JPMorgan China Growth & Income plc

Half Year Report & Financial Statements
for the six months ended 31st March 2024

J.P.Morgan
ASSET MANAGEMENT

Key Features

Objective

To provide long-term capital growth by investment in 'Greater China' companies.

Investment Policies

- To invest in companies in 'Greater China' (China, Hong Kong and Taiwan) or which derive a substantial part of their revenues or profits from these territories. This includes companies which are listed or issue ADRs on other exchanges including the U.S.
- To use gearing up to a maximum level of 20% of shareholders' funds to increase potential returns to shareholders.
- To invest no more than 15% of gross assets in other UK listed investment companies (including investment trusts).

Dividend Policy

The dividend policy aims to pay, in the absence of unforeseen circumstances, an annual dividend equivalent to 4% of the Company's NAV on the last business day of the preceding financial year. The target dividend is announced at the start of each financial year and paid by way of four equal interim dividends on the first business day in December, March, June and September. These dividends are paid from a combination of revenue and capital reserves. In the absence of unforeseen circumstances, the annual dividend for the year ending 30th September 2024 will be 11.04 pence per share (2023: 13.68 pence).

Gearing

A flexible £30 million borrowing facility is in place and available for the Portfolio Managers to utilise within guidelines set by the Board. At 31st March 2024, £9.2 million was drawn down on the facility with the gearing level being 4.3% at that date.

Benchmark

MSCI China Index, with net dividends reinvested, in sterling terms.

Risk

Investors should note that the Greater China markets can exhibit more volatility than developed markets and this should be taken into consideration when evaluating the suitability of the Company as a potential investment.

Capital Structure

At 31st March 2024, the Company's issued share capital comprised 83,202,465 Ordinary shares of 25p each. No shares are held in Treasury. No shares have been repurchased or issued since the period-end.

Continuation Vote and Conditional Tender Offer

In accordance with the Company's Articles of Association, the Directors are required to propose a resolution that the Company continue as an investment trust at the Annual General Meeting in 2028 and every fifth year thereafter. There is a conditional tender offer in place for up to 15% of the Company's issued share capital at a price equal to net asset value less costs if, over the five years from 1st October 2022, the NAV total return underperforms the benchmark total return.

Management Company and Company Secretary

The Company employs JPMorgan Funds Limited ('JPMF' or the 'Manager') as its Alternative Investment Fund Manager ('AIFM') and Company Secretary. JPMF delegates the management of the Company's portfolio to JPMorgan Asset Management (UK) Limited ('JPMAM').

Association of Investment Companies ('AIC')

The Company is a member of the AIC.

Website

The Company's website, which can be found at www.jpmchinagrowthandincome.co.uk, includes useful information on the Company, such as daily prices, monthly factsheets and current and historic Half-Year and Annual Reports.

Contact the Company/Keeping in Touch

General enquiries about the Company should be directed to the Company Secretary at invtrusts.cosec@jpmorgan.com.

The Board and the Portfolio Managers are keen to increase dialogue with shareholders and other interested parties. If you wish to sign up to receive email updates from the Company, including news and views and latest performance statistics, please click the QR Code to the right or visit https://tinyurl.com/JCGI-Sign-Up

FINANCIAL CALENDAR

Financial year end	30th September
Final results announced	December
Half year end	31st March
Half year results announced	May
Dividend on Ordinary shares paid	December/March/June/September
Annual General Meeting	January/February

Key Features

“We believe the worst is probably behind us both in terms of the slowdown of China’s economic growth and the derating of Chinese equities. There are good reasons to view the outlook more positively. For a start, we see some signs of a domestic economic recovery. At the same time, exports have remained resilient. Equally important, companies such as large SOEs and cash-rich companies are improving returns to shareholders through both dividends and share buybacks. Valuations are now at very attractive levels. Geopolitical tensions have been partially to blame for the weak sentiment in markets but we believe these are abating.

In sum, given the amount of risk, disappointment and possible pessimism priced into the market at current levels, we see potential for upside surprises to results and valuations in the next 12 months. We are determined to grasp the opportunities created by an economic and market recovery to claw back lost performance, and we look forward to reporting on the Company’s progress as our portfolio companies realise their true worth.”

Rebecca Jiang, Portfolio Manager

JPMorgan China Growth & Income plc

Our Heritage and Our Team

Launched in October 1993, JPMorgan China Growth & Income plc has established a 30-year track record of investing in ‘Greater China’, including China, Hong Kong and Taiwan. JPMAM is a leading investment specialist with a long established presence in Greater China and the Asia Pacific region. The Greater China team has an average of 17 years industry experience. The investment team, led by Rebecca Jiang who has been one of the Company's Portfolio Managers since 2017, is assisted by Simmy Qi in Shanghai, Li Tan in Hong Kong and Howard Wang in Taipei. Their on-the-ground experience and in-depth knowledge of local markets, coupled with an established investment process, enables them to assess companies’ longer-term prospects through rigorous research without being sidetracked by short-term noise.

Our Investment Approach

The Company takes an active, longer-term, bottom-up approach to investing in the Greater China markets. Rebecca and the team look at the growth potential of quality companies and focus on fundamental, bottom-up stock selection, based on comprehensive research. In our research process, we systematically assess financially material environmental, social and governance (‘ESG’) factors amongst other factors in our investment decisions with the goals of managing risk and improving long-term returns. With an investment approach which identifies profitable companies that demonstrate sustained growth potential over the long term rather than focusing on short-term market movements, the Company has created value for investors over the long term.

1,500+

Greater China company meetings conducted per annum

58

Investment professionals in Hong Kong, Shanghai and Taipei[1]

17 years

The Greater China team has an average of 17 years industry experience

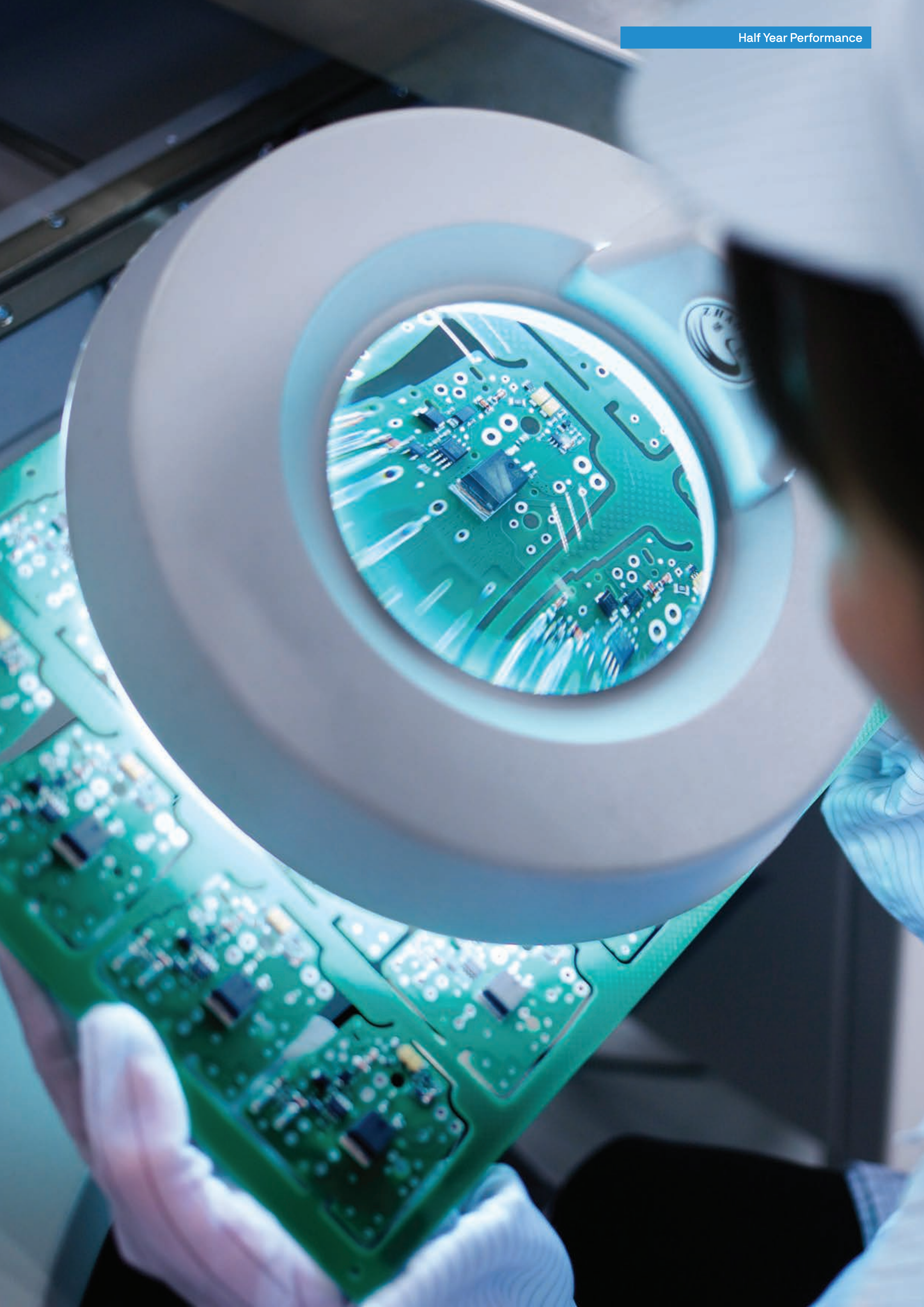
67.4%

Active share — a measure of active management[2]

[1] 24 investment professionals in the Greater China team and 34 investment professionals from JPMorgan Asset Management (China) Limited.

[2] Active share is a measurement of the difference in the Company’s portfolio compared to the benchmark index. A portfolio that replicates the index has an active share of zero, while a portfolio that owns entirely out-of-benchmark securities has an active share of 100.

Contents



Financial Highlights

Total returns in sterling terms (including dividends reinvested) to 31st March 2024

	6 Months	3 Years Cumulative	5 Years Cumulative	10 Years Cumulative
Return to shareholders[1,A]	–11.9%	–60.7%	–11.6%	+74.1%
Return on net assets[2,A]	–13.1%	–57.6%	–14.1%	+72.0%
Benchmark return[3,A]	–9.5%	–41.8%	–25.6%	+48.6%
Net asset return performance compared to benchmark return[3,A]	–3.6%	–15.8%	+11.5%	+23.4%

[1] Source: Morningstar.
[2] Source: Morningstar/J.P. Morgan, using cum income net asset value per share.
[3] Source: Morningstar. The Company's benchmark is the MSCI China Index with net dividends reinvested, in sterling terms. Prior to 26th January 2016, the benchmark was the MSCI Dragon Index.
[A] Alternative Performance Measure ('APM').

	Six Months to 31st March 2024	Year Ended 30th September 2023	% change
Shareholders' funds (£'000)	195,073	229,772	–15.1
Net asset value per share	234.5p	276.2p	–15.1[1]
Share price[A]	210.0p	244.5p	–14.1[2]
Share price discount to net asset value[A]	10.4%	11.5%	
Number of shares in issue	83,202,465	83,202,465	
Dividend[3]	5.52p	13.68p	
Ongoing charges[A]	**1.16%**	**1.12%**	
Gearing[A]	**4.3%**	**14.0%**	

[1] % change, excluding dividends paid. Including dividend, the total return is –13.1%.
[2] % change, excluding dividends paid. Including dividend, the total return is –11.9%.
[3] Dividend paid in respect of the six month period ended 31st March 2024 and year ended 30th September 2023. Dividend paid in respect of the six month period ended 31st March 2023 was 6.84p.
[A] Alternative Performance Measure ('APM').

A glossary of terms and of APMs is provided on pages 31 to 33.

Chairman's Statement

Alexandra Mackesy
Chairman

Introduction

During the six months to 31st March 2024, the extreme volatility that has battered Chinese stock markets since March 2023 continued to overshadow market performance. Sentiment remained depressed, impacted by concerns about fragile domestic consumer confidence, the significant challenges facing the Chinese property and regional financial sectors, global macroeconomic concerns and continued geopolitical tensions, particularly between the US and China. Against this difficult backdrop, Chinese growth stocks, which have long been the focus of our disciplined Portfolio Managers, remained out of favour, and the Company's performance suffered accordingly.

Performance

Faced with this market volatility and these challenges, the Company's total return on net assets (with net dividends reinvested) fell 13.1% over the six months ended 31st March 2024, underperforming the MSCI China Index, which declined 9.5%. Over the same period, the total return to shareholders declined 11.9%, reflecting the narrowing of the discount to net asset value ('NAV') at which the Company's shares trade, from –11.5% at the previous financial year end to –10.4% at the half year end.

While this short-term performance is disappointing, we are mindful of the Company's 30 year track record as a listed entity, and the importance of taking a long-term view. We are encouraged that over the longer term, our Company has made positive absolute returns, comfortably outperforming the benchmark over ten years. The relative underperformance to the benchmark index is explained in the Investment Manager's Report (page 11). This report provides a detailed commentary on the portfolio positioning, the investment strategy and the outlook for investing in China.

Loan Facility and Gearing

The Portfolio Managers have been given the flexibility by the Board to manage gearing tactically within a range set by the Board of 10% net cash to 20% geared. During the period, the Company's gearing ranged from 3.8% to 15.6%, ending the half year at 4.3%.

During the reporting period, the Company continued to utilise its facility agreement with Industrial and Commercial Bank of China Limited, London Branch (ICBC), in respect of a revolving loan facility of up to £60.0 million to maintain a meaningful but modest level of gearing. Due to market movements and after discussions with ICBC, the Company's loan agreement was amended on 28th March 2024 and the facility was reduced to a commitment of up to £30.0 million. Some changes were also made to certain financial covenants.

There is currently £9.2 million drawn down on the existing loan facility, which expires in July 2025.

Our Dividend Policy

In the absence of unforeseen developments, the Company's dividend policy aims to pay regular, quarterly dividends, equivalent in total to 4% of the Company's NAV on the last business day of the preceding financial year, in order to provide clarity to shareholders over the income stream they can expect during the following 12 months. This is paid by way of four equal interim dividends on the first business day in December, March, June and September.

On 2nd October 2023, the Company announced that the cum income Net Asset Value at the close of business on 30th September 2023 (the Company's year-end) was 276.05 pence per share. In line with the Company's distribution policy, the Directors declared the first quarterly interim dividend of 2.76 pence per share. Since then, two further dividend declarations have been made on 2nd January 2024 and 2nd April 2024, both of 2.76 pence per share. With the planned declaration of the final quarterly dividend of 2.76 pence per share on 1st July 2024, in the absence of unforeseen circumstances, the annual dividend for the year ending 30th September 2024 will be 11.04 pence per share (2023: 13.68 pence).

Chairman's Statement

Share Capital

At the time of writing, the Company's issued share capital consists of 83,202,465 Ordinary shares. The Company currently holds no shares in Treasury. During the six-month reporting period, the Company did not repurchase or issue any shares.

Stay Informed

The Company delivers email updates with regular news and views, as well as the latest performance. If you have not already signed up to receive these communications and you wish to do so, you can opt in via https://tinyurl.com/JCGI-Sign-Up or by scanning the QR code in the front of the Half Year Report.

Outlook

China stock markets have stabilised since January, as concerns about the Chinese property market and the broader economy eased. Investors have also been encouraged by the Chinese government's indications of a planned economic stimulus programme and continued evidence of companies raising dividend payouts and buying back shares. Reflecting this, the Company's share price has risen to 236.5p on 27th May 2024, climbing 12.6% since 31st March 2024, with the discount to NAV narrowing from 10.4% to 9.3% over the same period.

As a Board, we are mindful that challenges remain. While the Chinese government has recently confirmed its GDP forecast of 5% for 2024, domestic consumer demand is still subdued. While recent talks between China and US have been encouraging, an escalation in anti-Chinese rhetoric ahead of this year's US presidential election cannot be ruled out. Concerns also remain about shifting patterns in global supply chains and the ongoing conflicts in Ukraine and the Middle East, which may also dampen market sentiment in the short term. That said, our Portfolio Managers are increasingly optimistic about the prospects for Chinese equities over the coming year. Determined to recover lost performance, they are using the opportunities offered by current low valuations to build up positions in quality companies that offer robust long-term growth. As a Board, we share our Managers' optimism. We remain confident that their disciplined investment strategy, combined with the skills and experience of the well-resourced investment team, will enable the Company to deliver superior long-term returns.

Alexandra Mackesy
Chairman

29th May 2024

Investment Manager's Report

Introduction

During the six months ended 31st March 2024, the Company's total return on net assets declined 13.1% (in sterling terms), compared to a benchmark decline of 9.5%. However, the Company's long-term track record of outright gains and outperformance remains intact. In the ten years ended March 2024, the portfolio outperformed its benchmark by a total of 23.4 percentage points.

Rebecca Jiang
Portfolio Manager

Howard Wang
Investment Advisor

Li Tan
Portfolio Manager

Setting the scene

China's economic recovery remained relatively tepid during the period under review, registering GDP growth of 5.2% in real terms. The key reason for this is that it is taking time for the economy to work through the challenges it faces, including the bursting of the property sector bubble and high local government indebtedness.

Domestic policy makers remain responsive but are reluctant to launch large scale stimulus packages, as China did in 2008 in the wake of the global financial crisis, mainly because of concerns about local government debt levels. In the National People's Congress meeting in March 2024, the Premier announced that the authorities are targeting GDP growth of 5% (in real terms) and a government deficit of 3% of GDP. He also indicated plans to issue USD1.0 trillion of ultra-long dated treasury bonds to support fiscal spending in regions where local governments are subject to austerity measures. These announcements aligned with matched expectations of modest fiscal expansion. The People's Bank of China (PBoC) continues to ease monetary policy via cuts in the reserve ratio and the loan prime rate. However, the PBoC wants to limit the exchange rate impact of monetary easing, so its scope to loosen monetary settings further is being constrained by stickier than expected US inflation, which is likely to prevent the Fed from cutting rates as quickly as many hoped.

Turning to developments in specific industries, property sales and investment in new development projects continued to decline in the first quarter of 2024 on a year-on-year basis. However, we saw more measures intended to stimulate demand in the property sector. On the demand side, we saw reductions in down payment requirements and mortgage rates, and the removal of purchase restrictions in almost all but the largest cities. On the supply side, the government is calling on banks and local governments to make a coordinated effort to prevent key developers from defaulting. Elsewhere, in an attempt to boost weak consumer confidence, central and local governments launched stimulatory measures such as subsidies for scrapped vehicles and home appliances. To support business confidence, governments promised fiscal support for investment in technological development and equipment upgrades, with details yet to be disclosed.

Thanks at least in part to all these measures, the Chinese economy started to show some signs of recovery during the first quarter of 2024. The purchasing managers index (PMI), which is a forward indicator of activity in the manufacturing sector, returned to 50.8% meaning the manufacturing sectors are growing compared to the previous month, and inflation turned positive in February 2024. Investors welcomed industry-specific stimulus policies, and stock market sentiment began to improve from a very low level, assisted by state-owned investment funds, which began buying domestic stock ETFs. This buying sent a very strong signal of the government's willingness to support capital markets.

Valuations remain very attractive compared with both long-term historic levels and other major stock markets, especially given the authorities' recent efforts to improve shareholder returns. Returns on equity (ROE) and dividend payout ratios have become important key performance indicators (KPIs) for managers of state-owned enterprises (SOEs), and they are being urged to increase dividend payouts and become more shareholder friendly. In addition, the security market regulator, the China Securities Regulatory Commission (CSRC), pledged to improve shareholder returns and to crack down on capital market misconduct. These policy initiatives are widely regarded as signals of a shift in the authorities' mindset, from viewing the equity market as a tool to fund economic growth to seeing it as the means of wealth creation for shareholders. With the economy stabilising, valuations attractively low and shareholder returns increasing, international investors are once again focusing their attention on Chinese stock markets.

Investment Manager's Report

The external environment still presents challenges, but we believe tensions between China and the US have eased significantly, following a series of high-level engagements, including a Biden-Xi summit, and visits by the US Secretary of State and Treasury Secretary to meet their Chinese counterparts. As President Biden says, the US wants competition, not confrontation, with China.

Performance commentary

Investing in Chinese equities has been especially challenging during the past three years. Some of the risks encountered were completely unanticipated and beyond the control of companies and investors. Many of the growth companies we favour failed to meet their forecasts, and valuations came under pressure from rising interest rates relevant to international investors. In addition, the decline in domestic interest rates increased the attraction of high dividend yielding stocks, creating another style headwind for the company.

Our style bias in favour of growth stocks remained a drag on performance over the past six months. The MSCI China Growth Index declined by 11.6% (in GBP terms), lagging the MSCI China Value Index, which fell by only 4.8%. The value sectors that we tend to underweight, including Financials, Energy and Materials, outperformed the benchmark. Amongst our more growth-oriented holdings, sector allocation and stock selection in healthcare were the biggest detractors, along with stock selection in industrials.

Within **Financials**, large SOE banks such as **China Construction Bank** and **Bank of China** outperformed our holdings of more market-oriented banks such as **China Merchants Bank**, which we believe possess better long-term growth prospects. The main reasons for the SOEs' outperformance are attractive high single digit dividend yields as a result of low valuations; and investors generally assume dividends will not be reduced as the dividend stream is an important source of revenue for the central government. Despite China Merchants Bank's recent underperformance, we have retained our long-term holding. We believe it is still the best managed Chinese bank, and its healthy ROE and capitalisation make it one of the few Chinese banks with real scope to increase dividend payouts. Elsewhere in the financial sector, life insurers, including **China Pacific Insurance** which we hold, underperformed the sector on concerns about downward pressure on premiums and returns, after regulators banned the sales of certain investment products.

Energy outperformed, lead by petroleum and coal companies, primarily due to their high dividend yields. We are zero-weighted in this sector, as we struggle to find companies with repeatable growth, and we think the high dividend yields are not sufficient to offset the inherent volatility of these businesses. We also avoid petroleum and coal companies due to the high carbon intensity of their products. **Materials** also outperformed as demand for copper and aluminum was better than expected, and the supply side responded to cyclical low demand for aluminium by cutting capacity. However, the high growth companies making innovative materials that we hold, such as **Sunresin New Material**, a supplier of specialist industrial resins, underperformed. The decline in Sunresin's valuation provided us with the opportunity to top up our position at an attractive level. Within this sector, we also like companies producing materials such as copper and lithium, that play an important role in the production and supply of renewable energy.

Our stock selection in **Health Care** and **Industrials** contributed negatively to our performance. **Wuxi Biologics** and **Asymchem**, our holdings in the contract development & manufacturing organisation (CDMO) sector, which conducts R&D on a contract basis, saw their share prices plummet after the US House of Representatives sought to pass the Biosecure Act, which would prevent US federally funded projects from employing Chinese CDMOs on national security grounds. Investors also worried that the Act, if passed, may also adversely impact the willingness of US pharmaceutical companies to use Chinese CDMOs, even though these commercial projects are not funded by the US government. We are retaining our position in Wuxi Biologics because its valuation is attractive after the share price fall, even allowing for geopolitical risks. In addition, this company's fundamental businesses are resilient, and it has been building global capacity during the past few years in response to client demand. Some of its European factories are becoming profitable, in part due to strong order growth from European pharmaceutical companies. Asymchem, although not specifically mentioned in the Biosecure Act, also saw its valuation drop due to the same concerns. In addition, the company suffered from temporary capacity underutilisation after the collapse in demand for COVID-related drugs.

Our holdings in several industrial names derated on concerns about sluggish fixed asset investment and oversupply in the solar and electric vehicle sectors. Affected holdings included **Shanghai Liangxin Electricals**, which specialises in low voltage electrical apparatus, **Hongfa Technology**, which produces electrical appliances and equipment, and **Jiangsu Hengli Hydraulic**, which supplies hydraulic pumps and electric motors for construction and other heavy machinery. We cannot dismiss the adverse impact of macroeconomic cyclicality on our industrial holdings, but there are lots of positive idiosyncratic factors in play, such as market share gains, growing export demand and new product launches, that we expect to support their outperformance over time. We made small adjustments to some position sizes but maintain our positive long-term assessment of our industrial holdings.

On the positive side, stock selection in some sectors has resulted in positive returns. At the sectoral level, our exposure to **Consumer Discretionary** contributed the most. Holdings in travel related names such as **Trip.com**, an online travel agency, and hotelier **H World** outperformed as leisure travel remained strong. Competition in this industry is benign and both companies executed really well. In the auto sector, we prefer to gain exposure to the rising penetration of electrical vehicles (EVs) globally through component makers such as **Fuyao Glass**, an auto glass maker, and **Hongfa Technology**, a high voltage relay maker, rather than via original equipment makers (OEM), which use those components to manufacturer equipment for use in EVs. Our decision not to own several EV OEMs, namely **Xpeng**, **Nio**, **Li Auto** and **BYD**, collectively contributed to relative returns. Despite exciting model launches, profitability in this industry struggles due to fierce competition between traditional auto OEMs and new entrants. In **Communication Services**, there was a positive contribution from **Kanzhun**, which operates Boss Zhipin, the largest online job matching platform in China. Boss Zhipin continues to gain market share and revenues. Judging from leading indicators on its platform, the overall employment market is recovering, which bodes well for future demand for its services. Not owning Baidu, the largest search engine, and Kuaishou, a short video social media platform, also contributed positively, as these companies are losing market share in their core businesses of online advertising and short video social media due to increased pressure from competitors.

Performance attribution

For the six months ended 31st March 2024

	%	%
Contributions to total returns		
Benchmark Return		**–9.5**
Sector allocation	1.0	
Stock allocation	–3.5	
Currency effect	0.1	
Gearing/Cash	–0.6	
Investment manager contribution		**–3.0**
Dividends/residual	0.2	
Portfolio return		**–12.3**
Management fee/other expenses	–0.8	
Return on net assets[A]		**–13.1**
Impact of change in discount		**1.2**
Return to shareholders[A]		**–11.9**

Source: FactSet, JPMAM and Morningstar.

Performance attribution analyses how the Company achieved its recorded performance relative to its benchmark index.

[A] Alternative Performance Measure ('APM').

A glossary of terms and APMs is provided on pages 31 to 33.

Investment Manager's Report

Transactions and sector allocation

Despite the adverse effect on recent performance of our bias towards growth stocks, we intend to maintain our preference for growth. Firstly, we believe that despite cyclical headwinds and talks about diversifying supply chains to include countries other than China, many Chinese companies remain capable and competitive on a global basis. In addition, we increasingly see our quality growth holdings launching 'self-help' measures to support their share prices, including cost cutting, more generous dividend payouts and large-scale buybacks.

Our sector weightings are largely unchanged. We remain overweight in sectors with long-term growth opportunities in information technology, internet platforms, health care, and globally competitive manufacturing businesses. Meanwhile, we continue to review our forecasts for some growth companies, as we want to concentrate our positions in companies in which we have the highest conviction.

We have executed more complete exits in the past six months than usual, in part to increase the concentration of our portfolio, and also because we reduced leverage in December to meet NAV covenants. We sold a few small positions where our conviction levels had waned. We also sold several outperformers whose valuations were looking expensive. For example, we took profits on **China Yangtze Power**, China's largest hydro power producer, which generates low-cost, eco-friendly electricity. Outperformance had pushed the dividend yield down to some 4% and, as its EPS growth looked set to remain in the low single digits, we sold the position. We also realised gains on **Shanghai Baosight Software**, a software and automation solution provider servicing the steel industry, and on **Beijing Kingsoft Office**, a business software provider.

We exited some positions when performance had disappointed expectations, forcing us to sell at a loss. For example, we sold two discretionary consumption plays, **Aier Eye Hospital** which specialises in treatments such as refractive eye surgery, and **Jiumaojiu International**, a casual dining restaurant chain. Originally, we expected these businesses to benefit from pent-up demand following the post-pandemic economic re-opening, but weak consumer confidence and deflation in the consumer sector made them far less attractive than we originally estimated. We also exited a few companies that operate in highly competitive industries, where we no longer have confidence in their ability to consolidate their positions. Sales in this group included **JD.com**, one of China's largest ecommerce platforms, **ZTO Express**, a delivery company, **Yunnan New Energy Material**, a lithium battery separator maker, and **Longi Green Energy Technology**, a manufacturer of solar wafers and panels.

We are still actively seeking and investing in structural growth opportunities. In January 2024, we bought a new position in **Taiwan Semiconductor Manufacturing Company** (TSMC). Its strong position in the semiconductor business is further cemented in the AI era by its capability in advanced node and its ownership of Chip-on-Wafer-on-Substrate (CoWoS), its proprietary packaging technology platform. TSMC's valuation is very attractive considering its status as an AI enabler. We also topped up **Foxconn Industrial Internet**, which makes communications network and cloud services equipment, including graphic processing units (GPU), for Nvidia, enterprise data centers and cloud service providers. The complexity, intensive energy consumption and rapid product evolution which characterise such businesses generate great growth opportunities for Foxconn. We bought a modest position in the world's largest lithium battery maker, **Contemporary Ampertex Technology Limited (CATL)**, a company which we have previously owned. This industry has been dogged by oversupply, and, reflecting this, CATL's valuation became more reasonable. Auto makers value CATL for its quality, and lower tier battery makers are struggling to compete, so the unit profit on its batteries has stabilised.

We are also looking for quality businesses offering great potential that are recovering from the cyclical downturn. We initiated a new position in **iQIYI**, a long video streaming platform, similar to Netflix. China's long video streaming industry has consolidated in the past few years into a duopoly, with iQIYI and Tencent Video as the two largest players. This has heralded a few positive changes, including lower content costs, higher membership fees, and the accumulation of content libraries that help retain members at low cost. These changes should see iQIYI's cash generation improve significantly, which will allow it to repay expensive borrowing and implement share buybacks.

In the broad consumer sector, we favour businesses with pricing power. We initiated a position in **Chacha Food**, the largest sunflower, nut and seed snack brand in China. The company's margins are improving thanks to efficiency gains and price hikes, and it has committed to maintaining its good track record of paying dividends by raising its payout ratio even further. We also bought **China Resources Sanjiu**, a market leader in traditional, over-the-counter Chinese medicines for minor ailments. Sanjiu has become a household name following decades of sophisticated brand building. Given its strong brand and its control of distribution channels, it has an ample capability to pass on raw material cost increases to its customers. In addition, as a highly cash generative and well-managed SOE, it is likely to gradually increase its payout ratio.

We maintain our focus on good ESG practices and our preference for quality, cash generative businesses that return excess capital to shareholders. As part of our active engagement on ESG matters with the companies in our portfolio, we have been encouraging them to improve shareholder returns via larger dividend payments and share buybacks.

Outlook

We believe the worst is probably behind us both in terms of the slowdown of China's economic growth, and the derating of Chinese equities. There are good reasons to view the outlook more positively. For a start, we see some signs of a domestic economic recovery. At the same time, exports have remained resilient throughout the economic downturn. Several domestically focused internet and consumer companies have become even more cash generative, thanks to improved operating efficiencies and reductions of non-core investments. Like the SOEs, they are returning more cash to shareholders. The property sector is also showing some signs of stabilising. After declining for two years, we believe sales of new homes are now close to a level justified by long-term trends in population growth and new family formation. The sector's drag on GDP is also diminishing, although it will still detract from growth this year. We expect 2024 to bring more local stimulus policies to support housing demand, and perhaps even a comprehensive clean-up of developers' bad loans. Contagion risks to the financial sector are contained at the moment, helped by provisions made in the past and the decline in deposit rates. In the solar and electric vehicle sectors, oversupply should ease gradually as some weaker, poorly-funded suppliers struggle to compete and eventually exit the market.

Valuations are now at very attractive levels. Using the conservative valuation metrics of price to book, the ratio of the MSCI China Index is 1.22x, a level only seen during SARS in 2003 and China's 2016 slowdown. Chinese stock markets are now priced more cheaply than they were during the 2008-2009 Global Financial Crisis. Geopolitics are partially to blame, but we believe this dampener on sentiment and risk appetite is abating. In the wake of several recent high level meetings between US and Chinese leaders and officials, it is now widely accepted that China and US will continue to compete in various areas, irrespective of which candidate wins the US Presidency. Direct confrontation and war is highly unlikely, as both parties agree that this would be counter to their best interests. Concerns regarding tensions across the Taiwan Strait also seem to have eased after Taiwan's presidential election proceeded peacefully. The victor, William Lai of the pro-independence Democratic Progressive Party, favours preserving Taiwan's current political status. As the election did not deliver a majority to any one party, it is highly unlikely that Taiwan's legislature will pass any radical resolution imposing pressure on the cross-strait relationship.

Valuations may be boosted over the medium term by official pressure to improve shareholder returns. Our portfolio should benefit accordingly. While many of our cash rich holdings are already increasing payout ratios and conducting buybacks, there is scope for some to do even more. While challenges undoubtedly remain, given the amount of risk, disappointment and possible pessimism priced into the market at current levels, we see potential for upside surprises to results and valuations in the next 12 months, possibly encouraged by ongoing market support from government financial institutions.

Investment Manager's Report

For all these reasons, we are becoming more optimistic about the prospects for Chinese equities over the coming financial year. We are determined to grasp the opportunities created by an economic and market recovery to claw back lost performance, and we look forward to reporting on the company's progress as our portfolio companies realise their true worth.

We thank you for your ongoing support.

Rebecca Jiang
Howard Wang
Li Tan
Investment Team

29th May 2024

List of Investments

As at 31st March 2024

Company	Country	Sector	31st March 2024 Valuation £'000	%[1]	30th September 2023 Valuation £'000	%[1]
Tencent	China HK listed	Communication Services	23,568	11.6	27,858	10.6
Alibaba	China HK listed	Consumer Discretionary	11,552	5.7	14,888	5.7
PDD[2]	China US listed	Consumer Discretionary	10,384	5.1	9,273	3.5
Meituan	China HK listed	Consumer Discretionary	10,319	5.1	13,355	5.1
NetEase	China HK listed	Communication Services	7,598	3.7	9,291	3.5
China Merchants Bank	China HK listed	Financials	7,027	3.5	5,419	2.1
KE Holdings[2]	China US listed	Real Estate	5,848	2.9	7,002	2.7
Kanzhun[2]	China US listed	Communication Services	5,830	2.9	5,338	2.0
Kweichow Moutai	China A Shares	Consumer Staples	5,774	2.8	5,730	2.2
Foxconn Industrial Internet	China A Shares	Information Technology	5,418	2.7	4,653	1.8
Ten Largest Investments*			**93,318**	**46.0**		
Trip.com[2]	China US & HK listed	Consumer Discretionary	4,956	2.4	4,861	1.8
H World	China HK listed	Consumer Discretionary	4,658	2.3	4,115	1.6
Haier Smart Home	China HK listed	Consumer Discretionary	4,412	2.2	4,734	1.8
Full Truck Alliance[2]	China US listed	Industrials	3,930	1.9	4,027	1.5
Focus Media Information Technology	China A Shares	Communication Services	3,921	1.9	4,974	1.9
China Pacific Insurance	China HK listed	Financials	3,851	1.9	5,065	1.9
BOE Technology	China A Shares	Information Technology	3,815	1.9	4,545	1.7
Fuyao Glass Industry	China HK listed	Consumer Discretionary	3,571	1.8	3,437	1.3
Montage Technology	China A Shares	Information Technology	3,441	1.7	4,085	1.6
Xinyi Solar	China HK listed	Information Technology	3,317	1.6	3,392	1.3
Kingdee International Software	China HK listed	Information Technology	3,147	1.5	3,635	1.4
Wuxi Biologics Cayman	China HK listed	Health Care	3,076	1.5	7,516	2.9
China Resources Mixc Lifestyle Services	China HK listed	Real Estate	3,006	1.5	4,059	1.5
Hongfa Technology	China A Shares	Industrials	2,988	1.5	2,903	1.1
Zhejiang Dingli Machinery	China A Shares	Industrials	2,943	1.4	2,851	1.1
Silergy	Taiwan listed	Information Technology	2,916	1.4	3,626	1.4
Shenzhou International	China HK listed	Consumer Discretionary	2,776	1.4	2,758	1.1
Shenzhen Mindray Bio-Medical Electronics	China A Shares	Health Care	2,702	1.3	3,098	1.2
Taiwan Semiconductor Manufacturing	Taiwan listed	Information Technology	2,675	1.3	—	—
Amoy Diagnostics[3]	China A Shares	Health Care	2,590	1.2	3,097	1.2
China Resources Sanjiu Medical & Pharmaceutical	China A Shares	Health Care	2,480	1.2	—	—
Sunresin New Materials	China A Shares	Materials	2,369	1.2	2,517	1.0
Contemporary Amperex Technology	China A Shares	Industrials	2,345	1.2	—	—
Zhuzhou CRRC Times Electric	China HK listed	Industrials	2,338	1.1	2,698	1.0
Chacha Food	China A Shares	Consumer Staples	2,236	1.1	—	—
Zhejiang Jingsheng Mechanical & Electrical	China A Shares	Information Technology	2,233	1.1	3,272	1.2
Imeik Technology Development	China A Shares	Health Care	1,902	0.9	2,259	0.9
Asymchem Laboratories Tianjin	China HK listed	Health Care	1,887	0.9	3,559	1.3
Anjoy Foods	China A Shares	Consumer Staples	1,865	0.9	2,266	0.9
Suzhou Maxwell Technologies	China A Shares	Information Technology	1,825	0.9	2,300	0.9
Shanghai Liangxin Electrical[3]	China A Shares	Industrials	1,781	0.9	3,038	1.1
Qingdao Haier Biomedical[3]	China A Shares	Health Care	1,753	0.9	2,023	0.8

List of Investments

List of Investments (continued)

As at 31st March 2024

Company	Country	Sector	31st March 2024 Valuation £'000	%[1]	30th September 2023 Valuation £'000	%[1]
Ningbo Tuopu	China A Shares	Consumer Discretionary	1,576	0.8	2,862	1.1
SUPCON Technology	China A Shares	Consumer Discretionary	1,541	0.8	1,666	0.6
Jiangsu Hengli Hydraulic	China A Shares	Industrials	1,470	0.7	3,645	1.4
ENN Energy	China HK listed	Utilities	1,424	0.7	1,625	0.6
Luzhou Laojiao	China A Shares	Consumer Staples	1,417	0.7	1,750	0.7
Hefei Meiya Optoelectronic Technology	China A Shares	Industrials	1,388	0.7	1,583	0.6
Beijing Huafeng Test & Control Technology	China A Shares	Information Technology	1,317	0.6	1,735	0.7
Starpower Semiconductor	China A Shares	Information Technology	1,200	0.6	1,584	0.6
Hangzhou First Applied Material	China A Shares	Information Technology	1,174	0.6	1,446	0.6
Guangzhou Kingmed Diagnostics	China A Shares	Health Care	1,123	0.6	1,309	0.5
Shanghai Baosight Software	China A Shares	Information Technology	1,097	0.5	1,786	0.8
iQIYI[2]	China US listed	Communication Services	1,009	0.5	—	—
Microport Scientific	China HK listed	Health Care	687	0.3	—	—
Total Investments			**203,446**	**100.0**		

[1] Based on total investments of £203.4m (30th September 2023: £262.0m). At 30th September 2023, the value of the ten largest investments amounted to £106.2m representing 40.5% of total investments.

[2] Includes American Depository Receipts (ADRs).

[3] Includes investments in Participatory Notes.

A glossary of terms and alternative performance measures is provided on pages 31 to 33.

Portfolio Analysis

Geographical Analysis

	31st March 2024		30th September 2023	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
China HK listed	48.3	74.4	50.7	75.6
China A Shares	34.0	17.0	36.3	16.1
China US listed	15.0	8.3	11.6	8.1
China B Shares	—	0.3	—	0.2
China Total	**97.3**	**100.0**	**98.6**	**100.0**
Taiwan	2.7	—	1.4	—
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £203.4m (2023: £262.0m).
[2] The Company's benchmark is the MSCI China Index with net dividends reinvested, in sterling terms.

Sector Analysis

	31st March 2024		30th September 2023	
	Portfolio %[1]	Benchmark %	Portfolio %[1]	Benchmark %
Consumer Discretionary	27.6	29.6	26.2	30.5
Communication Services	20.6	20.8	18.0	20.1
Information Technology	16.4	6.1	15.4	5.8
Industrials	9.4	5.2	12.1	5.2
Health Care	8.8	4.5	9.8	5.6
Consumer Staples	5.5	5.2	5.9	5.5
Financials	5.4	16.5	4.5	15.7
Real Estate	4.4	2.2	4.2	2.9
Utilities	0.7	2.6	2.3	2.3
Materials	1.2	3.5	1.6	3.3
Energy	—	3.8	—	3.1
Total	**100.0**	**100.0**	**100.0**	**100.0**

[1] Based on total investments of £203.4m (2023: £262.0m).

Condensed Statement of Comprehensive Income

	(Unaudited) Six months ended 31st March 2024			(Unaudited) Six months ended 31st March 2023			(Audited) Year ended 30th September 2023		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments held at fair value through profit or loss	—	(30,253)	(30,253)	—	20,148	20,148	—	(45,372)	(45,372)
Net foreign currency gains	—	923	923	—	4,542	4,542	—	4,740	4,740
Income from investments	615	—	615	270	—	270	3,305	—	3,305
Interest receivable and similar income[1]	33	—	33	290	—	290	440	—	440
Gross return/(loss)	**648**	**(29,330)**	**(28,682)**	**560**	**24,690**	**25,250**	**3,745**	**(40,632)**	**(36,887)**
Management fee	(231)	(692)	(923)	(329)	(988)	(1,317)	(617)	(1,851)	(2,468)
Other administrative expenses	(324)	—	(324)	(280)	—	(280)	(628)	—	(628)
Net return/(loss) before finance costs and taxation	**93**	**(30,022)**	**(29,929)**	**(49)**	**23,702**	**23,653**	**2,500**	**(42,483)**	**(39,983)**
Finance costs	(161)	(482)	(643)	(363)	(1,088)	(1,451)	(735)	(2,206)	(2,941)
Net (loss)/return before taxation	**(68)**	**(30,504)**	**(30,572)**	**(412)**	**22,614**	**22,202**	**1,765**	**(44,689)**	**(42,924)**
Taxation	(18)	—	(18)	(8)	—	(8)	(208)	—	(208)
Net (loss)/return after taxation	**(86)**	**(30,504)**	**(30,590)**	**(420)**	**22,614**	**22,194**	**1,557**	**(44,689)**	**(43,132)**
(Loss)/return per share (note 3)	**(0.10)p**	**(36.66)p**	**(36.76)p**	**(0.50)p**	**27.18p**	**26.68p**	**1.87p**	**(53.71)p**	**(51.84)p**

[1] Includes income from securities lending.

All revenue and capital items in the above statement derive from continuing operations. No operations were acquired or discontinued in the period.

The 'Total' column of this statement is the profit and loss account of the Company and the 'Revenue' and 'Capital' columns represent supplementary information prepared under guidance issued by the Association of Investment Companies.

The net return/(loss) after taxation represents the return/(loss) for the period and also the total comprehensive income.

Condensed Statement of Changes in Equity

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve[1] £'000	Capital reserves[2] £'000	Revenue reserve[2] £'000	Total £'000
Six months ended 31st March 2024 (Unaudited)								
At 30th September 2023	**20,803**	**80,951**	**3**	**581**	**37,392**	**90,042**	**—**	**229,772**
Proceeds from share forfeiture[3]	—	—	—	—	—	323	—	323
Net loss	—	—	—	—	—	(30,504)	(86)	(30,590)
Dividend paid in the period (note 4)	—	—	—	—	—	(4,593)	—	(4,593)
Refund of unclaimed dividends (note 4)	—	—	—	—	—	161	—	161
At 31st March 2024	**20,803**	**80,951**	**3**	**581**	**37,392**	**55,429**	**(86)**	**195,073**
Six months ended 31st March 2023 (Unaudited)								
At 30th September 2022	**20,803**	**80,951**	**3**	**581**	**37,392**	**144,556**	**—**	**284,286**
Net return/(loss)	—	—	—	—	—	22,614	(420)	22,194
Dividend paid in the period (note 4)	—	—	—	—	—	(5,692)	—	(5,692)
At 31st March 2023	**20,803**	**80,951**	**3**	**581**	**37,392**	**161,478**	**(420)**	**300,788**
Year ended 30th September 2023 (Audited)								
At 30th September 2022	**20,803**	**80,951**	**3**	**581**	**37,392**	**144,556**	**—**	**284,286**
Net (loss)/return	—	—	—	—	—	(44,689)	1,557	(43,132)
Dividend paid in the year (note 4)	—	—	—	—	—	(9,825)	(1,557)	(11,382)
At 30th September 2023	**20,803**	**80,951**	**3**	**581**	**37,392**	**90,042**	**—**	**229,772**

[1] Created during the year ended 30th September 1999, following a cancellation of the share premium account.

[2] These reserves form the distributable reserves of the Company and may be used to fund distribution to investors.

[3] During the period the Company undertook an Asset Reunification Program for its shareholders. In accordance with the Company's Articles of Association, shares that could not be traced to shareholders over 12 years old were forfeited. These shares were sold in the open market and the proceeds returned to the Company.

Condensed Statement of Financial Position

	(Unaudited) At 31st March 2024 £'000	(Unaudited) At 31st March 2023 £'000	(Audited) At 30th September 2023 £'000
Fixed assets			
Investments held at fair value through profit or loss	**203,446**	**348,361**	**262,005**
Current assets			
Debtors	74	954	157
Cash and cash equivalents	1,514	7,798	87
	1,588	8,752	244
Current liabilities			
Creditors: amounts falling due within one year[1]	(724)	(56,325)	(669)
Net current assets/(liabilities)	**864**	**(47,573)**	**(425)**
Total assets less current liabilities	**204,310**	**300,788**	**261,580**
Non current liabilities			
Creditors: amounts falling due after more than one year[1]	(9,237)	—	(31,808)
Net assets	**195,073**	**300,788**	**229,772**
Capital and reserves			
Called up share capital	20,803	20,803	20,803
Share premium	80,951	80,951	80,951
Exercised warrant reserve	3	3	3
Capital redemption reserve	581	581	581
Other reserve	37,392	37,392	37,392
Capital reserves	55,429	161,478	90,042
Revenue reserve	(86)	(420)	—
Total shareholders' funds	**195,073**	**300,788**	**229,772**
Net asset value per share (note 5)	**234.5p**	**361.5p**	**276.2p**

[1] As at 31st March 2024, £9.2m (31st March 2023: £52.6m; 30th September 2023: £31.8m) was drawn down from the loan facility.

Company registration number: 02853893

Condensed Statement of Cash Flows

	(Unaudited) Six months ended 31st March 2024 £'000	(Unaudited) Six months ended 31st March 2023 £'000	(Audited) Year ended 30th September 2023 £'000
Cash flows from operating activities			
Net (loss)/profit before finance costs and taxation	(29,929)	23,653	(39,983)
Adjustment for:			
Net losses/(gains) on investments held at fair value through profit or loss	30,253	(20,148)	45,372
Net foreign currency gains	(923)	(4,542)	(4,740)
Dividend income	(615)	(270)	(3,305)
Interest income	(13)	(117)	(216)
Realised (gains)/losses on foreign exchange transactions	(29)	(809)	95
Realised exchange losses on the JPMorgan USD Liquidity Fund	—	(310)	(990)
Increase in accrued income and other debtors	—	(12)	(8)
(Decrease)/increase in accrued expenses	(79)	(24)	44
Net outflow from operating activities before dividends and interest	**(1,335)**	**(2,579)**	**(3,731)**
Dividends received	680	310	3,068
Interest received	13	117	216
Net cash outflow from operating activities	**(642)**	**(2,152)**	**(447)**
Purchases of investments	(19,801)	(122,398)	(184,366)
Sales of investments	48,604	127,557	208,204
Net cash inflow from investing activities	**28,803**	**5,159**	**23,838**
Equity dividends paid (note 4)	(4,593)	(5,692)	(11,382)
Refund of unclaimed dividends (note 4)	161	—	—
Repayment of bank loan	(21,618)	(4,317)	(53,866)
Drawdown of bank loan	—	4,723	34,318
Proceeds from share forfeiture	323	—	—
Loan interest paid	(1,007)	(1,187)	(2,804)
Net cash outflow from financing activities	**(26,734)**	**(6,473)**	**(33,734)**
Increase/(decrease) in cash and cash equivalents	**1,427**	**(3,466)**	**(10,343)**
Cash and cash equivalents at start of period/year	87	10,950	10,950
Exchange movements	—	314	(520)
Cash and cash equivalents at end of period/year	**1,514**	**7,798**	**87**
Cash and cash equivalents consist of:			
Cash and short term deposits	481	272	83
Cash held in JPMorgan USD Liquidity Fund	1,033	7,526	4
Total	**1,514**	**7,798**	**87**

Notes to the Condensed Financial Statements

1. Financial Statements

The information contained within the condensed financial statements in this half year report has not been audited or reviewed by the Company's auditors.

The figures and financial information for the year ended 30th September 2023 are extracted from the latest published financial statements of the Company and do not constitute statutory accounts for that year. Those financial statements have been delivered to the Registrar of Companies and included the report of the auditors which was unqualified and did not contain a statement under either section 498(2) or 498(3) of the Companies Act 2006.

2. Accounting policies

The financial statements are prepared in accordance with the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice ('UK GAAP') including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (the 'SORP') issued by the Association of Investment Companies in July 2022.

FRS 104, 'Interim Financial Reporting', issued by the Financial Reporting Council ('FRC') in March 2015, has been applied in preparing this condensed set of financial statements for the six months ended 31st March 2024.

All of the Company's operations are of a continuing nature.

The accounting policies applied to this condensed set of financial statements are consistent with those applied in the financial statements for the year ended 30th September 2023.

3. (Loss)/return per share

	(Unaudited) Six months ended 31st March 2024 £'000	(Unaudited) Six months ended 31st March 2023 £'000	(Audited) Year ended 30th September 2023 £'000
(Loss)/return per share is based on the following:			
Revenue (loss)/return	(86)	(420)	1,557
Capital (loss)/return	(30,504)	22,614	(44,689)
Total (loss)/return	**(30,590)**	**22,194**	**(43,132)**
Weighted average number of shares in issue during the period/year	83,202,465	83,202,465	83,202,465
Revenue (loss)/return per share	(0.10)p	(0.50)p	1.87p
Capital (loss)/return per share	(36.66)p	27.18p	(53.71)p
Total (loss)/return per share	**(36.76)p**	**26.68p**	**(51.84)p**

Notes to the Condensed Financial Statements

4. Dividends paid

	(Unaudited) Six months ended 31st March 2024 £'000	(Unaudited) Six months ended 31st March 2023 £'000	(Audited) Year ended 30th September 2023 £'000
First quarterly interim dividend (2024: 2.76p; 2023: 3.42p)	2,296	2,846	2,846
Second quarterly interim dividend (2024: 2.76p; 2023: 3.42p)	2,297	2,846	2,846
Third quarterly interim dividend (2023: 3.42p)	—	—	2,845
Fourth quarterly interim dividend (2023: 3.42p)	—	—	2,845
Total dividends paid	**4,593**	**5,692**	**11,382**
Refund of unclaimed dividends over 12 years old	(161)	—	—
Net dividends paid	**4,432**	**5,692**	**11,382**

A third quarterly dividend of 2.76p has been declared for payment on 30th June 2024 for the financial year ending 30th September 2024.

Dividend payments in excess of the revenue amount will be paid out of the Company's distributable capital reserves.

5. Net asset value per share

	(Unaudited) Six months ended 31st March 2024	(Unaudited) Six months ended 31st March 2023	(Audited) Year ended 30th September 2023
Net assets (£'000)	195,073	300,788	229,772
Number of shares in issue	83,202,465	83,202,465	83,202,465
Net asset value per share	**234.5p**	**361.5p**	**276.2p**

6. Fair valuation of investments

The fair value hierarchy disclosures required by FRS 102 are given below:

	(Unaudited) Six months ended 31st March 2024		(Unaudited) Six months ended 31st March 2023		(Audited) Year ended 30th September 2023	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	200,116	—	332,785	—	256,299	—
Level 2	3,330[1]	—	15,576[2]	—	5,706[3]	—
Total	**203,446**	**—**	**348,361**	**—**	**262,005**	**—**

[1] Participatory Notes. 31st March 2024: (Shanghai Liangxin Electrical, Qingdao Haier Biomedical, Amoy Diagnostics).

[2] Participatory Notes. 31st March 2023: (Acrobiosystems, Amoy Diagnostics, Bestechnic, OPT Machine Vision, Qingdao Haier Biomedical, Shanghai Liangxin Electrical, SUPCON Technology).

[3] Participatory Notes. 30th September 2023: (Shanghai Liangxin Electrical, Amoy Diagnostics, Qingdao Haier Biomedical, Yunnan Energy New Material).

7. Analysis of Changes in Net Debt

	As at 30th September 2023 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st March 2024 £'000
Cash and cash equivalents				
Cash and short term deposits	83	398	—	481
Cash held in JPMorgan USD Liquidity Fund	4	1,029	—	1,033
	87	1,427	—	1,514
Borrowings				
Bank loan	(31,808)	21,618	953	(9,237)
Net debt	**(31,721)**	**23,045**	**953**	**(7,723)**

Interim Management Report

The Company is required to make the following disclosures in its half year report:

Principal and Emerging Risks and Uncertainties

Supported by a detailed risk matrix, the Board has identified the principal risks and uncertainties which face the Company. These risks fall into the following broad categories: geopolitical; investment underperformance; investment strategy; loss of Investment Team or Investment Manager; share price discount; corporate governance; shareholder relations; financial; cybercrime; fraud/other operating failures or weaknesses; legal and regulatory; global pandemics; ESG risk; and climate change. While these categories have not changed from those reported in the Strategic Report within the Annual Report and Financial Statements for the year ended 30th September 2023, the Board considers that some uncertainties within these categories have increased in risk since the year end and are monitoring them carefully. These include the continuing conflict between Russia and the Ukraine and more recently the conflict between Israel and Palestine, heightened tensions between the US and China, the introduction of trade-related sanctions by both the US and China, and fragile consumer demand in China. Last year, the Board also identified the following emerging risks: social unrest within China; and Artificial Intelligence.

Related Parties Transactions

During the first six months of the current financial year, no transactions with related parties have taken place which have materially affected the financial position or the performance of the Company during the period.

Going Concern

The Directors believe, having considered the Company's investment objectives, risk management policies, capital management policies and procedures, nature of the portfolio and expenditure projections, that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for the foreseeable future and, more specifically, that there are no material uncertainties pertaining to the Company that would prevent its ability to continue in such operational existence for at least 12 months from the date of the approval of this half yearly financial report. In reaching that view, the Directors have considered the impact of economic conditions in China, risks relating to the Chinese property market, the financial stability of provincial governments and continuing geopolitical tensions between China and the US on the Company's financial, operational position and market conditions. They have also considered the wider implications of the ongoing Russia-Ukraine conflict and more recently the conflict between Israel and Palestine. For these reasons, they consider there is reasonable evidence to continue to adopt the going concern basis in preparing the accounts.

Directors' Responsibilities

The Board of Directors confirms that, to the best of its knowledge:

(i) the condensed set of Financial Statements contained within the half yearly financial report has been prepared in accordance with FRS 104 'Interim Financial Reporting' and gives a true and fair view of the state of affairs of the Company and of the assets, liabilities, financial position and net return of the Company, as at 31st March 2024, as required by the UK Listing Authority Disclosure and Transparency Rule ('DTR') 4.2.4R; and

(ii) the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the UK Listing Authority Disclosure and Transparency Rules.

In order to provide these confirmations, and in preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business;

and the Directors confirm that they have done so.

For and on behalf of the Board

Alexandra Mackesy
Chairman

29th May 2024

Glossary of Terms and Alternative Performance Measures ('APMS') (Unaudited)

Return to Shareholders (APM)

Total return to shareholders, on a last traded price to last traded price basis, assuming that all dividends received were reinvested, without transaction costs, into the shares of the Company at the time the shares were quoted ex-dividend.

Total return calculation	Page	Six months ended 31st March 2024	
Opening share price (p)	6	244.5	(a)
Closing share price (p)	6	210.0	(b)
Total dividend adjustment factor[1]		1.026237	(c)
Adjusted closing share price (d = b x c)		215.5	(d)
Total return to shareholder (e = d / a – 1)		**–11.9%**	**(e)**

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Return on Net Assets (APM)

Total return on net asset value ('NAV') per share, on a bid value to bid value basis, assuming that all dividends paid out by the Company were reinvested, without transaction costs, into the shares of the Company at the NAV per share at the time the shares were quoted ex-dividend.

Total return calculation	Page	Six months ended 31st March 2024	
Opening cum-income NAV per share (p)	6	276.2	(a)
Closing cum-income NAV per share (p)	6	234.5	(b)
Total dividend adjustment factor[1]		1.023299	(c)
Adjusted closing cum-income NAV per share (d = b x c)		240	(d)
Total return on net assets (e = d / a – 1)		**–13.1%**	(e)

[1] The dividend adjustment factor is calculated on the assumption that the dividends paid out by the Company are reinvested into the shares of the Company at the last traded price quoted at the ex-dividend date.

Net asset value per share (APM)

The value of the Company's net assets (total assets less total liabilities) divided by the number of ordinary shares in issue. Please see note 5 on page 26 for detailed calculations.

Benchmark total return

Total return on the benchmark, on a closing-market value to closing-market value basis, assuming that all dividends received were reinvested, without transaction costs, in the shares of the underlying companies at the time the shares were quoted ex-dividend.

The benchmark (the MSCI China Index) is a recognised index of stocks which should not be taken as wholly representative of the Company's investment universe. The Company's investment strategy does not follow or 'track' this index and consequently, there may be some divergence between the Company's performance and that of the benchmark.

Glossary of Terms and Alternative Performance Measures ('APMS') (Unaudited)

Gearing/(Net Cash) (APM)

Gearing represents the excess amount above shareholders' funds of total investments, expressed as a percentage of the shareholders' funds.

If the amount calculated is negative, this is shown as a 'net cash' position.

Gearing calculation	Page	31st March 2024 £'000	30th September 2023 £'000	
Investments held at fair value through profit or loss	23	203,446	262,005	(a)
Net assets	23	195,073	229,772	(b)
Gearing (c = (a / b) – 1)		**4.3%**	**14.0%**	(c)

Ongoing Charges Ratio (APM)

The ongoing charges represent the Company's management fee and all other operating expenses excluding finance costs payable, expressed as a percentage of the average of the daily cum-income net assets during the year and is calculated in accordance with guidance issued by the Association of Investment Companies.

The figure for the year ending 30th September 2024 is an estimated annualised figure based on the actual figures for the six months ended 31st March 2024, plus estimated figures for the remaining six months to 30th September 2024.

Ongoing charges ratio calculation	Page	Estimate for the year ending 30th September 2024 £'000	30th September 2023 £'000	
Management Fee[1]	21	1,703	2,468	
Other administrative expenses	21	648	628	
Total management fee and other administrative expenses		2,351	3,096	(a)
Average daily cum-income net assets		202,333	275,769	(b)
Ongoing charges (c = a / b)		**1.16%**	**1.12%**	(c)

[1] With effect from 1st April 2024, the management fee is charged at a rate of 0.80% per annum on the first £400 million of net assets and 0.75% on net assets in excess of £400 million (previously it was 0.9% per annum on net assets).

Share Price Discount/(Premium) to Net Asset Value ('NAV') per Share (APM)

If the share price of an investment trust is lower than the NAV per share, the shares are said to be trading at a discount. The discount is shown as a percentage of the NAV per share.

The opposite of a discount is a premium. It is more common for an investment trust's shares to trade at a discount than at a premium (page 6).

Performance attribution

Analysis of how the Company achieved its recorded performance relative to its benchmark.

Performance Attribution Definitions:

Stock and sector selection

Measures the effect of investing in securities to a greater or lesser extent than their weighting in the benchmark, or of investing in securities which are not included in the benchmark.

Currency effect

Measures the impact of currency exposure differences between the Company's portfolio and its benchmark.

Gearing/(Net Cash)

Measures the impact on returns of borrowings or cash balances on the Company's relative performance.

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

Dividends/Residual

Represents timing differences in respect of cash flows and dividends.

Management fee/Other expenses

The payment of fees and expenses reduces the level of total assets, and therefore has a negative effect on relative performance.

Share Buyback

Measures the enhancement to net asset value per share of buying back the Company's shares for cancellation at a price which is less than the Company's net asset value per share.

Share Issuance

Measures the enhancement to net asset value per share of issuing shares in the Company at a price which is greater than the Company's net asset value per share.

American Depositary Receipts (ADRs)

Certificates that are traded on US stock exchanges representing a specified number of shares in a non-US company. ADRs are denominated and pay dividends in US dollars and may be traded like regular shares of stock.

China A-Shares

Companies incorporated in mainland China and which are traded in the mainland A-Share markets. The prices of A-Shares are quoted in renminbi, and currently, only Mainland Chinese Investors and selected Foreign Institutional Investors are allowed to trade A-Shares.

The Company invests directly in China A-Shares and also gains access to the A-Share market by investing into China A-Share access products (participatory notes).

China HK Listed

Companies incorporated in mainland China and listed in Hong Kong and other foreign stock exchanges.

Participatory Notes (or P-Notes)

Financial instruments used to gain access to markets with capital controls. The notes are derivative products issued by brokers or other financial institutions that are allowed to invest directly in the restricted market.

Shanghai-Hong Kong Stock Connect

A cross-boundary investment channel that connects the Shanghai Stock Exchange and the Hong Kong Stock Exchange. Under the programme, investors in each market are able to trade shares on the other market using their local brokers and clearing houses.

Shenzhen-Hong Kong Stock Connect

A cross-boundary investment channel that connects the Shenzhen Stock Exchange and the Hong Kong Stock Exchange. Under the programme, investors in each market are able to trade shares on the other market using their local brokers and clearing houses.

Investing in JPMorgan China Growth & Income plc

You can invest in a J.P. Morgan investment trust through the following:

1. Via a third party provider

Third party providers include:

AJ Bell Investcentre
Barclays Smart investor
Bestinvest
Charles Stanley Direct
Close brothers A.M. Self Directed Service
Fidelity Personal Investing
Freetrade
Halifax Share Dealing
Hargreaves Lansdown
iDealing
IG
Interactive investor
IWeb
ShareDeal active
Willis Owen
X-O.co.uk

Please note this list is not exhaustive and the availability of individual trusts may vary depending on the provider. These are third party providers and J.P. Morgan Asset Management does not endorse or recommend any. Please observe each provider's privacy and cookie policies as well as their platform charges structure.

2. Voting on Company Business and Attending its Annual General Meeting

The Board encourages all of its shareholders to exercise their rights and notes that many specialist platforms provide shareholders with the ability to receive company documentation, to vote their shares and to attend general meetings, at no cost. Please refer to your investment platform for more details, or visit the Association of Investment Companies' ('AIC') website at https://www.theaic.co.uk/how-to-vote-your-shares for information on which platforms support these services and how to utilise them.

3. Through a professional adviser

Professional advisers are usually able to access the products of all the companies in the market and can help you find an investment that suits your individual circumstances. An adviser will let you know the fee for their service before you go ahead. You can find an adviser at unbiased.co.uk

You may also buy investment trusts through stockbrokers, wealth managers and banks.

To familiarise yourself with the Financial Conduct Authority (FCA) adviser charging and commission rules, visit **fca.org.uk**

Investment and pension scams are often sophisticated and difficult to spot

Be a ScamSmart investor and spot the warning signs

Fraudsters will often:

- contact you out of the blue
- apply pressure to invest quickly
- downplay the risks to your money
- promise tempting returns that sound too good to be true
- say that they're only making the offer available to you or even ask you to not tell anyone else about it

How to avoid investment and pension scams

1 Reject unexpected offers
Scammers usually cold call, but contact can also come by email, post, word of mouth or at a seminar. If you've been offered an investment out of the blue, chances are it's a high risk investment or a scam.

2 Check the FCA Warning List
Use the FCA Warning List to check the risks of a potential investment – you can also search to see if the firm is known to be operating without our authorisation.

3 Get impartial advice
Get impartial advice before investing – don't use an adviser from the firm that contacted you.

If you're suspicious, report it

You can report the firm or scam to us by contacting our **Consumer Helpline** on **0800 111 6768** or using our reporting form using the link below.

If you've lost money in a scam, contact Action Fraud on 0300 123 2040 or www.actionfraud.police.uk

Be ScamSmart and visit www.fca.org.uk/scamsmart

Information about the Company

Financial Conduct Authority ('FCA') Regulation of 'non-mainstream pooled investments', MiFID II 'complex investments'

The Company currently conducts its affairs so that the shares issued by the Company can be recommended by independent financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The shares are excluded from the FCA's restrictions which apply to non-mainstream investment products because they are shares in an investment trust. The Company's ordinary shares are not considered to be 'complex instruments' under the FCA's 'Appropriateness' rules and guidance in the COB sourcebook.

Consumer Duty Value Assessment

The Manager conducted an annual value assessment on the Company in line with FCA rules set out in the Consumer Duty regulation. The assessment focuses on the nature of the product, including benefits received and its quality, limitations that are part of the product, expected total costs to clients and target market considerations. Within this, the assessment considers quality of services, performance of the Company (against both benchmark and peers), total fees (including management fees and entry and exit fees as applicable to the Company), and also considers whether all consumers, including vulnerable consumers, are able to receive fair value from the product. The Manager has concluded that the Company is providing value based on the above assessment.

Task Force on Climate-related Financial Disclosures

As a listed Investment Trust, the Company is exempt from Task Force on Climate-related Financial Disclosures ('TCFD') disclosures. However, in accordance with the requirements of the TCFD, on 30th June 2023, the Investment Manager published its first UK TCFD Report for the Company in respect of the year ended 31st December 2022. The report discloses estimates of the portfolio's climate-related risks and opportunities according to the FCA Environmental, Social and Governance Sourcebook and the TCFD Recommendations. The report is available on the Company's website: www.jpmchinagrowthandincome.co.uk

Information about the Company

History

JPMorgan China Growth & Income plc was launched in October 1993, as The Fleming Chinese Investment Trust plc, by a public offer of shares which raised £60 million before expenses. The Company changed its name to JPMorgan Fleming Chinese Investment Trust plc in December 2001 and then to JPMorgan Chinese Investment Trust plc in December 2005. The Company adopted its present name on 4th February 2020.

Directors

Alexandra Mackesy (Chairman of the Board, Nomination Committee and Management Engagement Committee)
David Graham (Chairman of the Audit Committee and Senior Independent Director)
Aditya Sehgal (Chairman of the Remuneration Committee)
Joanne Wong

Company Numbers

Company registration number: 02853893
London Stock Exchange Sedol number: 0343501

Ordinary Shares

ISIN: GB0003435012
Bloomberg ticker: JCGI LN
LEI: 549300S8M91P5FYONY25

Market Information

The Company's net asset value ('NAV') is published daily, via the London Stock Exchange. The Company's Ordinary shares are listed on the London Stock Exchange and are quoted daily in the Financial Times and on the J.P. Morgan website at www.jpmchinagrowthandincome.co.uk, where the Ordinary share price is updated every 15 minutes during trading hours.

Website

www.jpmchinagrowthandincome.co.uk

Share Transactions

The Company's shares may be dealt in directly through a stockbroker or professional adviser acting on an investor's behalf.

Manager and Company Secretary

JPMorgan Funds Limited

aic
The Association of Investment Companies

A member of the AIC

Company's Registered Office

60 Victoria Embankment
London EC4Y 0JP
Telephone: 0800 20 40 20 or +44 1268 44 44 70
email: invtrusts.cosec@jpmorgan.com

For company secretarial and administrative matters, please contact Lucy Dina at the above address.

Depositary

The Bank of New York Mellon (International) Limited
160 Queen Victoria Street
London EC4V 4LA

The Depositary has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

Registrars

Equiniti Limited
Reference 1078
Aspect House
Spencer Road
West Sussex BN99 6DA
Telephone number: +44 (0)371 384 2317

Lines open 8.30 a.m. to 5.30 p.m. Monday to Friday. Calls to the helpline will cost no more than a national rate call to a 01 or 02 number. If calling from outside of the UK, please ensure the country code is used.

Notifications of changes of address and enquiries regarding share certificates or dividend cheques should be made in writing to the Registrar quoting reference 1078.

Registered shareholders can obtain further details on their holdings on the internet by visiting www.shareview.co.uk.

Please Note: Computershare Investor Services Plc will be replacing Equiniti as the Company's Registrar shortly. Further information including full contact details will be made available to shareholders on the Company's website nearer the time and will be incorporated into all future shareholder communications following the transition.

Independent Auditor

BDO LLP
Statutory Auditor
55 Baker Street
London W1U 7EU

Brokers

Winterflood Securities Limited
The Atrium Building
Cannon Bridge
25 Dowgate Hill
London EC4R 2GA
Telephone number: 020 310 0000

CONTACT

60 Victoria Embankment
London
EC4Y 0JP
Freephone: 0800 20 40 20
Calls from outside the UK: +44 1268 44 44 70
Website: www.jpmchinagrowthandincome.co.uk

GB I104 | 05/24

J.P.Morgan
ASSET MANAGEMENT