Baillie Gifford China Growth Trust plc

Legal entity identifier: 213800KOK5G3XYI7ZX18

Regulated information classification: Interim financial report.

Results for the six months to 31 July 2023

Net asset value per ordinary share*	(18.7%)
Share Price*	(20.5%)
Benchmark†	(11.0%)

Source: Refinitiv / Baillie Gifford. All figures are total return*. See disclaimer at the end of this announcement.

* Alternative Performance Measure – see Glossary of Terms and Alternative Performance Measures at the end of this announcement.

† Benchmark: MSCI China All Shares Index (in sterling terms)

The following is the unaudited Interim Financial Report for the six months to 31 July 2023 which was approved by the Board on 2 October 2023.

Interim management report

The bright lights of a consumption-led post-Covid recovery, fuelled by low interest rates and excess savings, have so far failed to shine. Investors have been left to ponder China's weaker-than-expected domestic economy, while distrust between the two largest superpowers continues to act as a headwind.

Towards the end of the reporting period, the property market deteriorated further, leading to concerns around financial stability. Property company Country Garden and trust company Zhongzhi Enterprise Group made headlines for missing coupon payments on their debt. This led to predictions of the collapse of China's financial system – the same kind of dire prognostications made in 2001, 2008 and the Covid lockdowns.

While weakness in property hurts growth within the economy, we think the risk of financial instability is low. Property sales are down almost 50 per cent from their 2021 peak but prices have barely budged. Why? Because China never experienced the asset price bubble that has precipitated almost every property market collapse in developed markets. Property prices have grown at around 7 per cent per annum over the last decade, but income growth has surpassed this at around

10 per cent per annum. Property should have become more affordable. And while developers such as Country Garden have become over-indebted, the Chinese consumer remains in very good health.

So why is activity so depressed?

• Firstly, Covid lockdowns undoubtedly hurt consumer confidence. It's important to remember that lockdowns only ended in China in January this year, versus almost 18 months ago in the west. In addition, the size of the Chinese government's stimulus package equated to around only 10 per cent of GDP versus an average of 70 per cent in the West, and Chinese stimulus did not take the form of direct handouts. Instead, consumers saved up an estimated $7tn of excess savings from their own earnings. Consumers, therefore, have money to spend and, as the trauma of Covid fades and income growth continues, we expect confidence to return and activity to improve.

• Secondly, the government's regulatory crackdown damaged private sector confidence. Indeed, the private sector's contribution to the Chinese economy is frequently underestimated. It accounts for nearly 50 per cent of tax revenue, 60 per cent of GDP, 70 per cent of technological innovation and most importantly, 80 per cent of jobs. It's been weak, partly because of Covid, and partly because of concerns that Xi Jinping no longer supports entrepreneurs. Over the past 12 months, the government has attempted to address these concerns by clarifying the rationale behind the regulatory crackdown. Some of our third party research providers argue that we're now witnessing the most concerted effort to support the private sector in the history of the People's Republic. This culminated in a 31-step support package aimed at promoting 'a bigger, better and stronger private sector'. The package seeks to improve market access, level the playing field with state-owned enterprises, strengthen access to finance and incorporate more private sector input into policymaking. Importantly, the latter may reduce the risk of future policy errors. As with the Chinese consumer, the private sector remains, on average, in very good health, with strong balance sheets and the ability to invest once confidence improves.

• Finally, what about debt and the risk of contagion? Aggregate debt levels are a challenge, but we think the risk of financial instability is low. The majority of debt in the Chinese system circulates within a closed loop, ie it is issued by state-owned banks to state-owned enterprises within the context of a closed capital account. This gives the government the ability to decide how quickly bad debts are recognised and to stagger recognition in line with economic activity. In addition, the risk of contagion from hidden debt within the system has been drastically reduced after the government's 2016–2017 campaign to clean up balance sheets and reduce shadow banking.

• Debt levels do limit the government's ability to offer a very large stimulus package. However, gradual easing remains viable. Indeed, the government's prudent approach to Covid stimulus and to the property market over the last decade means that it has many levers to pull. China is one of the very few countries that can lower interest rates in response to economic weakness without raising fears of stagflation. It has also begun to relax the restrictions it put on property in the early 2010s. For example, in July it gave local and city governments the go-ahead to relax restrictions on home purchases. In August we saw Guangzhou, a major tier-one city, become the first to act. We expect others to follow suit and for the government's gradual easing approach to bear fruit.

So, while economic growth is weaker than expected, the current consensus seems excessively pessimistic. The regulatory crackdown seems to be over, the government is moving to support the domestic economy, and the consumer is in rude health. We just need to be patient.

Indeed, for all the gloomy reporting, the data suggests that we're starting to see the fruits of this measured approach. There are signs that household consumption is gaining momentum. Air passenger numbers and visits to the casino-rich island of Macau are rapidly returning to pre-pandemic levels. Income growth averaged 8 per cent in the most recent quarter, up from 4 per cent in the first. And our consumer-related holdings in China have also posted impressive recent quarterly numbers. As the trauma of Covid and the regulatory crackdown fade, we expect a private sector and consumer-led recovery to take root.

Unfortunately, weakness in the private sector and the domestic economy resulted in Chinese equities performing poorly during the period. In a market where most private sector companies depreciated in value, we saw state-owned enterprises (SoEs) post significant gains. SoEs such as PetroChina, China Mobile and Bank of China delivered around 50 per cent, 30 per cent and 20 per cent share price appreciation respectively. While investors may look at SoEs as a hedged play on a subdued economic recovery, we continue to believe that these types of companies lack the growth profile and stakeholder alignment that excite us as long-term investors. In this context, the Trust's overwhelming exposure to private sector growth companies hurt our relative performance.

Over more meaningful periods, we note that macroeconomic forecasts tell us very little about long-term returns from active stock investing in China. For example, China's nominal GDP in US dollar terms has grown 10-fold over the last 20 years, yet MSCI China has returned only 6 per cent per annum. These unimpressive index-level returns mask fantastic performance at the individual stock level. For example, over five years to the end of 2022, Chinese companies accounted for 23 per cent of global companies that have returned at least 15 per cent per annum share price return.

On a forward-looking basis, Chinese companies account for more than 40 per cent of the 'growthy' companies in MSCI AWCI, ie, companies that are forecast to deliver 15 per cent per annum three-year revenue growth. This is not to deny that China has structural issues, but rather to illustrate the persistent gap between perceived 'macro doom' and hidden 'micro bloom.' The latter is where we focus our energies. We believe it is here that we can add value for our clients in the long run.

The Trust portfolio remains overwhelmingly exposed to longer-term disruptive and structural growth themes, or areas where we're likely to find 'micro blooms.' This is reflected in forecast earnings growth for our portfolio of around 15 per cent per annum over three years versus the benchmark at 9 per cent. Encouragingly, the operational results of many of our holdings improved after the reporting period. This was particularly true for our platform companies where we have significant exposure.

Alibaba, the world's leading ecommerce platform, and Tencent, China's most popular social networking app, both saw a return to double digit top line growth suggesting that the recovery is gathering steam. More importantly, both companies continue to benefit from structural growth opportunities in areas such as ecommerce, cloud and enterprise software, and both remain very attractively valued. For example, stripping out cash and investments, Alibaba's ecommerce business is trading on a single digit price-earnings multiple. ByteDance, our only unlisted holding, also delivered double digit top and bottom-line growth. ByteDance's operational performance, in particular, continues to positively surprise as it executes on big growth opportunities in advertising and ecommerce. We believe that it is only a matter of time before this strong operational performance is rewarded with good share price returns.

But what of the external environment? We continue to expect geopolitics and the US-China relationship to provide a long-term headwind to investor sentiment, particularly in the context of the upcoming election cycle in the US. However, we believe that the worst-case scenario of a clash of arms is unlikely. Indeed, during the reporting period, there were tentative signs that both sides were keen to stabilise their relationship. Treasury Secretary Yellen's speech in April and reported comments by Secretary of State Blinken on his visit to Beijing in June both indicated a more constructive approach.

More importantly, we note that at portfolio level, we remain very exposed to domestic China. Around 85 per cent of our holdings' revenue comes from China with only around 5 per cent from the US. As stock pickers, we try to factor geopolitics into our analysis on a stock-by-stock basis and are more inclined to invest in companies with strong domestic exposure, where further transpacific 'decoupling' would be more net benefit than negative.

Portfolio

We continue to believe that balancing global perspectives with local insights and ensuring a long-term focus in our analytical framework is the key to avoiding market noise. During the period, a joint trip around China by our Edinburgh and Shanghai-based managers reinforced this approach.

Our philosophy and investment horizons tend to afford excellent access to company leaders who were thankful not to be bombarded with spreadsheet-driven questions about earnings forecasts for the next three months. We were fortunate to meet with founders and top management at ByteDance, Tencent, Alibaba, Meituan and CATL, among others. This added helpful insights to our ongoing reviews of the platform companies. Discussions were broadly positive and complimentary about the new Premier, Li Qiang. There was renewed confidence in the regulatory and macroeconomic backdrop, numerous comments on China's supply chain advantage, plus increasing evidence of localisation in areas such as automation and robotics.

A large and intensely competitive domestic market plus a supply chain advantage is allowing China to develop superior products on a global stage in various sectors. As an example, with electric vehicle (EV) penetration now approaching 30 per cent of new car sales, China's scale and supply chain advantages allow it to produce better products with smarter features that should increasingly give it export opportunities that match its exciting domestic growth. This has led to a new holding in BYD, a company whose vertical integration should give it an edge in the highly competitive EV market where cost advantage and ability to innovate quickly are key.

Some companies acknowledged the technological challenges brought by the threatened east-west decoupling. China sees the US approach to chip export controls as a threat to national development and technological progress. The US considers that approach critical to safeguarding its national security and maintaining its technological advantage.

In the long run, China's strong government backing, abundance of engineers and large market provide some comfort that the country can navigate the challenges. However, in the short term, we should continue to expect noise around high-end chips and leading-edge manufacturing capacity. Our exposure to semiconductors within the Trust portfolio is largely via analogue chip makers such as SG Micro. Analogue semiconductor companies are likely to be insulated from geopolitical concerns given their use of lagging-edge technology, yet still likely to benefit from China's drive to foster a localised supply chain. SG Micro's performance has been poor recently, on the back of a cyclical adjustment in the semiconductor cycle and we have taken advantage of this volatility to add to the holding.

We also continue to focus on potential winners in the consumer space. As exemplified by colleagues in our Shanghai office who've only succumbed to Covid in the last couple of months, people are now learning to live with the pandemic. Restaurants and tourist attractions are busy again, but momentum in the consumer service sector is only gradually transferring to consumer products, with job creation slowly feeding into household income. While China's slower recovery has meant inventory challenges for retailers such as Li Ning, we have added to companies in the portfolio that have been disproportionately affected by Covid. Despite recent operational and share price weakness, we believe Shenzhou International, one of the world's leading garment manufacturers, remains an excellent operator with a top-tier client base, diversified manufacturing sites, and good growth prospects.

New purchases and additions have been funded by small reductions to Shenzhen Inovance and Estun Automation, which have delivered strong operational and share price performance. Inovance, for example, has seen its share price increase almost threefold since purchase as rapid technical improvements in its products and growing market shares have resulted in strong revenue and profit growth. We also reduced Hangzhou Tigermed to reflect the greater risks around regulatory change and geopolitical challenges.

We are very conscious that recent times have not made it easy to invest in China and that performance has been challenging against this backdrop. We gain confidence from the fact that the operational performance of many companies in the portfolio is strong, often in contrast to share prices. Indeed, our conviction in our holdings and in the overall shape of the portfolio is reflected in very low turnover during the period.

Performance
The portfolio underperformed against a weak market backdrop. The benchmark for the period was minus 11 per cent, NAV was minus 18.7 per cent and the share price was minus 20.5 per cent. All sectors within the benchmark posted negative returns during the period other than energy which saw a single digit rise. The worst returning sectors were healthcare, where the prospect of further anti-corruption measures spooked the market, and real estate, where macroeconomic weakness continued to bite. The portfolio underperformed the benchmark largely due to our exposure to private companies which were out of favour as expectations of an immediate recovery in consumption and property disappointed.

Top relative detractors over the period include Li Ning, where concerns around the speed and timing of China's post-Covid recovery came to the fore. Although the company reported earnings in-line with expectations, the market remains concerned about a short-term rise in inventory levels and increased discounting in the face of weak demand. We continue to believe the company has strong potential, given its growing market share and status as a strong domestic brand which we believe should play well to the consumption shifts taking place in China.

Glodon, a leading construction software company, also detracted from performance. We believe this was largely driven by growing macroeconomic concerns about the pace of China's recovery, levels of consumer confidence, and therefore caution in the property sector, rather than any reflection of changes to the long-term opportunity. The company, which continues to expect revenues to double in the next three years, has undergone organisational reforms to strengthen synergies between departments, and should benefit from rising IT spend in a sector set to benefit from growth in digitisation over the coming decade.

Other top detractors included SG Micro, an analogue semiconductor company that is experiencing a short-term cyclical dislocation. As noted above, we have taken advantage of share price weakness to add to our position. China Merchants Bank was also weak given its lending exposure to the private sector and wealth management.

The top relative contributors were A-share industrial manufacturing companies exposed to structurally growing end markets, along with a mix of relatively defensive companies.

Zhejiang Sanhua delivered mostly flat share price performance despite profit growth of around 40 per cent in the period. The company specialises in intelligent heating control components, where it has a positive outlook for growth across its businesses: auto, air-conditioning, electrical appliances, and energy storage. Auto accounts for 30 per cent of Sanhua's business and is on an uptrend, supported by the growth tailwind of its big clients Tesla and the domestic EV maker BYD.

Shenzhen Megmeet was also a top contributor to performance, but it only delivered a single digit rise in its share price despite posting around 25 per cent growth in earnings in the period. The company makes power supply and electric automation products for both industrial and consumer electronics clients. It is exposed to exciting end markets that include industrial automation, new energy vehicles, smart home appliances and advanced intelligent manufacturing. After reporting solid results for 2022, Megmeet also beat expectations for its Q1 earnings growth as its economies of scale strengthen, it expands product capacity, and benefits from last year's changes to its organisational structure. We remain focused on the long-term opportunity that its multitier growth model aims to deliver.

Zijin Mining, a leading copper miner and an enabler of China's green revolution, was also a top contributor delivering single digit share price appreciation, as were Netease and Midea. Despite reporting quarterly results during the period which were relatively weak, Zijin was a top contributor, most likely due to its status as a state-owned enterprise (one of the few we own in the portfolio). Netease is a leading game developer that continues to deliver robust revenue and earnings growth, despite the weak economic backdrop. It was one of the few portfolio companies to deliver double digit growth in share price during the period. Midea is a leading white goods manufacturer that arguably benefited from its status as an exceptionally well-managed company and its relatively defensive return profile and strong balance sheet.

Outlook

Looking back over the last three years, China has faced an unprecedented series of challenges: Covid, a regulatory clampdown, and a worsening geopolitical environment. These challenges have hurt private sector and consumer confidence, negatively impacted sentiment towards the asset class, and resulted in very weak returns. Looking forward, we think prospects for China are much brighter. While growth in the property sector is likely to remain lacklustre, we think the risk of financial instability is low. Indeed, we believe a consumption-led recovery is gradually taking shape and that the government's support for the private sector is likely to accelerate this somewhat. Geopolitical concerns may remain a headwind to sentiment, but there are signs that both sides want to stabilise the relationship.

More importantly, the attractions that China offers to bottom-up, active stock pickers remain very much intact. While GDP growth overall may be slowing, China continues to offer a number of large and growing structural opportunities. China's multi-decade investments in research and development, its investments in next-generation infrastructure, and its large and growing middle class, provide a platform for growth across a wide range of industries. We see 'micro blooms' or pockets of opportunity in areas as diverse as healthcare, renewable energy, semiconductors, automation and domestic brands. Our active approach to stock picking means that we can focus on finding the very best Chinese growth companies within these opportunity sets, while avoiding areas such as property that are in structural decline. With valuations for our holdings at attractive levels in both an absolute and relative sense, and with operational performance continuing to come through, we remain optimistic about the prospects for future returns.

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

Baillie Gifford & Co

For a definition of terms, see Glossary of Terms and Alternative Performance Measures 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 team 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 team 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 2023 (unaudited)

Name	Business	Value £'000	% of total assets *
Alibaba	Online retailer, payments and cloud business	11,984	7.0
Tencent	Social media and entertainment company	11,243	6.6
ByteDance [u]	Social media and entertainment company	10,462	6.1
Kweichow Moutai	Luxury baijiu maker	8,677	5.1
Ping An Insurance	Life and health insurance	8,482	5.0
Meituan	Online food delivery company	6,404	3.7
China Merchants Bank	Consumer lending and wealth management	5,531	3.2
Zhejiang Sanhua Intelligent Controls	Heating and cooling component manufacturer	4,850	2.8
Zijin Mining	Renewable energy enabler	4,536	2.7
Li Ning	Domestic sportswear manufacturer	4,478	2.6
BeiGene	Immunotherapy biotechnology company	4,009	2.4
NetEase	Gaming and entertainment business	3,577	2.1
CATL	Electric vehicle battery maker	3,529	2.1
Proya Cosmetics	Cosmetics and personal care company	3,442	2.0
Shandong Sinocera Functional Material	Online retailer	3,410	2.0
JD.com	Online retailer	3,354	2.0

Midea	White goods and robotics manufacturer	3,116	1.8
Ping An Bank	SME and consumer lender	3,065	1.8
Shenzhen Megmeet Electrical	Power electronics manufacturer	2,918	1.7
Shenzhou International	Garment manufacturer	2,671	1.6
Guangzhou Kingmed Diagnostics	Diagnostics company	2,649	1.6
ENN Energy	Gas distributor and provider	2,647	1.6
SG Micro Corp	Semiconductor designer	2,642	1.5
Estun Automation	Robotics and factory automation company	2,534	1.5
Fuyao Glass Industry	Automotive glass manufacturer	2,483	1.5
Centre Testing International	Electrical components & equipment	2,334	1.4
Shenzhen Inovance Technology	Factory automation company	2,334	1.4
Kingsoft	Software for SMEs and corporates	2,327	1.4
Weichai Power	Construction machinery and heavy duty trucks	2,282	1.3
Geely Automobile	Domestic automotive manufacturer	2,235	1.3
HUAYU Automotive Systems	Automotive parts manufacturer	2,137	1.3
Yonyou Network Technology	Software for SMEs and corporates	1,913	1.1
Kingdee International Software	Software for SMEs and corporates	1,888	1.1
KE Holdings†	Online real estate	1,817	1.1
Brilliance China Automotive	Automotive makers and BMW partner	1,761	1.0
Asymchem Laboratories (Tianjin)	Life sciences contract research organisation	1,744	1.0
Glodon	Software provider to the construction industry	1,720	1.0
Minth	Automotive parts manufacturer	1,560	0.9
Sunny Optical Technology	Electronic components for smartphones and autos	1,427	0.8
WuXi AppTec	Life sciences contract research organisation	1,419	0.8

Robam Appliances	White goods manufacturer	1,385	0.8
Beijing United Information Tec	Industrial ecommerce platform	1,349	0.8
Sungrow Power Supply	Component supplier to renewables industry	1,335	0.8
Longi	Solar energy provider	1,272	0.7
Yifeng Pharmacy Chain	Drug retailer	1,157	0.7
Sinocare	Diagnostics and diabetes company	1,147	0.7
Topchoice Medical	Dental services provider	1,133	0.7
Jiangsu Azure	Air freight & logistics	1,038	0.6
Pop Mart	Toy and collectibles maker	1,009	0.6
Dongguan Yiheda Automation Co	Industrial machinery	939	0.6
Byd Company	Electric vehicle manufacturer	865	0.5
Yunnan Energy New Material	Component supplier to renewables industry	763	0.4
Hangzhou Tigermed Consulting	Clinical trial contract research organisation	745	0.4
Kinlong	Building products	743	0.4
Hua Medicine (Shanghai)	Diabetes drug manufacturer	712	0.4
New Horizon Health	Early cancer detection	699	0.4
Medlive Technology	Medical dictionary and marketing organisation	604	0.4
Dada Nexus†	Logistics and warehousing provider	366	0.2
Burning Rock Biotech†	Liquid biopsy cancer testing company	219	0.1
Total investments		**169,071**	**99.1**
Net liquid assets		1,501	0.9
Total assets		**170,572**	**100.0**

Borrowings	**(5,829)**	**(3.4)**
Shareholders' funds	**164,743**	**96.6**

* Total assets before deduction of loans.

u Denotes unlisted investment (private company).

† Includes investment in American Depositary Receipt (ADR)

Income statement (unaudited)

	For the six months ended 31 July 2023			For the six months ended 31 July 2022			For the year ended 31 January 2023 (audited)		
	Revenue £'000	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**	**Revenue £'000**	**Capital £'000**	**Total £'000**
Net losses on investments	**-**	**(39,036)**	**(39,036)**	–	(23,719)	(23,719)	-	(12,378)	(12,378)
Currency gains	**-**	**172**	**172**	–	(325)	(325)	-	(216)	(216)
Income	**1,932**	**-**	**1,932**	1,944	–	1,944	2,407	-	2,407
Investment management fee (note 3)	**(140)**	**(421)**	**(561)**	(161)	(484)	(645)	(311)	(932)	(1,243)
Other administrative expenses	**(244)**	**-**	**(244)**	(290)	–	(290)	(550)	-	(550)
Net return before finance costs and taxation	**1,548**	**(39,285)**	**(37,737)**	1,493	(24,528)	(23,035)	1,546	(13,526)	(11,980)
Finance costs of borrowings	**(65)**	**(193)**	**(258)**	(59)	(173)	(232)	(116)	(347)	(463)
Net return on ordinary activities before taxation	**1,483**	**(39,478)**	**(37,995)**	1,434	(24,701)	(23,267)	1,430	(13,873)	(12,443)
Tax on ordinary activities	**(148)**	**-**	**(148)**	(78)	–	(78)	(105)	-	(105)
Net return on ordinary activities after taxation	**1,335**	**(39,478)**	**(38,143)**	**1,356**	**(24,701)**	**(23,345)**	1,325	(13,873)	(12,548)
Net return per ordinary share (note 4)	**2.15p**	**(63.66p)**	**(61.51p)**	**2.18p**	**(39.83p)**	**(37.65p)**	2.14P	(22.37p)	(20.23p)

Note:			
Dividends paid and payable per share			
(note 5)	**nil**	**nil**	**1.70p**

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)

	Notes	**At 31 July 2023 £'000**	**At 31 January 2023 £'000**
Fixed assets			
Investments held at fair value through profit or loss	6	169,071	209,499
Current assets			
Debtors		310	26
Cash and cash equivalents		1,572	1,000
		1,882	1,026
Creditors			
Amounts falling due within one year	7	(6,210)	(6,585)
Net current liabilities		**(4,328)**	**(5,559)**
Total assets less current liabilities		**164,743**	**203,940**
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		68,270	107,748
Revenue reserve		6,521	6,240
Shareholders' funds		**164,743**	**203,940**
Net asset value per ordinary share*		**265.66p**	**328.87p**
Shares in issue	**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)

Six months to 31 July 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 2023	17,087	31,780	41,085	107,748	6,240	203,940
Net return on ordinary activities after taxation	-	-	-	(39,478)	1,335	(38,143)
Dividends paid (note 5)	-	-	-	-	(1,054)	(1,054)
Shareholders' funds at 31 July 2023	**17,087**	**31,780**	**41,085**	**68,270**	**6,521**	**164,743**

Six months to 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**

* The Capital reserve as at 31 July 2023 includes investment holding losses of £64,882,000 (31 July 2022 – losses of £52,916,000)

Condensed statement of cash flows (unaudited)

	Six months to 31 July 2023 £'000	**Six months to 31 July 2022 £'000**
Cash flows from operating activities		
Net return on ordinary activities before taxation	(37,995)	(23,267)
Net losses on investments	39,036	23,719
Currency (gains)/losses	(172)	325
Finance costs of borrowings	258	232
Overseas withholding tax suffered	(159)	(145)
Overseas withholding tax reclaims received	11	66
Changes in debtors	(248)	(205)
Changes in creditors	(149)	(53)
Cash from operations*	582	672
Interest paid	(257)	(222)
Net cash inflow from operating activities	**325**	**450**
Cash flows from investing activities		
Acquisitions of investments	(1,814)	(18,629)
Disposals of investments	3,206	17,466
Net cash inflow/(outflow) from investing activities	**1,392**	**(1,163)**
Cash flows from financing activities		

Equity dividends paid (note 5)	(1,054)	(2,854)
Net cash outflow from financing activities	**(1,054)**	**(2,854)**
Increase/(decrease) in cash and cash equivalents	**663**	**(3,567)**
Exchange movements	(91)	248
Cash and cash equivalents at start of period	1,000	5,496
Cash and cash equivalents at end of period†	**1,572**	**2,177**

* Cash from operations includes dividends received in the period of £1,614,000 (31 July 2022 – £1,642,000) and deposit interest received of £9,000 (31 July 2022 – £1,000).

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

Notes to the financial statements (unaudited)

1. Basis of accounting

The condensed Financial Statements for the six months to 31 July 2023 comprise the statements set out above. 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 updated in July 2022 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 2023 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 2023.

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 below. The Board has, in particular, considered the impact of heightened market volatility due to macroeconomic and geopolitical concerns, and reviewed the results of specific leverage and liquidity stress testing 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 2023 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.

4. Net return per ordinary share

	Six months to 31 July 2023 £'000	**Six months to 31 July 2002 £'000**	**Year to 31 January 2023 £'000**
Revenue return on ordinary activities after taxation	1,335	1,356	1,325
Capital return on ordinary activities after taxation	(39,478)	(24,701)	(13,873)
Total net return	**(38,143)**	**(23,345)**	**(12,548)**
Weighted average number of ordinary shares in issue	**62,012,982**	**62,012,982**	**62,012,982**

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 2023 £'000	**Six months to 31 July 2022 £'000**
Amounts recognised as distributions in the period:		
Previous year's final of 1.70p (2022 – 4.60p) paid on 26 July 2023	**1,054**	**2,854**

6. **Fixed assets – investments**

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).

As at 31 July 2023	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Level 4 £'000**
Listed equities	158,609	–	–	158,609
Unlisted ordinary shares	–	–	10,462	10,462
Total financial asset investments	**158,609**	**–**	**10,462**	**169,071**

As at 31 January 2023 (audited)	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Level 4 £'000**
Listed equities	197,546	–	–	197,546
Unlisted ordinary shares	–	–	11,953	11,953
Total financial asset investments	**197,546**	**–**	**11,953**	**209,499**

7. **Bank loans**

The Company has 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 2023 creditors falling due within one year include borrowings of £5.8 million (US$7.5 million) (31 January 2023 – £6.1 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 2023 no ordinary shares were issued from Treasury (in the year to 31 January 2023 no shares were issued from Treasury).

The Company also has authority to buy back shares. In the six months to 31 July 2023 no ordinary shares were bought back for cancellation (in the year to 31 January 2023 no ordinary shares were bought back for cancellation) therefore the Company's authority remains unchanged at 9,295,746 ordinary shares.

9. 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.

10. Contingent asset

HMRC have indicated they will repay overpaid taxes for the accounting periods ending 2008 and 2009 of £1.1 million plus interest. As the repayment is probable, but not virtually certain, the Company is disclosing £1.1 million as a contingent asset.

Principal risks and uncertainties

The principal risks facing the Company are inappropriate business strategy, adverse market conditions, poor investment performance, operational risk, tax and regulatory change or breach, single country risk, emerging market risk, unlisted securities, gearing, cyber security risk, and climate and governance risk. An explanation of these risks and how they are managed is set out on pages 23 to 25 of the Company's Annual Report and Financial Statements for the year to 31 January 2023 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.

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
2 October 2023

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

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

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

	31 July 2023	**31 January 2023**
Shareholders' funds (borrowings at book value)	£164,743,000	£203,940,000
Shares in issue	62,012,982	62,012,982
Net asset value per ordinary share (borrowings at book value)	265.66p	328.87p

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	**31 January**

	2023	2023
Closing NAV per share	265.66p	328.87p
Closing share price	243.00p	308.00p
Discount	**(8.5%)**	**(6.3%)**

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 2023 NAV	31 July 2023 Share price	31 January 2023 NAV	31 January 2023 Share price
Closing NAV per share/share price	(a)	265.66p	243.00p	328.87p	308.00p
Dividend adjustment factor*	(b)	1.006801	1.007763	1.014030	1.014557
Adjusted closing NAV per share/share price	(c=a x b)	267.47p	244.89p	333.48p	312.48p
Opening NAV per share/share price	(d)	328.87p	308.00p	353.70p	339.25p
Total return	**(c÷d)-1**	**(18.7%)**	**(20.5)**	**(5.7%)**	**(7.9%)**

* 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.

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

Gross 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 UK 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.

Private (unlisted) 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.

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

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 July 2023 the Company had total assets of £171m.

You can find up-to-date performance information about Baillie Gifford China Growth Trust at **bailliegiffordchinagrowthtrust.com**‡.

Baillie Gifford China Growth Trust is managed by Baillie Gifford, the Edinburgh based fund management group with around £213 billion under management and advice in active equity and bond portfolios for clients in the UK and throughout the world (as at 2 October 2023).

Investment Trusts are UK public limited companies and are not authorised or regulated by the Financial Conduct Authority.

‡ 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.

For further information please contact:
Naomi Cherry, Baillie Gifford & Co
Tel: 0131 474 5548

Jonathan Atkins, Four Communications
Tel: 0203 920 0555 or 07872 495396

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. No Provider shall in any way be liable to any recipient of the data for any inaccuracies, errors or omissions in the index data included in this document, regardless of cause, or for any damages (whether direct or indirect) resulting therefrom.

No Provider has any obligation to update, modify or amend the data or to otherwise notify a recipient thereof in the event that any matter stated herein changes or subsequently becomes inaccurate.

Without limiting the foregoing, no Provider shall have any liability whatsoever to you, whether in contract (including under an indemnity), in tort (including negligence), under a warranty, under statute or otherwise, in respect of any loss or damage suffered by you as a result of or in connection with any opinions, recommendations, forecasts, judgements, or any other conclusions, or any course of action determined, by you or any third party, whether or not based on the content, information or materials contained herein.

MSCI index data

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction.

The MSCI information is provided on an 'as is' basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the 'MSCI Parties') expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability or any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (**msci.com**).

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 ESG 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.

The likely impact on the return of the portfolio from a potential or actual material decline in the value of investment due to the occurrence of an environmental, social or governance event or condition will vary and will depend on several factors including but not limited to the type, extent, complexity and duration of an event or condition, prevailing market conditions and existence of any mitigating factors.

Whilst consideration is given to sustainability matters, there are no restrictions on the investment universe of the Company, unless otherwise stated within in its Investment Objective & Policy. Baillie Gifford & Co can invest in any companies it believes could create beneficial long-term returns for investors. However, this might result in investments being made in companies that ultimately cause a negative outcome for the environment or society.

More detail on the Investment Manager's approach to sustainability can be found in the ESG Principles and Guidelines document, available publicly on the Baillie Gifford website bailliegifford.com.

The underlying investments do not take into account the EU criteria for environmentally sustainable economic activities established under the EU Taxonomy Regulation.

- ends -