

# JPMorgan China Growth & Income plc

Half Year Report & Financial Statements for the six months ended 31st March 2022



# KEY FEATURES

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## Your Company

### 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 Company aims to set a target annual dividend, in the absence of unforeseen circumstances, 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 the financial year and paid by way of four equal interim dividends on the first business day in December, March, June and September. In order to pay this, any shortfall on the dividend income received from the underlying investments of the portfolio will be paid out of capital reserves.

### Benchmark

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

### Risk

Investors should note that there can be significant economic and political risks inherent in investing in emerging economies. As such, 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 2022, the Company's issued share capital comprised 83,202,465 Ordinary shares of 25p each. No shares are held in Treasury.

### Continuation Vote

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 2023 and every fifth year thereafter.

### Management Company and Company Secretary

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

### FCA regulation of 'non-mainstream pooled investments' and MiFID II 'complex instruments'

The Company currently conducts its affairs so that the shares it issues can be recommended by Independent Financial Advisers to ordinary retail investors in accordance with the rules of the Financial Conduct Authority ('FCA') 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 shares are not classified as 'complex instruments' under the FCA's revised 'appropriateness' criteria adopted in the implementation of MiFID II.

### Association of Investment Companies ('AIC')

The Company is a member of the AIC.

### Website

The Company's website, which can be found at [www.jpchinagrowthandincome.co.uk](http://www.jpchinagrowthandincome.co.uk), includes useful information on the Company, such as daily prices, factsheets and current and historic half year and annual reports.

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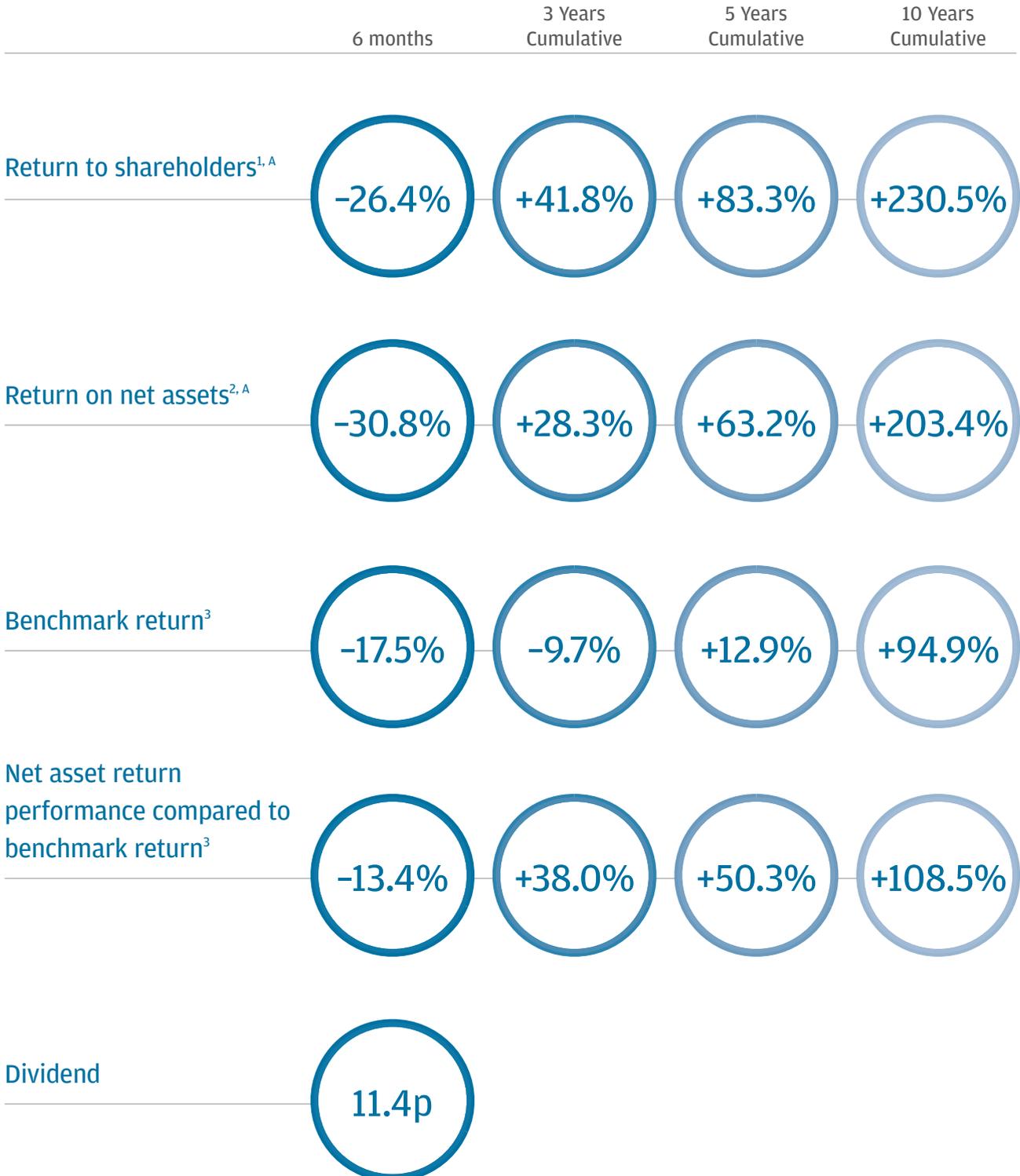
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# Half Year Performance

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**TOTAL RETURNS (INCLUDING DIVIDENDS REINVESTED)**

TO 31st MARCH 2022



<sup>1</sup> Source: Morningstar.

<sup>2</sup> Source: Morningstar/JPMorgan using cum-income net asset value per share.

<sup>3</sup> Source: MSCI. 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.

<sup>A</sup> Alternative Performance Measure (APM).

A glossary of terms and APMs is provided on pages 28 to 30.

# FINANCIAL HIGHLIGHTS

## SUMMARY OF RESULTS

	31st March 2022	30th September 2021	% change
Net assets (£'000)	320,557	473,402	-32.3
Number of shares in issue	83,202,465	83,202,465	—
Net asset value per share	385.3p	569.0p	-32.3 <sup>1</sup>
Share price	373.0p	518.0p	-28.0 <sup>2</sup>
Share price discount to net asset value <sup>A</sup>	3.2%	9.0%	
Ongoing charges <sup>A</sup>	1.09%	0.99%	
Gearing <sup>A</sup>	17.8%	10.2%	

<sup>1</sup> % change, excluding dividends paid. Including dividend, the total return is -30.8%.

<sup>2</sup> % change, excluding dividends paid. Including dividend, the total return is -26.4%.

<sup>A</sup> Alternative Performance Measure (APM).

A glossary of terms and APMs is provided on pages 28 to 30.

## Chairman's Statement

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**Alexandra Mackesy**  
Chairman

### Performance

In his final Chairman's Statement published in December 2021, my predecessor John Misselbrook warned of the inherent risks in investing in China. This comment proved timely: the six months ended 31st March 2022 turned out to be a challenging period for the Chinese economy, its stock markets and our Company. Already shaken by unexpected regulatory changes, slowing economic growth, concerns about the domestic property sector and heightened US-China tensions, sentiment towards Chinese stock markets deteriorated sharply from January 2022, amidst reports of new COVID lockdowns and concerns about the broader impact of Russia's invasion of Ukraine. Over the six months ended 31st March 2022, therefore, our Company's total return on net assets (with net dividends reinvested) fell 30.8%, underperforming the benchmark MSCI China Index's 17.5% decline (in sterling terms). The total return to shareholders for this period also fell by 26.4%.

The relative underperformance to the benchmark index is explained in the Investment Managers' Report on page 9. This report provides a detailed commentary on the portfolio positioning and the outlook for investing in China.

### Loan Facility and Gearing

The Investment 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 7.0% to 20.6%, ending the half year at 17.8%.

In July 2021, the Company renewed its £50 million loan facility (with an option to increase it to £60 million) with The Bank Nova Scotia for a further two years. In December 2021, the Board elected to use the accordion facility and thereby increased the loan to £60 million. As at 31st March 2022, £59.7 million of this facility was drawn down.

### Our Dividend Policy

At the Annual General Meeting in February 2020, shareholders approved an amendment to the Company's Articles of Association to allow the Company to distribute capital as income to enable the implementation of the revised dividend policy.

Shareholders are reminded that the target annual dividend of 4% of the Company's NAV on the last business day of the preceding financial year is announced at the start of each financial year, 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 March, June, September, and December.

On 1st October 2021, the Company announced that the cum income Net Asset Value at the close of business on 30th September 2021 (the Company's year-end) was 568.97 pence per share. In line with the Company's distribution policy, the Directors declared the first quarterly interim dividend of 5.7 pence per share. Since then, two further dividend declarations have been made on 4th January 2022 and 1st April 2022, both of 5.7 pence per share. With the planned final quarterly dividend of 5.7 pence per share on 1st July 2022, the 2022 annual dividend will be 22.8 pence per share (2021: 22.8p).

### Share Issuance during the Period

At the time of writing, the Company's issued share capital consists of 83,202,465 Ordinary shares. During the six months reporting period, the Company did not repurchase or issue any shares.

## Board of Directors

John Misselbrook retired as Chairman following the AGM in January 2022. He joined the Board in July 2012, becoming Chairman in 2018. On behalf of the Board, I would like to thank John for his exemplary leadership and his significant contribution to both the Board and the performance of the Company.

After careful consideration, the Board invited me to succeed John as Chairman. Following the retirement of Oscar Wong and the appointment of three new Directors during 2021, your Board believes that the current number of five Directors is an optimal number and appropriate for the size of the Company.

## Outlook and Strategy

The Company has navigated several periods of extreme volatility during the 28 years since its launch. In the short term, sentiment towards investing in China may well remain negative, given the uncertain prospects facing the global economy, the broader impact of the Russia-Ukraine war and China's dynamic COVID policy. Recent COVID lockdowns in selected Chinese cities have disrupted production and dampened consumption. Tightened restrictions on social activities and domestic travel since March have cast a shadow over the imminent recovery of the services sector and consumption.

That said, your Board continues to believe in the long term growth opportunities from investment in China. Supported by a well resourced and experienced research team in Hong Kong, China and Taiwan, our disciplined Investment Managers continue to find interesting companies in which to invest that are consistent with the structural growth bias of the Company's investment strategy. We remain confident that this investment strategy, combined with the depth of resources of our investment team, will enable us to deliver superior long-term returns.

**Alexandra Mackesy**

*Chairman*

24th May 2022





**Howard Wang**  
Investment Manager

During the six months to 31st March 2022, the Company delivered a total return on net assets of -30.8% (in sterling terms), compared to the benchmark return of -17.5%. While this performance is disappointing, it is not unusual for the Company to experience bouts of performance volatility over short periods. And the results for the review period stand in sharp contrast to the Company's track record of positive absolute returns and outperformance over the long term. The fund has outperformed its benchmark over three, five and ten years, delivering an average annualised return of +11.7% in net asset value (NAV) terms over the ten years to end March 2022, compared to a benchmark return of +6.9%.

### Setting the scene

The past six months were a challenging time for the Chinese economy. Annual GDP growth decelerated from 7.9% in Q221, to 4.8% in Q122. Consumption remained constrained by China's very stringent dynamic COVID policy, which has seen large cities such as Xi'an, Shenzhen and Shanghai, with populations of over 10m, under strict lockdowns. While exports held up incredibly well, despite global logistic bottlenecks, investment weakened. The government's attempt to stabilise the economy by stepping up infrastructure investment was not sufficient to offset the drop in property-related investments following the government's efforts to deflate China's property bubble.

Credit risk in the property sector was heightened in September 2021 when Evergrande, one of the largest private property developers, failed to honour interest payments on some of its debt. However, as we discussed in our last report, we see little risk that any private developers' liquidity problems will trigger systemic risk. We expect Evergrande to solve its liquidity problem at the individual project level, with the support of local governments, which are coordinating assistance measures with banks, suppliers and other developers. And as expected, the government has begun to ease constraints on the property sector as a whole. Purchase restrictions are being loosened, households' and developers' access to capital is improving and the cost of credit is declining.

China is also facing the same headwinds as the global economy - inflation and the war in Ukraine. In the case of inflation, the impact has so far been less severe than in the US and certain developed countries, as labour shortages are not an issue for China and food inflation is being dampened by the low pork price. But inflation has nonetheless impacted corporates, putting pressure on the margins of companies that lack the power to pass cost increases on to their customers.

Russia's invasion of Ukraine has also had limited ramifications for our portfolio companies, beyond the indirect effect on energy markets. We do not have any investments in companies engaging in defence and military activities, and for those few holdings that have operational facilities in Russia, the contribution to revenues and profits from this market is low, around low single digit percentages on average. In terms of energy, China does import 9% of its pipeline natural gas from Russia, but pipeline gas is priced independently in each region. However, LNG prices may experience higher than usual volatility going forward and China imports about 8% of its LNG from Russia.

### Performance commentary

Stock selection was the biggest detractor in performance over the review period, partially offset by sector allocation. Gearing also detracted.

Healthcare had the largest adverse impact on returns, due to some stock specific developments related to **Wuxi Biologics**, a contract research organisation, and two medical devices companies, **Broncus Holdings** and **Venus Medtech**. In February, two of **Wuxi Biologics'** facilities in China were included in the US Commerce Department's 'unverified list', which prohibited it from importing certain equipment and consumables from the US. The company's share price declined on this news, despite its strong financial performance and management confidence that it will receive US regulatory clearance in a few months. **Broncus** and **Venus Medtech** are facing increasing pricing pressure from China's central government procurement system. We have reduced positions in all of these companies.

Financials detracted mainly because we did not own large state-owned banks such as **China Construction Bank**, **Industrial & Commercial Bank of China** and **Bank of China**. We do not like their tepid long-term growth prospects. However, they outperformed the benchmark during the review period, as concerns about asset quality eased and investors priced in further monetary policy loosening.



**Rebecca Jiang**  
Investment Manager



**Shumin Huang**  
Head of Research

Performance was also hurt by our holdings in several internet companies, namely our overweights in **Bilibili**, a gaming and multimedia company, and internet retailers **Pinduoduo**, an ecommerce platform targeting the budget segment of consumers which sells clothing, household goods and auto accessories, and **Meituan**, which provides food deliveries and other consumer services. All have been affected by regulatory crackdowns. **Bilibili's** near term growth has been hindered by the delayed approval of new online games. **Pinduoduo** lacks a Hong Kong listing and was not able to provide a convincing explanation for it. This has raised concerns that it will be de-listed in the US if regulators on both sides cannot reach an agreement on access to audit drafts. In addition, growth in its core ecommerce business is slowing. We reduced positions in both Bilibili and Pinduoduo.

In the case of **Meituan**, the government recently published guidelines encouraging platform-based service companies like Meituan to support small and medium sized enterprises and employment in the broader service industry. Although not targeted at Meituan specifically, the guidelines were interpreted negatively by already nervous investors. However, we took this opportunity to add to our holding, as we remain optimistic about Meituan's long term growth prospects. It has abundant scope to expand its local service offerings.

Industrials made the largest positive contribution, mainly due to the continued strong performance of our overweight position in **Contemporary Amperex Technology (CATL)**, China's leading electronic vehicle (EV) lithium battery maker. Growth in its revenues, capital expenditure and margins continue to beat already-elevated market expectations thanks to the strength of global demand for EVs.

### Sector allocation and transactions

Our largest holdings remained mostly unchanged during the review period. In the social media and online entertainment sector, we maintained our large positions in **Tencent**, the internet content and information giant, **Bilibili** and **Netease**, another electronic gaming and multimedia company. In healthcare, meaningful positions include **Wuxi Biologics**, **Shenzhen Mindray Bio-medical** and **Asymchem Laboratories**. In technology, we hold enterprise software names **Kingdee International** and **Baosight Software**, and hardware names **Starpower Semiconductor** and **Silergy Corp**. In green technology, our largest positions are overweights in **Tongwei**, a producer of animal feed and polysilicon used in solar panels, and **CATL**.

While our largest holdings have been relatively stable, we have not been idle. We continue to build positions in areas where we see the greatest structural growth opportunities, namely Consumer, Technology and Healthcare and Green Energy. In fact, recent market volatility has increased the number of opportunities we see to invest in interesting companies with solid long term fundamentals, at attractive valuations. We have also adjusted exposure within these key sectors, to reflect our latest views following the annual result season and recent economic and geo-political developments.

In e-commerce, we completely exited internet retailer **Alibaba** and rotated into its rivals, **Meituan**, as discussed above, and **JD.com**. This switch reflected our view that Alibaba may struggle to return to high growth territory, even in a benign regulatory environment, while JD.com is, in our view, more likely to realise further growth in sales and margins. We also reduced exposure to companies hit hardest by China's severe COVID restrictions, including **Huazhu Group**, China's largest hotel group, and sportswear names **ANTA Sports** and **Topsports International**.

In an inflationary environment such as we currently face, companies with strong pricing power have particular appeal. For example, we initiated a new position in **Chongqing Brewery**, Carlsberg's China operation. This company has demonstrated strong brands and a capacity to develop new products appealing specifically to domestic consumers. We also added to selective property-related companies with solid balance sheets and long term growth opportunities, including customised furniture maker **Oppein Home**, home appliance supplier **Haier Smart Home**, and construction materials producer **SKSHU Paint**. All of these companies were trading at attractive levels following the government crackdown on China's overheated private property sector.

In the technology sector, we opened a position in software company **Hundsun Technology**, which has a dominant position in the supply of customised IT software systems to Chinese financial institutions. The IT budgets of these organisations are set to grow steadily, as China's capital markets become increasingly sophisticated and financial products replace property as the most popular investment

channel. Our acquisition of Hundsun was funded by reducing our exposure to some of the sector's outperformers, such as semiconductor names **Starpower Semiconductor** and **Montage**. Some other disposals within this sector were based on our view that certain forms of discretionary consumption may remain sluggish due to COVID lockdowns. We reduced tech hardware names that are primarily exposed to consumer electronics, namely **Sunny Optical**, which produces smart phone lenses, and **Maxscend Microelectronics**, a supplier of smart phone radio frequency chips and switches.

In healthcare, we participated in the initial public offering (IPO) of **Asymchem Laboratories**, a contract development and manufacturing organisation (CDMO) mainly serving multinational pharmaceutical companies. Asymchem is highly valued by its clients for its technical capabilities, that help them accelerate drug launches and reduce associated costs. We also initiated new positions in **Qingdao Haier Biomedical**, a medical equipment and services provider, and **Acrobiosystem**, a bio-reagent company specialising in the design and production of proteins for a wide variety of customers including biomedical research institutions and biotech companies. Both of these companies provide us with quality exposure to China's fast growing biomedical industry, with relatively low regulatory and product approval risks. However, we exited **Hengrui Medicine** and **Hualan Biological** on the back of pricing headwinds and disappointing new product pipelines. We also reduced a couple of small cap pharmaceutical and medical device companies that generate almost all their revenue within China and will therefore face continuous pricing pressure from centralised procurement policies.

In the green energy space we broadened our exposure on the view that this sector will require high levels of private and public investment if China is to achieve its target of zero carbon emission target by 2060, while simultaneously strengthening its energy independence. We initiated new positions in **China Longyuan Power**, the country's largest wind power generator, and **NARI Technology**, which provides 'smart' products and services necessary to run China's power grid as it transitions to renewable energy. We also bought **Sungrow Power Supply**, the world's largest solar panel inverter maker. These trades were partially funded by continuous reductions of outperformers **CATL**, **LONGi Green Energy** and **Yunnan New Energy Materials**.

In terms of gearing, the distressed valuations and associated opportunities we see in some areas led us to increase portfolio gearing to almost 20% during the period.

## Outlook

Global economic growth is facing mounting pressure from inflation, interest rate rises in the US and the UK and the war in Ukraine. In China, growth is likely to remain below trend. The government's dynamic COVID policy is delaying the service sector recovery, and manufacturing activities are also being disrupted by factory closures. We expect this policy to remain in place until most elderly people are vaccinated. Meanwhile, as lockdowns persist, manufacturing activities, the backbone of the Chinese economy, are being protected and prioritised over consumption. While energy prices in China may be insulated to some extent by existing supply and pricing arrangements with Russia, food prices are likely to increase due to shortages of grain, oil and fertilisers created by the war in Ukraine. All these factors are likely to impose downward pressure on corporate earnings, at least for the short term.

To offset the disruptions caused by COVID, as well as to ease pressure on the property sector, the Chinese authorities continue to loosen monetary and fiscal policy. But realistically, it may take time for these efforts to take effect, as consumer and business confidence and activity will not be restored until restrictions are lifted and daily life returns to some semblance of normality.

Elsewhere on the regulatory front, we are seeing some positive developments. China's Vice Premier Liu He hosted a meeting with the Financial Stability and Development Committee of the State Council to orchestrate a policy shift away from the deleveraging and de-risking measures imposed in the past couple of years, towards economic stabilisation and capital market development. One step in this direction is an apparent easing of regulatory controls on the internet sector. After an eight month hiatus, the government recently granted 45 publishing licences for domestic games - a meaningful concession that has boosted confidence in the outlook for the whole sector. And in April, the Politburo of the Chinese Communist Party announced that the 'rectification' of internet platforms is approaching completion and that it supports the healthy development of platform companies within this new regulatory framework.

## PERFORMANCE ATTRIBUTION

SIX MONTHS TO 31ST MARCH 2022

	%	%
<b>Contributions to total returns</b>		
<b>Benchmark Return</b>		<b>-17.5</b>
Sector and Stock Selection	-10.9	
Currency Effect	0.6	
Gearing/Cash	-2.7	
<b>Investment Manager Contribution</b>		<b>-13.0</b>
Dividends/Residual	0.2	
<b>Portfolio Return</b>		<b>-30.3</b>
Management Fees/Other Expenses	-0.5	
<b>Return on net assets<sup>A</sup></b>		<b>-30.8</b>
<b>Impact of change in discount</b>		<b>4.4</b>
<b>Return to shareholders<sup>A</sup></b>		<b>-26.4</b>

Source: FactSet, JPMAM and Morningstar.

All figures are on a total return basis.

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

<sup>A</sup> Alternative Performance Measure ('APM').

**A glossary of terms and APMS is provided on pages 28 to 30.**

Furthermore, tensions between China and the US seem to be diminishing. In March 2022, the Chinese Securities Regulation Committee announced that it was drafting policy which will give US regulators full access to the financial accounts of most US-listed Chinese companies. If an agreement on this issue can be reached, it will significantly reduce the delisting risk for Chinese companies listed in US. On the US side, the Biden administration has extended tariff exemptions on key Chinese imports until the end of 2022, to ease US inflationary pressures.

Although, as ever, China faces near term challenges, we remain optimistic about the long term prospects for Chinese equities, which will be supported by the admirable entrepreneurial spirit of China's private businesses and continuous improvements in living standards. The government's strong determination to digitalise, adopt other technological innovations and implement supply side structural reforms will also drive growth and productivity improvements over the medium term. In addition, recent market volatility has ensured that the valuations of Chinese equities are now very attractive. Our proprietary, five-year expected return model, as well as common market metrics such as price/earnings (P/E) and price to book (P/B) ratios, have all reached historical lows, suggesting that a strong, and protracted recovery in Chinese equities is soon likely.

We remain confident of our capacity to navigate the kind of short term market volatility we have experienced in recent months. We will continue to seek investment opportunities in those sectors best placed to benefit from secular trends and the government's long term policies. This tried and tested approach will, in our view, continue to provide positive returns and outperformance for our shareholders over the longer term.

**Howard Wang**  
**Rebecca Jiang**  
**Shumin Huang**  
*Investment Team*

24th May 2022

## AT 31ST MARCH 2022

Company	Sector	31st March 2022 Valuation		30th September 2021 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Tencent <sup>7</sup>	Communication Services	37,408	9.9	46,411	8.9
Meituan <sup>7</sup>	Consumer Discretionary	20,253	5.4	20,561	4.0
Wuxi Biologics Cayman <sup>7</sup>	Health Care	12,756	3.4	25,758	4.9
JD.com <sup>37</sup>	Consumer Discretionary	10,815	2.9	–	–
NetEase <sup>47</sup>	Communication Services	10,669	2.8	4,075	0.8
China Merchants Bank <sup>7</sup>	Financials	9,954	2.6	11,760	2.3
Kingdee International Software <sup>47</sup>	Information Technology	9,197	2.4	10,671	2.0
Tongwei <sup>49</sup>	Consumer Staples	8,673	2.3	8,275	1.6
Shanghai Baosight Software <sup>35</sup>	Information Technology	8,238	2.2	11,054	2.1
Bilibili <sup>7</sup>	Communication Services	7,782	2.1	5,146	1.0
<b>Ten Largest Investments</b>		<b>135,745</b>	<b>36.0</b>		
China Resources Mixc Lifestyle Services <sup>7</sup>	Real Estate	7,467	2.0	5,506	1.1
Pinduoduo <sup>28</sup>	Consumer Discretionary	7,286	1.9	17,451	3.4
Contemporary Amperex Technology <sup>9</sup>	Industrials	7,277	1.9	13,759	2.6
Country Garden Services <sup>7</sup>	Real Estate	7,270	1.9	11,559	2.2
ENN Energy <sup>7</sup>	Utilities	6,762	1.8	8,684	1.7
StarPower Semiconductor <sup>3,59</sup>	Information Technology	6,223	1.6	613	0.1
Shenzhen Inovance Technology <sup>9</sup>	Industrials	5,402	1.5	4,887	0.9
Silergy <sup>10</sup>	Information Technology	5,175	1.4	6,658	1.3
Xinyi Solar <sup>7</sup>	Information Technology	5,171	1.4	7,462	1.4
Hong Kong Exchanges & Clearing <sup>11</sup>	Financials	5,141	1.4	6,522	1.3
Sunny Optical Technology <sup>7</sup>	Information Technology	5,118	1.4	10,017	1.9
Haier Smart Home <sup>7</sup>	Consumer Discretionary	5,100	1.4	4,926	0.9
Montage Technology <sup>9</sup>	Information Technology	5,011	1.3	511	0.1
Shenzhen Mindray Bio-Medical Electronics <sup>9</sup>	Health Care	4,812	1.3	9,603	1.9
Asymchem Laboratories Tianjin <sup>3,7,9</sup>	Health Care	4,689	1.3	–	–
Huntsun Technologies <sup>39</sup>	Information Technology	4,650	1.2	–	–
Shenzhou International <sup>7</sup>	Consumer Discretionary	4,557	1.2	6,035	1.2
LONGi Green Energy Technology <sup>9</sup>	Information Technology	4,267	1.1	8,729	1.7
XPeng <sup>11</sup>	Consumer Discretionary	4,116	1.1	427	0.1
Kanzhun <sup>28</sup>	Communication Services	3,994	1.1	2,328	0.4
Wuliangye Yibin <sup>9</sup>	Consumer Staples	3,717	1.0	6,177	1.2
Shanghai Liangxin Electrical <sup>3,5,9</sup>	Industrials	3,708	1.0	1,208	0.2
China Longyuan Power <sup>37</sup>	Utilities	3,699	1.0	–	–
Sungrow Power Supply <sup>39</sup>	Industrials	3,541	0.9	–	–
Xinyi Glass <sup>311</sup>	Industrials	3,503	0.9	–	–
Bank of Ningbo <sup>9</sup>	Financials	3,472	0.9	3,974	0.8
NARI Technology <sup>39</sup>	Industrials	3,462	0.9	–	–
Foshan Haitian Flavouring & Food <sup>9</sup>	Consumer Staples	3,429	0.9	7,061	1.4

## LIST OF INVESTMENTS

Company	Sector	31st March 2022 Valuation		30th September 2021 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Yunnan Energy New Material <sup>9</sup>	Materials	3,422	0.9	9,078	1.7
Hangzhou Tigermed Consulting <sup>9</sup>	Health Care	3,335	0.9	5,716	1.1
OPT Machine Vision <sup>59</sup>	Information Technology	3,248	0.9	6,077	1.2
Guangzhou Kingmed Diagnostics <sup>9</sup>	Health Care	3,238	0.9	4,257	0.8
Changzhou Xingyu Automotive Lighting Systems <sup>9</sup>	Consumer Discretionary	3,189	0.9	3,166	0.6
Kangji Medical <sup>7</sup>	Health Care	3,158	0.8	4,429	0.8
ANTA Sports Products <sup>7</sup>	Consumer Discretionary	3,157	0.8	7,612	1.5
Jiangsu Hengli Hydraulic <sup>9</sup>	Industrials	3,120	0.8	4,160	0.8
Fuyao Glass Industry <sup>7</sup>	Consumer Discretionary	3,102	0.8	5,821	1.1
Advanced Micro-Fabrication Equipment <sup>9</sup>	Information Technology	3,087	0.8	3,364	0.6
Han's Laser Technology Industry <sup>9</sup>	Industrials	2,951	0.8	3,873	0.7
Zhejiang Supcon <sup>5,89</sup>	Information Technology	2,938	0.8	2,802	0.6
Huazhu <sup>2,28</sup>	Consumer Discretionary	2,912	0.8	5,333	1.1
Qingdao Haier Biomedical <sup>3,59</sup>	Health Care	2,849	0.8	–	–
Maxscend Microelectronics <sup>9</sup>	Information Technology	2,849	0.8	5,646	1.1
Skshu Paint <sup>9</sup>	Materials	2,756	0.7	2,748	0.5
Oppein Home <sup>9</sup>	Consumer Discretionary	2,737	0.7	3,578	0.7
Aier Eye Hospital <sup>9</sup>	Health Care	2,707	0.7	4,391	0.8
Beijing Kingsoft Office Software <sup>39</sup>	Information Technology	2,695	0.7	–	–
BeiGene <sup>7</sup>	Health Care	2,685	0.7	5,198	1.0
Anjoy Foods <sup>39</sup>	Consumer Staples	2,572	0.7	4,223	0.8
Proya Cosmetics <sup>39</sup>	Consumer Staples	2,465	0.6	–	–
Amoy Diagnostics <sup>59</sup>	Health Care	2,449	0.6	3,683	0.7
Jiumaojiu International <sup>7</sup>	Consumer Discretionary	2,387	0.6	4,287	0.8
JS Global Lifestyle <sup>11</sup>	Consumer Discretionary	2,384	0.6	3,494	0.7
Glodon <sup>9</sup>	Information Technology	2,371	0.6	3,892	0.7
BOE Technology <sup>59</sup>	Information Technology	2,360	0.6	6,398	1.3
Chongqing Brewery <sup>39</sup>	Consumer Staples	2,318	0.6	–	–
ZWSOFT <sup>3,5,9</sup>	Information Technology	2,310	0.6	3,601	0.7
Venus MedTech Hangzhou <sup>7</sup>	Health Care	2,128	0.6	5,751	1.1
JD Logistics <sup>7</sup>	Industrials	1,996	0.5	3,068	0.6
Sangfor Technologies <sup>9</sup>	Information Technology	1,872	0.5	4,333	0.8
Full Truck Alliance <sup>3,8</sup>	Industrials	1,803	0.5	–	–
ACROBiosystems <sup>3,5,9</sup>	Health Care	1,715	0.5	–	–
Everest Medicines <sup>7</sup>	Health Care	1,670	0.4	1,161	0.2
Hefei Meiya Optoelectronic Technology <sup>9</sup>	Industrials	1,657	0.4	2,258	0.4
Zhejiang Dingli Machinery <sup>9</sup>	Industrials	1,624	0.4	2,691	0.5

## LIST OF INVESTMENTS

Company	Sector	31st March 2022 Valuation		30th September 2021 Valuation	
		£'000	% <sup>1</sup>	£'000	% <sup>1</sup>
Angelalign Technology <sup>11</sup>	Health Care	1,569	0.4	2,447	0.5
Pop Mart International <sup>7</sup>	Consumer Discretionary	1,562	0.4	2,854	0.5
Leader Harmon <sup>3,5,9</sup>	Industrials	1,503	0.4	–	–
NIO <sup>2,3,8</sup>	Consumer Discretionary	1,199	0.3	–	–
Broncus <sup>11</sup>	Health Care	1,142	0.3	5,695	1.1
Suzhou Basecare Medical <sup>7</sup>	Health Care	725	0.2	1,207	0.2
<b>Total Investments</b>		<b>377,680</b>	<b>100.0</b>		

<sup>1</sup> Based on total investments of £377.6m (30th September 2021: £521.6m).

<sup>2</sup> American Depository Receipts (ADRs).

<sup>3</sup> Not held in the portfolio at 30th September 2021.

<sup>4</sup> Not held in the ten largest investments at 30th September 2021.

<sup>5</sup> Includes investments in Participatory Notes.

<sup>6</sup> Includes American Depository Receipts (ADRs)

<sup>7</sup> China HK listed.

<sup>8</sup> China US listed.

<sup>9</sup> China A Shares listed.

<sup>10</sup> Taiwan listed.

<sup>11</sup> Hong Kong listed.

At 30th September 2021, the value of the ten largest investments amounted to £191.8 million representing 36.7% of total investments.

A glossary of terms and alternative performance measures is provided on pages 28 to 30.

## PORTFOLIO ANALYSES

### GEOGRAPHICAL ANALYSIS

	31st March 2022		30th September 2021	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
China HK listed	50.0	73.4	46.3	70.0
China A Shares	38.9	16.7	37.6	14.6
China US listed	4.4	9.7	10.7	15.2
China B Shares	–	0.2	–	0.1
<b>China Total</b>	<b>93.3</b>	<b>100.0</b>	<b>94.6</b>	<b>99.9</b>
Hong Kong	4.7	–	4.1	0.1
Taiwan	1.4	–	1.3	–
Cash	0.6	–	–	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £377.7m (2021: £521.6m).

### SECTOR ANALYSIS

	31st March 2022		30th September 2021	
	Portfolio % <sup>1</sup>	Benchmark %	Portfolio % <sup>1</sup>	Benchmark %
Information Technology	20.3	6.2	21.5	6.8
Consumer Discretionary	19.8	28.1	22.2	31.4
Communication Services	15.9	17.6	14.0	17.6
Health Care	13.7	6.2	17.7	8.3
Industrials	11.0	5.8	7.4	5.1
Consumer Staples	6.1	5.6	5.6	5.1
Financials	4.9	17.1	4.4	13.9
Real Estate	3.9	4.4	3.3	4.4
Utilities	2.8	2.7	1.7	2.6
Materials	1.6	3.9	2.2	3.2
Energy	–	2.4	–	1.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> Based on total investments of £377.7m (2021: £521.6m).

# Financial Statements

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# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE SIX MONTHS ENDED 31ST MARCH 2022

	(Unaudited) Six months ended 31st March 2022			(Unaudited) Six months ended 31st March 2021			(Audited) Year ended 30th September 2021		
	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	–	(139,922)	(139,922)	–	46,278	46,278	–	3,485	3,485
Net foreign currency (losses)/gains	–	(1,335)	(1,335)	–	2,352	2,352	–	1,364	1,364
Income from investments	283	–	283	330	–	330	2,966	–	2,966
Interest receivable and similar income <sup>1</sup>	225	–	225	326	–	326	646	–	646
<b>Gross return/(loss)</b>	<b>508</b>	<b>(141,257)</b>	<b>(140,749)</b>	<b>656</b>	<b>48,630</b>	<b>49,286</b>	<b>3,612</b>	<b>4,849</b>	<b>8,461</b>
Management fee	(483)	(1,450)	(1,933)	(544)	(1,632)	(2,176)	(1,143)	(3,429)	(4,572)
Other administrative expenses	(320)	–	(320)	(243)	–	(243)	(540)	–	(540)
<b>Net (loss)/return before finance costs and taxation</b>	<b>(295)</b>	<b>(142,707)</b>	<b>(143,002)</b>	<b>(131)</b>	<b>46,998</b>	<b>46,867</b>	<b>1,929</b>	<b>1,420</b>	<b>3,349</b>
Finance costs	(89)	(268)	(357)	(102)	(307)	(409)	(195)	(580)	(775)
<b>Net (loss)/return before taxation</b>	<b>(384)</b>	<b>(142,975)</b>	<b>(143,359)</b>	<b>(233)</b>	<b>46,691</b>	<b>46,458</b>	<b>1,734</b>	<b>840</b>	<b>2,574</b>
Taxation	–	–	–	(14)	–	(14)	(171)	–	(171)
<b>Net (loss)/return after taxation</b>	<b>(384)</b>	<b>(142,975)</b>	<b>(143,359)</b>	<b>(247)</b>	<b>46,691</b>	<b>46,444</b>	<b>1,563</b>	<b>840</b>	<b>2,403</b>
<b>(Loss)/return per share (note 3)</b>	<b>(0.46)p</b>	<b>(171.84)p</b>	<b>(172.30)p</b>	<b>(0.32)p</b>	<b>61.23p</b>	<b>60.91p</b>	<b>1.97p</b>	<b>1.06p</b>	<b>3.03p</b>

<sup>1</sup> 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 (loss)/return after taxation represents the (loss)/return for the period and also the total comprehensive income.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE SIX MONTHS ENDED 31ST MARCH 2022

	Called up share capital £'000	Share premium £'000	Exercised warrant reserve £'000	Capital redemption reserve £'000	Other reserve <sup>1,2</sup> £'000	Capital reserves <sup>2</sup> £'000	Revenue reserve <sup>2</sup> £'000	Total £'000
<b>Six months ended 31st March 2022 (Unaudited)</b>								
At 30th September 2021	20,803	80,951	3	581	37,392	333,672	–	473,402
Net loss	–	–	–	–	–	(142,975)	(384)	(143,359)
Dividends paid in the period (note 4)	–	–	–	–	(9,486)	–	–	(9,486)
<b>At 31st March 2022</b>	<b>20,803</b>	<b>80,951</b>	<b>3</b>	<b>581</b>	<b>27,906</b>	<b>190,697</b>	<b>(384)</b>	<b>320,557</b>
<b>Six months ended 31st March 2021 (Unaudited)</b>								
At 30th September 2020	19,481	13,321	3	581	37,392	340,185	–	410,963
Issue of Ordinary shares	972	29,920	–	–	–	–	–	30,892
Issue of shares from Treasury	–	28,613	–	–	–	9,007	–	37,620
Net return/(loss)	–	–	–	–	–	46,691	(247)	46,444
Dividends paid in the period (note 4)	–	–	–	–	–	(8,510)	–	(8,510)
<b>At 31st March 2021</b>	<b>20,453</b>	<b>71,854</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>387,373</b>	<b>(247)</b>	<b>517,409</b>
<b>Year ended 30th September 2021 (Audited)</b>								
At 30th September 2020	19,481	13,321	3	581	37,392	340,185	–	410,963
Issue of Ordinary shares	1,322	39,111	–	–	–	–	–	40,433
Issue of shares from Treasury	–	28,613	–	–	–	9,007	–	37,620
Project costs - in relation to issue of new shares	–	(94)	–	–	–	–	–	(94)
Net return	–	–	–	–	–	840	1,563	2,403
Dividend paid in the year (note 4)	–	–	–	–	–	(16,360)	(1,563)	(17,923)
<b>At 30th September 2021</b>	<b>20,803</b>	<b>80,951</b>	<b>3</b>	<b>581</b>	<b>37,392</b>	<b>333,672</b>	<b>–</b>	<b>473,402</b>

<sup>1</sup> Created during the year ended 30th September 1999, following a cancellation of the share premium account.

<sup>2</sup> These reserves form the distributable reserves of the Company and may be used to fund distribution to investors.

# STATEMENT OF FINANCIAL POSITION

## AT 31ST MARCH 2022

	(Unaudited) 31st March 2022 £'000	(Unaudited) 31st March 2021 £'000	(Audited) 30th September 2021 £'000
<b>Fixed assets</b>			
Investments held at fair value through profit or loss	377,680	563,208	521,634
<b>Current assets</b>			
Debtors	888	1,106	4,264
Cash and cash equivalents	1,895	1,822	36
	2,783	2,928	4,300
<b>Current liabilities</b>			
Creditors: amounts falling due within one year <sup>1</sup>	(248)	(48,727)	(4,206)
<b>Net current liabilities</b>	<b>2,535</b>	<b>(45,799)</b>	<b>94</b>
<b>Total assets less current liabilities</b>	<b>380,215</b>	<b>517,409</b>	<b>521,728</b>
Creditors: amounts falling due after more than one year <sup>1</sup>	(59,658)	–	(48,326)
<b>Net assets</b>	<b>320,557</b>	<b>517,409</b>	<b>473,402</b>
<b>Capital and reserves</b>			
Called up share capital	20,803	20,453	20,803
Share premium	80,951	71,854	80,951
Exercised warrant reserve	3	3	3
Capital redemption reserve	581	581	581
Other reserve	27,906	37,392	37,392
Capital reserves	190,697	387,373	333,672
Revenue reserve	(384)	(247)	–
<b>Total shareholders' funds</b>	<b>320,557</b>	<b>517,409</b>	<b>473,402</b>
<b>Net asset value per share (note 5)</b>	<b>385.3p</b>	<b>632.5p</b>	<b>569.0p</b>

<sup>1</sup> As at 31st March 2022, £59.7m (31st March 2021: £48.3m; 30th September 2021: £47.2m) was drawn down from the loan facility.

Company registration number: 02853893

## STATEMENT OF CASH FLOWS

### FOR THE SIX MONTHS ENDED 31ST MARCH 2022

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
Net cash outflow from operations before dividends and interest (note 6)	(2,579)	(2,710)	(5,140)
Dividends received	237	532	2,966
Interest received	1	7	8
Interest paid	(327)	(402)	(801)
<b>Net cash outflow from operating activities</b>	<b>(2,668)</b>	<b>(2,573)</b>	<b>(2,967)</b>
Purchases of investments	(156,164)	(203,840)	(385,098)
Sales of investments	159,858	141,306	320,797
Settlement of foreign currency contracts	(147)	24	51
<b>Net cash inflow/(outflow) from investing activities</b>	<b>3,547</b>	<b>(62,510)</b>	<b>(64,250)</b>
Dividends paid	(9,486)	(8,510)	(17,923)
Issue of Ordinary shares	–	30,892	40,433
Reissue of shares from Treasury	–	37,620	37,620
Project costs - in relation to issue of new shares	–	–	(94)
Drawdown of bank loans	9,995	6,800	6,800
Utilisation of bank overdraft	(124)	–	124
<b>Net cash inflow from financing activities</b>	<b>385</b>	<b>66,802</b>	<b>66,960</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,264</b>	<b>1,719</b>	<b>(257)</b>
Cash and cash equivalents at start of period/year	36	343	343
Exchange movements	595	(240)	(50)
Cash and cash equivalents at end of period/year	1,895	1,822	36
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,264</b>	<b>1,719</b>	<b>(257)</b>
<b>Cash and cash equivalents consist of:</b>			
Cash and short term deposits	1,516	372	36
Cash held in JPMorgan US Dollar Liquidity Fund	379	1,450	–
<b>Total</b>	<b>1,895</b>	<b>1,822</b>	<b>36</b>

### RECONCILIATION OF NET DEBT

	As at 30th September 2021 £'000	Cash flows £'000	Other non-cash charges £'000	As at 31st March 2022 £'000
<b>Cash and cash equivalents</b>				
Cash	36	882	598	1,516
Cash equivalents	–	382	(3)	379
	36	1,264	595	1,895
<b>Borrowings</b>				
Overdraft	(124)	124	–	–
Bank loan	(48,326)	(9,995)	(1,337)	(59,658)
	(48,450)	(9,871)	(1,337)	(59,658)
<b>Total</b>	<b>(48,414)</b>	<b>(8,607)</b>	<b>(742)</b>	<b>(57,763)</b>

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 31ST MARCH 2022

### 1. Financial statements

The information contained within the 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 2021 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 April 2021.

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 2021.

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 2021.

### 3. (Loss)/return per share

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
(Loss)/Return per share is based on the following:			
Revenue (loss)/return	(384)	(247)	1,563
Capital (loss)/return	(142,975)	46,691	840
<b>Total (loss)/return</b>	<b>(143,359)</b>	<b>46,444</b>	<b>2,403</b>
Weighted average number of shares in issue during the period/year	83,202,465	76,252,710	79,481,601
Revenue (loss)/return per share	(0.46)p	(0.32)p	1.97p
Capital (loss)/return per share	(171.84)p	61.23p	1.06p
<b>Total (loss)/return per share</b>	<b>(172.30)p</b>	<b>60.91p</b>	<b>3.03p</b>

**4. Dividends paid**

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
2022 first quarterly interim dividend of 5.7p (2021: 5.7p)	4,743	4,144	4,144
2022 second quarterly interim dividend of 5.7p (2021: 5.7p)	4,743	4,366	4,366
2021 third quarterly interim dividend of 5.7p	–	–	4,671
2021 fourth quarterly interim dividend of 5.7p	–	–	4,742
<b>Total dividends paid</b>	<b>9,486</b>	<b>8,510</b>	<b>17,923</b>

A third quarterly dividend of 5.7p has been declared for payment on 1st June 2022 for the financial year ending 30th September 2022.

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

**5. Net asset value per share**

	(Unaudited) Six months ended 31st March 2022	(Unaudited) Six months ended 31st March 2021	(Audited) Year ended 30th September 2021
Net assets (£'000)	320,557	517,409	473,402
Number of shares in issue	83,202,465	81,804,965	83,202,465
<b>Net asset value per share</b>	<b>385.3p</b>	<b>632.5p</b>	<b>569.0p</b>

**6. Reconciliation of net (loss)/return before finance costs and taxation to net cash outflow from operations before dividends and interest**

	(Unaudited) Six months ended 31st March 2022 £'000	(Unaudited) Six months ended 31st March 2021 £'000	(Audited) Year ended 30th September 2021 £'000
Net (loss)/return before finance costs and taxation	(143,002)	46,867	3,349
Add capital loss/(less capital return) before finance costs and taxation	142,707	(46,998)	(1,420)
Scrip dividends received as income	–	–	(45)
(Increase)/decrease in accrued income and other debtors	(73)	192	214
(Decrease)/increase in accrued expenses	(78)	(11)	19
Management fee charged to capital	(1,450)	(1,632)	(3,429)
Tax on unfranked investment income	–	(2)	(159)
Dividends received	(237)	(532)	(2,966)
Interest received	(1)	(7)	(8)
Realised losses on foreign currency transactions	(496)	(5)	(128)
Exchange gain/(losses) on liquidity fund	51	(582)	(567)
<b>Net cash outflow from operations before dividends and interest</b>	<b>(2,579)</b>	<b>(2,710)</b>	<b>(5,140)</b>

## 7. Fair valuation of investments

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

	(Unaudited) Six months ended 31st March 2022		(Unaudited) Six months ended 31st March 2021		(Audited) Year ended 30th September 2021	
	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
Level 1	350,709	–	530,821	–	476,548	–
Level 2	26,971 <sup>1</sup>	–	32,387 <sup>2</sup>	–	45,086 <sup>3</sup>	–
<b>Total</b>	<b>377,680</b>	<b>–</b>	<b>563,208</b>	<b>–</b>	<b>521,634</b>	<b>–</b>

<sup>1</sup> Participatory notes. 31st March 2022: (ACROBiosystems, Amoy Diagnostics, BOE Technology, Leader Harmon, OPT Machine Vision, Qingdao Haier Biomedical, Shanghai Baosight, StarPower Semiconductor, Zhejiang Supcon, ZWSOFT).

<sup>2</sup> Participatory notes. 31st March 2021: (Montage Technology, Beijing Kingsoft, StarPower Semiconductor, Shanghai Baosight, Fujian Anjoy Foods, Leader Harmonious, Autibio Diagnostics, Han's Laser Technology, Amoy Diagnostics, Jiangsu Heng, Zhongji Innolight).

<sup>3</sup> Participatory notes. 30th September 2021: (Amoy Diagnostics, Beijing Kingsoft, BOE Technology, Jiangsu Hengshun Vinegar Industry, Leader Harmonious Drive Systems, Montage Technology, OPT Machine Vision, Shanghai Baosight, Shanghai Lian, StarPower, Zhejiang Supcon, ZWSOFT).

# Interim Management Report

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

### Principal and Emerging Risks and Uncertainties

The principal and emerging risks and uncertainties faced by the Company fall into the following broad categories: geopolitical; investment underperformance; strategy and business management; loss of Investment Team or investment Manager; share price discount; governance; corporate governance and shareholder relations; financial; operational and cybercrime; legal and regulatory; global pandemics; and climate change. Information on each of these areas is given in the Strategic Report within the Annual Report and Financial Statements for the year ended 30th September 2021. During the reporting period, the Board has also added the war in Ukraine and the dynamic COVID policy in China to its emerging risks.

### 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, subject to shareholders voting in favour of continuation at the AGM in 2023. 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 2022, 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*

24th May 2022

## Shareholder Information

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**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	Six months ended		
	Page	31st March 2022	
Opening share price (p)	4	518.0	(a)
Closing share price (p)	4	373.0	(b)
Total dividend adjustment factor <sup>1</sup>		1.02272	(c)
Adjusted closing share price (d = b x c)		381.5	(d)
<b>Total return to shareholders (e = d / a - 1)</b>		<b>-26.4%</b>	<b>(e)</b>

<sup>1</sup> 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	Six months ended		
	Page	31st March 2022	
Opening cum-income NAV per share (p)	4	569.0	(a)
Closing cum-income NAV per share (p)	4	385.3	(b)
Total dividend adjustment factor <sup>1</sup>		1.021665	(c)
Adjusted closing cum-income NAV per share (d = b x c)		393.6	(d)
<b>Total return on net assets (e = d / a - 1)</b>		<b>-30.8%</b>	<b>(e)</b>

<sup>1</sup> 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 23 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 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.

**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.

## GLOSSARY OF TERMS AND ALTERNATIVE PERFORMANCE MEASURES ('APMs')

		31st March 2022 £'000	30th September 2021 £'000	
<b>Gearing calculation</b>	<b>Page</b>			
Investments held at fair value through profit or loss	20	377,680	521,634	(a)
Net assets	20	320,557	473,402	(b)
<b>Gearing (c = a / b - 1)</b>		<b>17.8%</b>	<b>10.2%</b>	<b>(c)</b>

### Ongoing Charges (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 as at 31st March 2021 is an estimated annualised figure based on the actual figures for the six months ended 31st March 2021.

		31st March 2022 £'000	30th September 2021 £'000	
<b>Ongoing charges calculation</b>	<b>Page</b>			
Management Fee <sup>1</sup>	18	3,866	4,572	
Other administrative expenses	18	640	540	
Total management fee and other administrative expenses		4,506	5,112	(a)
Average daily cum-income net assets		413,587	514,343	(b)
<b>Ongoing charges (c = a / b)</b>		<b>1.09%</b>	<b>0.99%</b>	<b>(c)</b>

<sup>1</sup> With effect from 1st April 2021, the management fee was amended from 1% per annum of the Company's total assets less current liabilities, after adding back any loans, to 0.9% per annum of the Company's net assets. Therefore, the management fees for the second half of the year ended 30th September 2021 are calculated under the new fee structure.

### 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 4).

### 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.

##### 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 B-Shares**

Companies incorporated in mainland China and traded on the mainland B-Share markets. The prices of B-Shares are quoted in US dollars and are available to both Mainland Chinese Investors and Foreign Institutional Investors.

**Hong Kong H-Shares**

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

**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.

**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.

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 You Invest	Halifax
Barclays Smart Investor	Hargreaves Lansdown
Charles Stanley Direct	Interactive Investor
Fidelity FundsNetwork	

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

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 [www.theaic.co.uk/aic/shareholder-voting-consumer-platforms](http://www.theaic.co.uk/aic/shareholder-voting-consumer-platforms) for information on which platforms support these services and how to utilise them.

### 2. 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](http://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](http://fca.org.uk)

## Be ScamSmart

### Investment scams are designed to look like genuine investments

#### Spot the warning signs

Have you been:

- contacted out of the blue
- promised tempting returns and told the investment is safe
- called repeatedly, or
- told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

#### Avoid investment fraud

##### 1 Reject cold calls

If you've received unsolicited contact about an investment opportunity, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is to hang up.

##### 2 Check the FCA Warning List

The FCA Warning List is a list of firms and individuals we know are operating without our authorisation.

##### 3 Get impartial advice

Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

**Remember: if it sounds too good to be true, it probably is!**

#### Report a Scam

If you suspect that you have been approached by fraudsters please tell the FCA using the reporting form at [www.fca.org.uk/consumers/report-scam-unauthorised-firm](http://www.fca.org.uk/consumers/report-scam-unauthorised-firm). You can also call the FCA Consumer Helpline on **0800 111 6768**

If you have lost money to investment fraud, you should report it to Action Fraud on 0300 123 2040 or online at [www.actionfraud.police.uk](http://www.actionfraud.police.uk)

**Find out more at**  
[www.fca.org.uk/scamsmart](http://www.fca.org.uk/scamsmart)



## 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	March/June/September/December
Annual General Meeting	January/February

### 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 in December 2001 and adopted its present name on 4th February 2020.

### Directors

Alexandra Mackesy (Chairman)  
David Graham  
Aditya Sehgal  
May Tan  
Joanne Wong

### Company Numbers

Company registration number: 02853893  
London Stock Exchange Sedol number: 0343501  
ISIN: GB0003435012  
Bloomberg ticker: JCGI LN  
LEI: 549300S8M91P5FYONY25

### Market Information

The Company's net asset value ('NAV') per share is published daily via the London Stock Exchange. The Company's shares are listed on the London Stock Exchange. The market price is shown daily in the Financial Times and on the J.P. Morgan internet site at [www.jpmorganchinagrowthandincome.co.uk](http://www.jpmorganchinagrowthandincome.co.uk) where the prices are updated every fifteen minutes during trading hours.

### Website

[www.jpmchinagrowthandincome.co.uk](http://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

### Company's Registered Office

60 Victoria Embankment  
London EC4Y 0JP  
Telephone number: 020 7742 4000  
For company secretarial and administrative matters, please contact Lucy Dina at the above address.

### Depository

The Bank of New York Mellon (International) Limited  
1 Canada Square  
London E14 5AL  
The Depository has appointed JPMorgan Chase Bank, N.A. as the Company's custodian.

### Registrar

Equiniti Limited  
Reference 1078  
Aspect House  
Spencer Road  
Lancing  
West Sussex BN99 6DA  
Telephone: 0371 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. Callers from overseas should dial +44 121 415 0225.

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 individual holdings on the internet by visiting [www.shareview.co.uk](http://www.shareview.co.uk).

### Independent Auditor

BDO LLP  
Statutory Auditor  
150 Aldersgate Street  
London EC1A 4AB

### Broker

Winterflood Securities Limited  
The Atrium Building  
Cannon Bridge  
25 Dowgate Hill  
London EC4R 2GA  
Telephone number: 020 3100 0000



The Association of  
Investment Companies

A member of the AIC

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