12,548)**	592	(84,165)	(83,573)
Net return per ordinary share	5	**2.14p**	**(22.37p)**	**(20.23p)**	0.97p	(138.22p)	(137.25p)

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital return 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 after taxation is both the profit and comprehensive income for the year.

Balance Sheet

As at 31 January

	Notes	**2023 £'000**	**2023 £'000**	2022 £'000	2022 £'000
Fixed assets					
Investments held at fair value through profit or loss	7		**209,499**		222,015

Current assets					
Debtors		**26**		100	
Cash and cash equivalents		**1,000**		5,496	
		1,026		5,596	
Creditors					
Amounts falling due within one year		**(6,585)**		(8,270)	
Net current (liabilities)/assets			**(5,559)**		(2,674)
Total assets less current liabilities			**203,940**		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			**107,748**		121,621
Revenue reserve			**6,240**		7,768
Shareholders' funds			**203,940**		219,341
Net asset value per ordinary share*			**328.87p**		353.70p
Ordinary shares in issue	5		**62,012,982**		60,888,553

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

Statement of Changes in Equity

For the year ended 31 January 2023

	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**
Dividends paid during the year	–	–	–	–	(2,853)	**(2,853)**
Net return on ordinary activities after taxation	–	–	–	(13,873)	1,325	**(12,548)**
Shareholders' funds at 31 January 2023	**17,087**	**31,780**	**41,085**	**107,748**	**6,240**	**203,940**

For the year ended 31 January 2022

	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	**Shareholders' funds £í000**
Shareholders' funds at 1 February 2021	16,486	13,182	41,085	189,061	11,610	**271,424**
Dividends paid during the year	–	–	–	–	(4,434)	**(4,434)**
Ordinary shares sold from treasury	–	8,043	–	16,725	–	**24,768**
Ordinary shares issued	601	10,555	–	–	–	**11,156**

Net return on ordinary activities after taxation	–	–	–	(84,165)	592	**(83,573)**
Shareholders' funds at 31 January 2022	**17,087**	**31,780**	**41,085**	**121,621**	**7,768**	**219,341**

* The capital reserve balance as at 31 January 2023 includes investment holding losses on fixed asset investments of £26,491,000 (2022 – losses of £31,163,000).

Cash Flow Statement

For the year ended 31 January

	2023 £'000	2023 £'000	2022 £'000	2022 £'000
Cash flows from operating activities				
Net return on ordinary activities before taxation		(12,443)		(83,454)
Net losses on investments		12,378		82,850
Currency losses		216		68
Finance costs of borrowings		463		184
Overseas withholding tax suffered		(181)		(119)
Overseas withholding tax reclaims received		76		–
Changes in debtors		74		(45)
Changes in creditors		(25)		328
Cash from operations		558		(188)
Interest paid		(451)		(178)

Net cash inflow/(outflow) from operating activities		107		(366)
Cash flows from investing activities				
Acquisitions of investments	(27,760)		(81,766)	
Disposals of investments	25,723		43,362	
Net cash outflow from investing activities		(2,037)		(38,404)
Cash flows from financing activities				
Ordinary shares issued	–		37,216	
Bank loans drawdown	–		5,427	
Equity dividends paid	(2,853)		(4,434)	
Net cash (outflow)/inflow from financing activities		(2,853)		38,209
Decrease in cash and cash equivalents		(4,783)		(561)
Exchange movements		287		95
Cash and cash equivalents at start of year		5,496		5,962
Cash and cash equivalents at end of year		1,000		5,496
Comprising:				
Cash at bank		1,000		5,496

* Cash from operations includes dividends received of £2,402,000 (2022 – £1,599,000) and interest received of £5,000 (2022 – nil).

Notes to the Financial Statements

1. Basis of Accounting

The Financial Statements for the year to 31 January 2023 have been prepared in accordance with FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ on the basis of the accounting policies set out in the Annual Report and Financial Statements for the year 31 January 2023 which are consistent with those applied for the year ended 31 January 2022.

2. Income

	2023 £’000	2022 £’000
Income from investments		
Overseas dividends	2,402	1,599
Other income		
Bank interest	5	–
Total income	**2,407**	**1,599**
Total income comprises:		
Dividends from financial assets designated at fair value through profit or loss	2,402	1,599
Interest from financial assets not at fair value through profit or loss	5	–
	2,407	**1,599**

3. Investment Manager

Baillie Gifford & Co Limited, a wholly owned subsidiary of Baillie Gifford & Co, was appointed as the Company’s Alternative Investment Fund Manager (‘AIFM’) and Company Secretary on 16 September 2020. Baillie Gifford & Co Limited has delegated portfolio management services to Baillie Gifford & Co. Dealing activity and transaction reporting has been further sub-delegated to Baillie Gifford Overseas Limited and Baillie Gifford Asia (Hong Kong) Limited.

The Investment Management Agreement between the AIFM and the Company sets out the matters over which the Managers have authority in accordance with the policies and directions of, and subject to restrictions imposed by, the Board. The Investment Management Agreement is terminable on not less than three months' notice or on shorter notice in certain circumstances.

Compensation would only be payable if termination occurred prior to the expiry of the notice period. 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.

4. Net Return Per Ordinary Share

	2023 Revenue	2023 Capital	**2023 Total**	2022 Revenue	2022 Capital	**2022 Total**
Net return per ordinary share	**2.14p**	**(22.37p)**	**(20.23p)**	**0.97p**	**(138.22p)**	**(137.25p)**

Revenue return per ordinary share is based on the net revenue return on ordinary activities after taxation of £1,325,000 (2022 – £592,000), and on 62,012,982 (2022 – 60,888,553) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

Capital return per ordinary share is based on the net capital loss for the financial year of £13,873,000 (2022 – loss £84,165,000) and on 62,012,982 (2022 – 60,888,553) ordinary shares, being the weighted average number of ordinary shares in issue during each year.

There are no dilutive or potentially dilutive shares in issue.

5. Ordinary Dividends

	2023	2022	2023 £'000	2022 £'000
Amounts recognised as distributions in the year:				
Previous year's final dividend (paid 27 July 2022)	4.60p	4.60p	2,853	2,853
Interim dividend	–	2.55p	–	1,581

	4.60p	**7.15p**	**2,853**	**4,434**

Also set out below are the total dividends paid and proposed in respect of the financial year, which is the basis on which the requirements of section 1158 of the Corporation Tax Act 2010 are considered. The revenue available for distribution by way of dividends for the year is £1,325,000 (2022 – £592,000).

	2023	2022	2023 £'000	2022 £'000
Dividends paid and payable in respect of the year:				
Interim dividend per ordinary share	–	2.55p	–	1,581
Proposed final dividend per ordinary share (payable 26 July 2023)	1.70p	4.60p	1,054	2,853
	1.70p	**7.15p**	1,054	**4,434**

6. Fixed Assets – Investments

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 below which reflects the reliability and significance of the information used to measure their fair value.

Fair Value Hierarchy

The levels 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).

The valuation techniques used by the Company are explained in the accounting policies on page 52 of the Annual Report and Financial statements. The Company's unlisted ordinary share investment at 31 January 2023 was valued using the market approach using comparable traded multiples. A sensitivity analysis of the unlisted security is on page 63 of the Annual report and Financial Statements. During the year, a suspended investment with a fair value at 31 January 2022 of £1,482,000 was transferred from Level 3 to Level 1 when the shares re-listed.

As at 31 January 2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	**Total £'000**
Securities				
Listed equities	197,546	–	–	**197,546**
Unlisted ordinary shares	–	–	11,953	**11,953**
Total financial asset investments	**197,546**	**-**	**11,953**	**209,499**

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

7. In the year to 31 January 2023 no shares were issued from Treasury (in the year to 31 January 2022 – 2,404,151 shares were issued from Treasury). The Company's shareholder authority permits it to hold shares bought back in treasury. Under such authority, treasury shares may be subsequently either sold for cash (at a premium to net asset value per ordinary share) or cancelled. At 31

January 2023 the Company had authority to buy back 9,295,746 ordinary shares. During the year to 31 January 2023, no ordinary shares (2022 – nil) were bought back for cancellation and no ordinary shares (2022 – nil) were bought back into treasury. Under the provisions of the Company's Articles of Association share buy-backs are funded from the capital reserve.

8. Cash and cash equivalents table

	1 February 2022 £'000	Cash flows £'000	Exchange movement £'000	31 January 2023 £'000
Cash and cash equivalents	5,496	(4,783)	287	**1,000**
Loans due within one year	(5,590)	–	(502)	**(6,092)**
	(94)	**(4,783)**	**(215)**	**(5,092)**

9. The Annual Report and Financial Statements will be available on the Company's website bailliegiffordchinagrowthtrust† on or around 19 April 2023.
10. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 January 2023 or 2022 but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies, and those for 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

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

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

Total Assets

This is the Company's definition of Adjusted Total Assets, being the total of all assets less current liabilities, before deduction of all borrowings.

Net Asset Value

Net Asset Value ('NAV') is the value of total assets less liabilities (including borrowings). The NAV per share is calculated by dividing this amount by the number of ordinary shares in issue (excluding treasury shares).

Net Liquid Assets

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

Discount/Premium (APM)

As stockmarkets and share prices vary, an investment trust's share price is rarely the same as its NAV. When the share price is lower than the NAV 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 NAV per share and is usually expressed as a percentage of the NAV per share. If the share price is higher than the NAV per share, it is said to be trading at a premium.

	2023	2022
Closing NAV per share	328.87p	353.70p
Closing share price	308.00p	339.25p
(Discount)/Premium	**(6.3%)**	**(4.1%)**

Total Return (APM)

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

		2023 NAV	2023 Share price	2022 NAV	2022 Share price
Closing NAV per share/share price	(a)	328.87p	308.00p	353.70p	339.25p
Dividend adjustment factor*	(b)	1.014030	1.014557	1.016038	1.015984

Adjusted closing NAV per share/share price	(c = a x b)	333.48p	312.48p	395.37p	344.67p
Opening NAV per share/share price	(d)	353.70p	339.25p	492.66p	548.00p
Total return	(c ÷ d)-1	**(5.7%)**	**(7.9%)**	**(27.0%)**	**(37.1%)**

* The dividend adjustment factor is calculated on the assumption that the dividend of 4.60p (2022 – 7.15p) paid by the Company during the year was reinvested into shares of the Company at the cum income NAV per share/share price, as appropriate, 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 have been calculated on the basis prescribed by the Association of Investment Companies.

A reconciliation from the expenses detailed in the Income Statement above is provided below.

		2023	2022
Investment management fee		£1,243,000	£1,452,000
Other administrative expenses		£550,000	£479,000
Total expenses	(a)	£1,793,000	£1,931,000
Average daily cum-income net asset value	(b)	£190,419,970	£267,217,990
Ongoing charges ((a) ÷ (b) expressed as a percentage)		**0.94%**	**0.72%**

Baillie Gifford & Co Limited was appointed on 16 September 2020 and agreed to waive its management fee for six months from the date of its appointment. The calculation for 2022 above is therefore not representative of future management fees. The reconciliation below shows the ongoing charges figure if the management fee waiver had not been in place.

		2022
Investment management fee		£1,452,000
Investment management fee waiver		£223,000
Other administrative expenses		£479,000
Total expenses	(a)	£2,154,000
Average daily cum-income net asset value	(b)	£267,217,990
Ongoing charges ((a) ˜÷(b) expressed as a percentage)		**0.81%**

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.

Equity gearing is the Company's borrowings adjusted for cash and cash equivalents expressed as a percentage of shareholders' funds.

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

		2023		**2022**	
		Gearing* £'000	Potential Gearing† £'000	Gearing* £'000	Potential Gearing† £'000
Borrowings	(a)	6,092	6,092	5,590	5,590

Cash and cash equivalents	(b)	1,000	–	5,496	–
Sales for subsequent settlement	(c)	–	–	2,175	–
Shareholders' funds	(d)	203,940	203,940	219,341	219,341
		2.5%	**3.0%**	**1.0%**	**2.5%**

* Gearing: ((a)–(b)+(c)) divided by (d), expressed as a percentage.

† Potential gearing: (a) divided by (d), expressed as a percentage.

Leverage (APM)

For the purposes of the UK Alternative Investment Fund Managers (AIFM) 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.

Treasury Shares

The Company has the authority to make market purchases of its ordinary shares for retention as treasury shares for future reissue, resale, transfer or for cancellation. Treasury shares do not receive distributions and the Company is not entitled to exercise the voting rights attaching to them.

Third Party Data Provider Disclaimer

No third party data provider ('Provider') makes any warranty, express or implied, as to the accuracy, completeness or timeliness of the data contained herewith nor as to the results to be obtained by recipients of the data.

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MSCI Index Data

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Sustainable Finance Disclosure Regulation ('SFDR')

The EU Sustainable Finance Disclosure Regulation ('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, BG & 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 up 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).**

Taxonomy Regulation

The Taxonomy Regulation establishes an EU-wide framework or criteria for environmentally sustainable economic activities in respect of six environmental objectives. It builds on the disclosure requirements under the SFDR by introducing additional disclosure obligations in respect of Alternative Investment Funds ('AIFs') 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.

Regulated Information Classification: Additional regulated information required to be disclosed under the applicable laws.

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