



VL Asset Management Limited
以立投資管理有限公司

VL China Fund

(A Sub-Fund of VL Trusts)

Interim Report

For the period ended 31 December 2022

(Unaudited)

CONTENTS

	Pages
MANAGEMENT AND ADMINISTRATION	2
REPORT OF THE MANAGER	3-5
STATEMENT OF NET ASSETS	6
STATEMENT OF PROFIT OR LOSS	7
EXPLANATORY NOTES	8
SCHEDULE OF INVESTMENTS	9-11
INVESTMENT PORTFOLIO MOVEMENTS	12

MANAGEMENT AND ADMINISTRATION

Manager	VL Asset Management Limited 以立投資管理有限公司 Unit 1807, FWD Financial Centre 308 Des Voeux Road Central Hong Kong
Trustee	Standard Chartered Trust (Hong Kong) Limited 14/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Administrator, Custodian and Registrar	Standard Chartered Bank (Hong Kong) Limited 32/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Legal Counsel to the Manager	Simmons & Simmons 30th Floor One Taikoo Place 979 King's Road Hong Kong
Auditors	Ernst & Young 27/F, One Taikoo Place 919 King's Road, Quarry Bay Hong Kong

REPORT OF THE MANAGER

Interim Report

As at 31 December 2022

This Interim Report does not constitute an offer of units. Units are offered on the basis of the information contained in the current Explanatory Memorandum (and the documents referred to within it), copies of which are available from the registered office of the Manager or from any of the companies registered as distributors of VL China Fund (the “Fund”).

Review

Over the period 1 July 2022 to 31 December 2022 (the “Relevant Period”), the Fund’s Class A units fell 19.76% while Class B units were down 19.46%. For reference purpose, over the same period, the MSCI China Index was 12.53% lower and the Hang Seng Index was down 8.20% with dividends reinvested [#].

The sentiments of the Hong Kong and China equity markets remained lackluster in the second half of 2022.

Investments in the information technology (“IT”) sector (made up largely of holdings in Tencent (700 HK) and Alibaba (9988 HK)) resulted in the biggest investment losses to the portfolio, whilst investments in the real estate sector (made up largely of Longfor Group (960 HK) and China Overseas Land Investment (688 HK)) formed the second biggest investment losses to the portfolio.

That said, our positions in the energy sector, including Yankuang Energy Group (1171 HK), CNOOC Ltd (883 HK) and China Shenhua Energy (1088 HK), fared better and posted investment gains. In fact, CNOOC and China Shenhua Energy were among our top 5 holdings as of 31 December 2022. Our holdings of Dongfang Electric (1072 HK), Trip.com (9961 HK) and Tongcheng Travel (780 HK) also generated investment profits for the portfolio.

The Fund was almost fully invested with approximately 2% in cash as at 31 December 2022.[^]

Looking back, the past six months was mired by continuously rising tensions between China and the US, the Russian-Ukraine war, disruptions in global supply chains, China’s lockdown amid covid-19, aggressive US rate hikes, and decade-high inflation in the US and Europe. Stock investors’ sentiments towards the Greater China market stayed heavily dampened and did not improve until China started to lift its zero-covid policy in mid-November. On reflection, we could have managed the portfolio differently as we did glimpse signs of rate hikes a year ago.

With an aim to mitigate the impact from the relevant policies and market changes, we had by the end of the Relevant Period adjusted our sectoral allocation as follows:

Sector	Allocation as of	
	30 Jun 2022	30 Dec 2022
<u>Weighting <i>increased</i></u>		
Consumer Discretionary	16.41%	18.75%
Energy	6.37%	13.96%
Infrastructure / Industrial	3.84%	11.07%
ETF	0.00%	9.55%
<u>Weighting <i>reduced</i></u>		
IT	20.11%	12.43%
Real Estate	21.06%	9.69%
Healthcare	6.35%	2.10%
Financials	5.27%	1.94%

Outlook

Looking ahead to 2023, we believe investment opportunities can be found in a great number of sectors as many of them have undergone sharp stock price corrections in face of severe policies implemented by the PRC government earlier. At present, the market is eagerly expecting China's economic re-opening to bring about a strong recovery in domestic consumption. Over the past few weeks, both the consumption and Internet sectors have rebounded sharply and the Fund, with a relatively heavy exposure to those two sectors, has also picked up. While we project that the strong rally of those two sectors may not last throughout the year, as "revenge" consumption is being rapidly factored in, we remain optimistic towards the long term outlook of China's domestic consumption, provided both the property and employment markets can pick up.

As regards China's property market, there is an assumption that the PRC government's supportive measures have not yet come to an end. Indeed, it is likely that she may launch further measures with greater magnitude and specificity in the first half of 2023. Our conviction in state-owned property leaders therefore remains and we continue to maintain a relatively higher exposure to that category. Most of the property giants, having acquired more land banks at low costs in 2022, are anticipated to record robust earnings growth in the next two years.

We continue to view that energy may remain under supply in 2023, because, although the demand for energy from western countries may possibly fall, this may be partially offset by the strong economic recovery of China. Accordingly, China's energy giants are likely to benefit from tight oil supply and the rapid rebound of domestic economic activities. We therefore believe the energy sectors can maintain relatively sustainable and stable returns in the foreseeable future.

We also find the development of the production/ manufacturing chains of new energy and semi-conductors promising. Their long term developments should not be materially impacted by the volatility of the macro-economy, and in the shorter run, they should benefit from the ultimate demand for products resulted from economic recovery. With stock prices in the relevant sectors having receded to more reasonable valuations, we believe longer term opportunities are already available. We have already allocated to some smaller market leaders in that category in the China A-share and Hong Kong universes.

Regulatory Issues

In response to the Hong Kong Securities and Futures Commission's latest requirement for fund managers to consider climate-related risks in their governance, investment and risk management processes, we are pleased to share with you our Disclosure Statement on Tackling Climate-related Risks

(www.vlasset.com > In the Press > News;
http://www.vlasset.com/news/20221121_VL%20Asset_Climate%20change%20policy_English.pdf).

Climate change is a global problem that does not respect national borders. It is more than just global warming. Businesses and companies are also affected. We need therefore to work together as a global community to tackle climate change. As value investors, we customarily apply fundamental analysis to our investment targets to assess whether they are suitable for investing and to our existing holdings for monitoring. Climate-related risks are some of the many risks we take into account in our investment process. It is our obligation to let the Fund's stakeholders well informed of our views and measures taken for the latest developments related to climate change and their impact on our company structure, strategy and the portfolios under our management. In case of any material changes, we will update you via our company website in a timely manner.

Index figures are total returns with net dividend invested. Data sources from Bloomberg and are valued in HKD.

^ The definition of cash in this specific context refers to cash in bank, trade and dividend receivables, prepaid expenses and expense accruals.

VL Asset Management Limited

8 February 2023

STATEMENT OF NET ASSETS
AS AT 31 December 2022

	(Unaudited) 31.12.2022 HK\$	(Unaudited) 31.12.2021 HK\$
ASSETS		
Cash and bank balances	3,317,175	3,289,386
Amounts due from brokers	-	249,708
Financial assets at fair value through profit or loss	135,001,438	345,466,934
Dividend receivable	-	647,771
TOTAL ASSETS	138,318,613	349,653,799
LIABILITIES		
Management fee payable	196,332	492,329
Trustee fee payable	142,982	143,311
Performance fee payable	-	-
Amounts due to brokers	-	-
Amounts due to manager	10	10
Accruals and other payables	124,866	374,655
LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	464,190	1,010,305
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	137,854,423	348,643,494
TOTAL LIABILITIES (INCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	138,318,613	349,653,799
UNITS IN ISSUE		
- Class A	205,291.3700	179,655.1318
- Class B	1,270,704.8000	2,119,377.6101
NET ASSET VALUE PER UNIT (Note 1)		HK\$
- Class A	85.2981	138.6117
- Class B	94.7061	152.7530

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2022
**STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 December 2022**

	(Unaudited) From 1.7.2022 to 31.12.2022 HK\$	(Unaudited) From 1.7.2021 to 31.12.2021 HK\$
INCOME		
Dividend income	3,627,380	2,862,581
Net gain / (loss) on financial assets at fair value through profit or loss	(51,452,131)	(75,804,839)
Net foreign exchange differences	(132,505)	30,206
Interest income	10,835	-
TOTAL INCOME	(47,946,421)	(72,912,052)
EXPENSES		
Management fees	788,701	1,483,966
Trustee fees	361,306	360,058
Performance fees	-	-
Custodian fees	76,625	134,384
Auditors' remuneration	123,927	117,906
Brokerage commission	239,816	578,289
Transaction costs	234,304	422,246
Bank charges	1,980	1,980
Other operating expenses	-	-
TOTAL EXPENSES	1,826,659	3,098,829
PROFIT/(LOSS) BEFORE TAX	(49,773,080)	(76,010,881)
Withholding tax	(167,703)	70,260
PROFIT/(LOSS) AFTER TAX	(49,940,783)	(76,081,141)
Other comprehensive income for the period	-	-
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(49,940,783)	(76,081,141)

EXPLANATORY NOTES

1. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The published net asset value per unit issued is calculated in accordance with the Explanatory Memorandum.

A reconciliation of the net assets attributable to unitholders as reported in the statement of net assets to the net assets attributable to unitholders as determined for the purposes of processing unit subscriptions and redemptions is provided below:

- (a) The last business day for the half-year period ended 31 December 2022 (the “Relevant Period”) fell on 30 December 2022. The net asset value per unit as reported in the statement of net assets in respect of the Relevant Period included the fees and expenses accrued for the date of 31 December 2022.

	31.12.2022	31.12.2021
	HK\$	HK\$
Published net assets attributable to unitholders	137,857,000	348,643,494
Adjustment on fees and expenses accrued up to the last day of the reporting period end	(2,577)	-
Net assets attributable to unitholders as per statement of net assets	137,854,423	348,643,494

	Unit Price as at 31.12.2022 (per statement of net assets) HK\$	Published unit price as at 30.12.2022 HK\$	Unit Price as at 31.12.2021 (per statement of net assets) HK\$	Published unit price as at 31.12.2021 HK\$
- Class A units	85.2981	85.2997	138.6117	138.6117
- Class B units	94.7061	94.7078	152.7530	152.7530

The net asset value is calculated by determining the value of the assets attributable to VL China Fund, including accrued income, and deducting all its liabilities as at the relevant reporting period end. The resultant sum is divided by the total number of units in issue as at the relevant reporting period to give the net asset value per unit and adjusting the resultant sum to the nearest 4 decimal places.

SCHEDULE OF INVESTMENTS (UNAUDITED)**AS AT 31 December 2022**

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2022 HK\$	% of NAV
CHINA (38.16%)			
China AMC China CSI 500 ETF	2,700,000	9,470,087	6.87
Anhui Gujing Distillery Co Ltd	39,900	4,987,500	3.62
Poly Developments and Holdings Group Co Ltd	260,000	4,416,635	3.20
GTJA Allianz CSI All-Share Semiconductor Products ETF	4,000,000	3,700,551	2.68
Kweichow Moutai Co Ltd	1,900	3,684,047	2.67
China Three Gorges Renewables (Group) Co Ltd	520,000	3,298,610	2.39
Wolong Electric Group Co Ltd	206,000	2,881,804	2.09
Power Construction Corporation of China, Ltd	350,000	2,782,150	2.02
Chongqing Changan Automobile Co Ltd	630,000	2,318,400	1.68
Guangdong Create Century Intelligent Equipment Group Corp Ltd	195,000	1,854,373	1.35
Beijing Zhongke Sanhuan High-Tech Co Ltd	120,000	1,837,701	1.33
Moon Environment Technology Co Ltd	130,000	1,620,114	1.18
Zhejiang Crystal-Optech Co Ltd	120,000	1,588,452	1.15
Jiangsu Zhongtian Technology Co Ltd	79,950	1,449,673	1.05
Shanghai Hanbell Precise Machinery Co Ltd	53,800	1,446,662	1.05
Zhejiang Jingsheng Mechanical & Electrical Co Ltd	20,000	1,427,227	1.04
China Tourism Group Duty Free Corp Ltd	5,000	1,212,728	0.88
Nantong Jianghai Capacitor Co Ltd	39,970	1,003,874	0.73

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2022

Luzhou Laojiao Co Ltd	3,000	755,424	0.55
Focus Media Information Technology Co Ltd	59,936	449,514	0.33
Xiamen Faratronic Co Ltd	2,100	376,958	0.27
Contemporary Amperex Technology Co Ltd	100	44,171	0.03
		<hr/>	
		52,606,655	38.16
		<hr/>	

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2022 HK\$	% of NAV
HONG KONG (59.31%)			
CNOOC Ltd	980,000	9,780,400	7.09
China Shenhua Energy Co Ltd	420,000	9,471,000	6.87
China Resources Land Ltd	250,000	8,937,500	6.48
Tencent Holdings Ltd	19,400	6,479,600	4.70
Meituan	31,200	5,450,640	3.95
JD.com Inc	22,166	4,880,953	3.54
Alibaba Group Holding Ltd	55,000	4,743,750	3.44
China Resources Beer Holdings Co Ltd	78,000	4,254,900	3.09
Tongcheng Travel Holdings Ltd	210,000	3,943,800	2.86
Dongfang Electric Corp Ltd	238,000	3,160,640	2.29
China Life Insurance Co Ltd	200,000	2,680,000	1.94
China Resources Power Holdings Co Ltd	150,000	2,394,000	1.74
Pacific Basin Shipping Ltd	714,000	1,884,960	1.37
Geely Automobile Holdings Ltd	150,000	1,710,000	1.24
Trip.Com Group Ltd	6,000	1,641,600	1.19
China Mobile Ltd	30,000	1,552,500	1.13

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2022

Hua Medicine	369,000	1,380,060	1.00
Wuxi Biologics Cayman Inc	22,000	1,316,700	0.96
Huadian Power International Corp Ltd	400,000	1,292,000	0.94
SITC International Holdings Co Ltd	74,000	1,284,640	0.93
Li Auto Inc	13,000	998,400	0.72
BYD Co Ltd	5,000	963,000	0.70
Binjiang Service Group Co Ltd	46,000	877,680	0.64
NetEase Inc	6,000	687,000	0.50
China Merchants Port Holdings Co Ltd	248	2,837	0.00
		<hr/>	
		81,768,560	59.31

Listed / Quoted Investments

	Holdings	Fair Value as at 31.12.2022 HK\$	% of NAV
UNITED STATES (0.46%)			
TAL Education Group - ADR	6,050	332,901	0.24
I-Mab	6,200	202,273	0.15
Airnet Technology Inc	10,605	91,049	0.07
		<hr/>	
		626,223	0.46

TOTAL INVESTMENTS	135,001,438	97.93
OTHER NET LIABILITIES	2,852,985	2.07

PUBLISHED NET ASSETS	<u>137,854,423</u>	<u>100.00</u>
ATTRIBUTABLE TO UNITHOLDERS		

TOTAL INVESTMENTS, AT COST	<u>156,437,036</u>
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VL CHINA FUND**FOR THE PERIOD ENDED 31 DECEMBER 2022****INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)
AS AT 31 December 2022**

	% of holdings 31.12.2022	% of holdings 31.12.2021
Listed / Quoted investments		
China	38.1	37.2
Hong Kong	59.3	61.0
United States	0.5	0.9
	<hr/> 97.9	<hr/> 99.1
Other net (liabilities) / assets	<hr/> 2.1	<hr/> 0.9
Net assets attributable to unitholders	<hr/> 100.0	<hr/> 100.0