

Baillie Gifford China Growth Trust plc (BGGC)

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 Regulated Information Classification: Annual Financial and Audit Reports

Annual Report and Financial Statements

Further to the preliminary statement of audited annual results announced to the Stock Exchange on 1 April 2025, Baillie Gifford China Growth Trust ("the Company") announces that the Company's Annual Report and Financial Statements for the year ended 31 January 2025, including the Notice of Annual General Meeting, has today been posted to shareholders and submitted electronically to the National Storage Mechanism where it will shortly be available for inspection at <https://data.fca.org.uk/#/nsm/nationalstoragemechanism>

It is also available on the Company page of the Baillie Gifford website at: bailliegiffordchinagrowthtrust.com (as is the preliminary statement of audited annual results announced by the Company on 1 April 2025).

Responsibility Statement of the Directors in respect of the Annual Financial Report

The Directors confirm that, to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties it faces; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Principal Risks relating to the Company

As explained on pages 74 and 75 of the Annual Report there is an ongoing process for identifying, evaluating and managing the risks faced by the Company on a regular basis. The Directors have undertaken a robust assessment of the principal and emerging risks facing the Company, including those that would threaten the business model, future performance, solvency or liquidity. There have been no significant changes to the principal risks during the year. A description of these risks, an assessment of the risk level and how they are being managed or mitigated together with the change in assessment of any increase or decrease in risk during the year is set out below:

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Financial risk The Company's assets consist mainly of listed securities (90.8% of the investment portfolio) and its principal and emerging financial risks are therefore market related and include market risk (comprising currency risk, interest rate risk and other price risk), industrial sector weightings, top and liquidity risk and credit risk. An explanation of those risks and how they are managed is contained in note</p>	<p>The Board has, in particular, considered the impact of heightened market volatility due to macroeconomic factors such as higher inflation and continued high interest rates and geopolitical concerns. In order to oversee this risk, the Board considers at each meeting various metrics including industrial sector weightings, top and bottom stock contributors to performance along with sales and purchases of investments. Individual investments are</p>	<p>↑</p>	<p>Risk Level: High</p> <p>This risk is considered to have increased as market volatility remains due to continuing macroeconomic and geopolitical concerns.</p>

18 to the Financial Statements on pages 109 to 114 of the Annual Report.

discussed with the portfolio manager together with general views on the investment markets and sectors. A strategy session is held annually.

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Investment strategy risk Inappropriate business strategy and/or changes in the financial services market leads to lack of demand for the Company's shares and its shares trading at a persistent and anomalous discount to the NAV. Poor investment performance, including through inappropriate asset allocation, leads to value loss for shareholders in comparison to the benchmark or the peer group.</p>	<p>The Board reviews its strategy at an annual strategy meeting. It considers investor feedback, consults with its broker and reviews its marketing strategy. It regularly reviews its discount/premium policy. The strategy is considered in the context of developments in the wider financial services industry.</p> <p>The performance of the Managers is reviewed at each Board meeting and compared against the benchmark and peer group. Exposures are reviewed against benchmark exposures to identify the highest risk exposures. The Board regularly reviews and monitors the Company's objective and investment policy and strategy.</p>	↓	<p>Risk Level: High</p> <p>During the year the NAV total return was 35.4% compared to the benchmark return of 32.4%. Market conditions for growth stocks typically held by the Company are improving.</p>
<p>Discount risk The discount/premium at which the Company's shares trade relative to its net asset value can change. The risk of a widening discount is that it may undermine investor confidence in the Company.</p>	<p>To manage this risk, the Board monitors the level of discount/premium at which the shares trade and the Company has authority to buy back its existing shares, when deemed by the Board to be in the best interests of the Company and its shareholders.</p>	→	<p>Risk Level: High</p> <p>The Company's discount widened during the year (see chart on page 28 of the Annual Report). The Company has been buying back shares during the year to 31 January 2025. On 13 November 2024, the Board announced a conditional tender offer, see page 10 of the Annual Report.</p>

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Regulatory risk Failure to comply with applicable legal and regulatory requirements such as the tax rules for investment trust companies, the FCA Listing Rules and the Companies Act could lead to suspension of the Company's Stock Exchange listing, financial penalties, a qualified audit report or the Company being subject to tax on capital gains. Changes to the regulatory environment could negatively impact the Company.</p>	<p>To mitigate this risk, Baillie Gifford's Business Risk, Internal Audit and Compliance Departments provide regular reports to the Audit Committee on Baillie Gifford's monitoring programmes. Major regulatory change could impose disproportionate compliance burdens on the Company. In such circumstances representation is made to ensure that the special circumstances of investment trusts are recognised. Shareholder documents and announcements, including the Company's published Interim and Annual Report and Financial Statements, are subject to stringent review processes and procedures are in place to ensure adherence to the Transparency Directive and the Market Abuse Directive with reference to inside information.</p>	→	<p>Risk Level: Low</p> <p>All control processes are working effectively. There have been no material regulatory changes that have impacted the Company during the year.</p>
<p>Custody and Depositary risk Safe custody of the Company's assets may be compromised through control failures by the Depositary, including breaches of cyber security.</p>	<p>To mitigate this risk, the Audit Committee receives six-monthly reports from the Depositary confirming safe custody of the Company's assets held by the Custodian. Cash and portfolio holdings are independently reconciled to the Custodian's records by the Managers who also agree uncertificated private portfolio holdings to confirmations from investee companies. The Custodian's audited internal controls reports are reviewed by Baillie Gifford's Business</p>	→	<p>Risk Level: Low</p> <p>All control procedures are working effectively.</p>

Risk Department and a summary of the key points is reported to the Audit Committee and any concerns investigated. In addition, the existence of assets is subject to annual external audit.

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Operational risk Failure of Baillie Gifford's systems or those of other third party service providers could lead to an inability to provide accurate reporting and monitoring or a misappropriation of assets.</p>	<p>To mitigate this risk, Baillie Gifford has a comprehensive business continuity plan which facilitates continued operation of the business in the event of a service disruption or major disaster. The Audit Committee reviews Baillie Gifford's Report on Internal Controls and the reports by other key third party providers are reviewed by Baillie Gifford on behalf of the Board and a summary of the key points is reported to the Audit Committee and any concerns investigated. In the year under review, the other key third party service providers have not experienced significant operational difficulties affecting their respective services to the Company.</p>	➔	<p>Risk Level: Low</p> <p>All control procedures are working effectively.</p>

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Leverage risk The Company may utilise borrowings in order to increase its investment exposure. While such leverage* presents opportunities for increasing total returns, it can also have the opposite effect of increasing losses. If income and capital appreciation on investments acquired with borrowed funds are less than the costs of the leverage, the Company's net asset value will decrease. The use of leverage also increases the investment exposure, which means that if the market moves adversely, the resulting loss to capital would be greater than if leverage were not used.</p>	<p>Under the Investment Policy, the maximum gearing is 25% of gross assets, though the Company does not expect borrowing to be in excess of 20% of gross assets. All borrowing facilities are approved by the Board and gearing levels are discussed by the Board and the Managers at every meeting. Covenant levels are monitored regularly by the Board and the Managers.</p>	➔	<p>Risk Level: Low</p> <p>No significant change in risk level. The Company continues to deploy gearing and has a revolving credit facility in place which expires in April 2026.</p>

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Climate and governance risk As investors place increased emphasis on climate change and other Environmental, Social and Governance (ESG) issues, perceived problems with these matters in an investee company could lead to that company's shares being less attractive to investors, adversely affecting its share price. In addition, potential valuation issues could arise from</p>	<p>As described on page 76 of the Annual Report the consideration of ESG (including climate change) is a core component of Baillie Gifford's investment process, with the Board overseeing and challenging Baillie Gifford on ESG matters. The Board meet with the Investment Manager and discuss the investment portfolio, including the application of Baillie Gifford's ESG framework. Baillie Gifford's Governance and</p>	➔	<p>Risk Level: Low</p> <p>The Investment Manager continues to employ strong ESG stewardship and engagement policies.</p>

any direct impact of the failure to address the ESG weakness on the operations or management of the investee company (for example in the event of an industrial accident or spillage). Repeated failure by the Investment Manager to identify climate/ESG weaknesses in investee companies could lead to the Company's own shares being less attractive to investors, adversely affecting its own share price.

Sustainability team undertake specific ESG reviews on investment portfolios.

What is the risk?	How is it managed?	Change	Current assessment of risk
Cyber security risk A cyber-attack on Baillie Gifford's network or that of a third party service provider could impact the confidentiality, integrity or availability of data and systems.	The Audit Committee reviews Reports on Internal Controls published by Baillie Gifford and other third party service providers. Baillie Gifford's Business Risk Department report to the Audit Committee on the effectiveness of information security controls in place at Baillie Gifford and its business continuity framework. Cyber security due diligence is performed by Baillie Gifford on third party service providers which includes a review of crisis management and business continuity frameworks.	↑	Risk Level: High This risk is considered to be increasing due to ongoing geopolitical tensions and an observed increase in malign cyber activity. Emerging technologies, including AI, could potentially increase information security risks. In addition, service providers operate a hybrid approach of remote and office working, thereby increasing the potential of a cyber security threat.

What is the risk?	How is it managed?	Change	Current assessment of risk
Single country risk The Company invests predominantly in equities of companies which are incorporated or domiciled, or which conduct a significant portion of their business, in China. Investing in a single country is generally considered a higher risk investment strategy than investing more widely, as it exposes the investor to the fluctuations of a single geographical market, in this case the Chinese market.	The Company's exposure to a single country, China, is an integral part of its investment strategy. Risk is mitigated to a degree by appropriate portfolio diversification and careful analysis of investment opportunities.	↑	Risk Level: High This risk is seen as increasing due to concerns over geopolitical risks.

What is the risk?	How is it managed?	Change	Current assessment of risk
Emerging market risk Investing in an emerging market such as China subjects the Company to a higher level of market risk than investment in a more developed market. This is due, among other things, to the existence of greater market volatility, lower trading volumes, the risk of political and economic instability, legal and regulatory risks, risks relating to accounting practices, disclosure and settlement, a greater risk of market shut down, standards of corporate governance and more governmental limitations on foreign investment than are typically found in developed markets. Geopolitical tensions between the US and China, in particular relating to Taiwan, remain heightened with the potential for further sanctions to be imposed. Investing in China is often through contractual structures, such as Variable Interest Entities ('VIEs', see Glossary of terms and alternative performance measures on page 131 of the Annual Report) that are complex and could be open to challenge.	The Managers are cognisant of the risks associated with investing in emerging markets such as China, and they shape their investment strategy and due diligence accordingly. The Board is kept informed of political and regulatory issues impacting China and the portfolio. The Board monitors the risks associated with any complex investment structures, including the proportion of investments held in VIEs (estimated to be 32% as at 31 January 2025). The Board evaluate sanctions risk with the Manager and where appropriate with input from external advisers.	↑	Risk Level: High Rising concerns over geopolitical risk.

What is the risk?	How is it managed?	Change	Current assessment of risk
<p>Unlisted securities risk</p> <p>The Company may invest in unlisted securities, which are not readily realisable and are more difficult to value given the absence of a quoted price. There may be less available information and there will be less regulation in respect of disclosures and corporate governance</p>	<p>Baillie Gifford conducts appropriate due diligence in respect of all unlisted investments, and has an established valuation approach (as described on page 55 of the Annual Report), which is carefully reviewed by the Board.</p>	→	<p>Risk Level: Moderate</p> <p>No change in assessment of risk.</p>
<p>Emerging risk</p> <p>As explained on pages 74 to 76 of the Annual Report, the Board has regular discussions on principal risks and uncertainties, including any risks which are not an immediate threat but could arise in the longer term. The Board considers that the key emerging risks arise from the interconnectedness of global economies and the related exposure of the investment portfolio to external and emerging threats such as escalating geopolitical tensions, cyber security risks including developing AI and quantum computing capabilities, and new coronavirus variants or similar public health threats.</p> <p>This is mitigated by the Board discussing at each Board meeting the impact of such threats on both markets globally and also more specifically on the Chinese market. This is mitigated by the Managers' close links to the investee companies and their ability to ask questions on contingency plans. The Managers believe the impact of such events may be to slow growth rather than to invalidate the investment rationale over the long term. The Managers monitor certain emerging risks and have established a group to manage the response to any future events that might result in heightened levels of market volatility. Regular exercises are carried out to test the Managers' response to various scenarios. The Company also monitors its service providers to ensure there is adequate business continuity.</p>			

 Increasing risk
  Decreasing risk
  No change

Baillie Gifford & Co Limited
Company Secretaries
10 April 2025

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