

Annual Report

VL CHINA FUND

(A sub-fund of VL Trusts, an umbrella unit trust established under the laws  
of Hong Kong)

For the year ended 30 June 2021

VL CHINA FUND

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## VL CHINA FUND

### MANAGEMENT AND ADMINISTRATION

**Manager**

VL Asset Management Limited  
Unit 1807, FWD Financial Centre  
308 Des Voeux Road Central  
Hong Kong

**Directors of the Manager**

LAM Siu Yeung  
WONG Koon Man Adrian  
TO Tsz Wai (appointed on 3 May 2021)

**Trustee**

Standard Chartered Trust (Hong Kong) Limited  
14/F Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

**Administrator, Registrar and Custodian**

Standard Chartered Bank (Hong Kong) Limited  
32/F Standard Chartered Bank Building  
4-4A Des Voeux Road Central  
Hong Kong

**Auditor**

Ernst & Young  
27/F, One Taikoo Place  
919 King's Road, Quarry Bay  
Hong Kong

**Legal Counsel to the Manager**

Simmons & Simmons  
30th Floor  
One Taikoo Place  
979 King's Road  
Hong Kong

## REPORT OF THE MANAGER TO THE UNITHOLDERS

### Full-Year Report

As at 30 June 2021

This 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 "Sub-Fund").

### Review

The adoption of a strategy of keeping a well diversified geographical allocation and picking the right companies in the right sectors (namely, those which are more likely to attain secular business and revenue growth) has enabled the Sub-Fund to grow its NAV steadily despite market volatility and uncertainty. The Sub-Fund made a return of approximately 40% during the period 1 July 2020 to 30 June 2021, ahead of the MSCI China Index which had (as opposed to the Sub-Fund) little weighting in healthcare stocks. The Sub-Fund also outperformed the Hang Seng Index, 37% of which was made up of financial stocks. Investors who have closely followed us know well that we have favored healthcare as early as in 2014 and this investment theme has yielded decent returns.

SITC International (1308 HK), Wuxi Biologics (2269 HK), Pharmaron Beijing (3759 HK), Hang Zhou Greater Star Industrial (002444 C2) and Meituan Dianping (3690 HK) were the biggest profit generators of the Sub-Fund during the past 12 months. These five members altogether contributed 23.01% of the Sub-Fund's investment gains during the period.

Among our 10 most profitable positions, four were healthcare counters, which represented 15.35% of the Sub-Fund's investment gains during the period.

The top two sectors<sup>1</sup> that created most of the investment returns for the Sub-Fund over the year were healthcare and consumer staples/ durables, vindicating what we stated some three years ago that our investment focus would be on healthcare, consumer-related and information technology (IT) sectors (the rationale behind this focus being the population matrix of China and the increasingly globalized demand on IT services). For healthcare, despite the known policy risks (such as GPO tendering) or other unseen risks in the future, the sector remains structurally vital to China's citizens and is likely to hold up in the next decade. As regards our consumer-themed holdings, they were largely composed of household service providers, electric appliance manufacturers and Chinese white wine liquor.

The Sub-Fund was almost fully invested with 2.99%<sup>2</sup> cash as at 30 June 2021.

### Outlook

The broader markets are clouded by worries that global economic recovery may be disrupted by a new wave of pandemic as more variant cases are reported since around the second quarter of 2021. The pace of global recovery depends therefore largely on how the pandemic pans out. That said, even if the pandemic worsens, with abundant capital in the global market, most corporations should survive and select sectors may grow with specific demand.

As regards China, the Chinese Communist Party of China has recently celebrated its 100<sup>th</sup> anniversary. Stability would continue to be the core theme so far as the Chinese leadership is concerned. Against this backdrop, the Central Government has rolled out policies targeting the property, technology and education sectors over the past months and we have been avoiding companies with high policy risks. The following examples may help illustrate how we have refined our investment strategy to counter the above-mentioned risks and generated alpha for our investors:

On healthcare - We have been leaning towards CRO companies (CRO stands for Contract Research Organization, which provides clinical research and testing services to pharmaceutical, biotechnology and medical device industries). High entry barrier but inelastic customer demand means CROs can enjoy high margin and high earnings visibility. Wuxi Biologics and Pharmaron fall into this category and have been our star performers during the past year with the stock prices of Wuxi and Pharmaron up 111% and 158% respectively. Valuations of these stocks may look high but considering that their earnings growth may be maintained at 40-50% annually, we are confident with them as our core positions.

On electric vehicles – In light of the global pursuit of green living, demand for electric passenger cars and other vehicles should be on the rise. While most investors may focus on electric vehicle manufacturers, we hold our spotlight on manufacturers in the supply chain of this high growth industry instead. Key examples are Yunnan Energy New Material (002812 C2) and Contemporary Amperex Technology (300750 C2), both listed in Shenzhen. As key component suppliers of power battery systems, energy storage systems and lithium battery materials, both companies are securing huge orders and we anticipate that they can maintain strong annual earnings growth in at least the next 3 to 5 years.

On consumption – Business performance in the consumption sector can be polarized but domestic brand awareness and recognition have enhanced the values of Chinese brand owners and select manufacturers do benefit from the rise of China-centric design (China Chic, 中國潮). Increased domestic traveling also boosted this trend. Sportswear manufacturers (including Anta Sports (2020 HK)) is an example and we hold Anta Sports primarily due to its high growth and minimum policy risk. Separately, consumer staples (including condiment manufacturers) is a segment worth exploring further, given the steady growth of that segment and from which we have made good investment returns before.

Despite having to combat intensified political confrontations on the global stage, China, with its huge domestic market and structural socio-economic transformation, is widely forecast to record GDP of around 8% in 2021. With a population of over 1.4 billion which is becoming more affluent, there is more fuel for growth. In a preliminary document issued in late July, the Central Government has said it plans to provide more support to small to medium-sized companies (SMEs). Some 4,000 SMEs have been selected, of which 300 have issued A-shares and from which we believe there is a fair chance of finding some good investment targets.

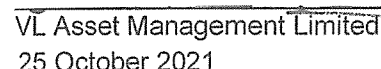
China's economic development, ageing population, huge consumption power and fast development in digital technology are areas that we have been keeping (and will continue to keep) an eye on as these trends together will, we believe, generate rich seams from which we can mine for profit over a multi-year horizon. While maintaining a cautiously optimistic attitude, we are mindful of the dynamic socio-economic restructuring that is occurring in China and the associated potential risks. Like a Wing Chun<sup>3</sup> master, we will try not to fight forces but use them.

We have recently celebrated the sixth anniversary of the Sub-Fund. The success of the Sub-Fund is due most to the support from investors who share a similar vision on value creation with who have placed their trust in our team and to whom we would like to express our deepest gratitude.

### Fund performance

The Sub-Fund was up 38.87% (Class A) and 44.21<sup>4</sup> (Class B) over the period 1 July 2020 to 30 June 2021. For reference purposes, the MSCI China Index was up 27.65% and the Hang Seng Index 21.40%<sup>5</sup>, both with dividends reinvested, over the same period.

VL Asset Management Limited  
25 October 2021



*1 Definition of sectors follows Bloomberg.*

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

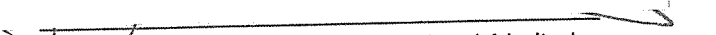
*3 A form of traditional Chinese kung fu for self-defense.*

*4 VL China Fund Class A Unit and Class B Unit, calculated by VL Asset Management Limited in HKD on a NAV to NAV basis with dividend invested. Calculation is based on published NAV.*

*5 Index figures are total returns with net dividends invested. Data sources from Bloomberg.*

## REPORT OF THE TRUSTEE TO THE UNITHOLDERS

We hereby confirm that, in our opinion, the Manager of VL China Fund has, in all material respects, managed VL China Fund in accordance with the provisions of the trust deed dated 16 February 2015 (which was amended and restated on 20 December 2019) (the "Trust Deed") for the year ended 30 June 2021.



Standard Chartered Trust (Hong Kong) Limited  
25 October 2021



Ernst & Young  
27/F, One Taikoo Place  
979 King's Road  
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## **Independent auditor's report**

To the Trustee and Manager of VL CHINA FUND

(A sub-fund of VL Trusts, an umbrella unit trust established under the laws of Hong Kong)

## **Report on the audit of financial statements**

### **Opinion**

We have audited the financial statements of VL China Fund (a sub-fund of VL Trusts (the "Trust") and referred to hereinafter as the "Sub-Fund") set out on pages 8 to 35, which comprise the statement of financial position as at 30 June 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in net assets attributable to unitholders, and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Sub-Fund as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Sub-Fund in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Other information included in the Annual Report**

The Trustee and the Manager of the Sub-Fund are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Trustee's and Manager's responsibilities for the financial statements**

The Manager and the Trustee of the Sub-Fund are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as the Manager and the Trustee determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee and the Manager are responsible for assessing the Sub-Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee and the Manager either intend to liquidate the Sub-Fund or to cease operations or have no realistic alternative but to do so.

**Independent auditor's report (continued)**

To the Trustee and Manager of VL CHINA FUND

(A sub-fund of VL Trusts, an umbrella unit trust established under the laws of Hong Kong)

**Report on the audit of the financial statements (continued)****Trustee's and Manager's responsibilities for the financial statements (continued)**

In addition, the Manager and the Trustee of the Sub-Fund are required to ensure that the financial statements have been properly prepared in accordance with the relevant provisions of the Trust Deed dated 16 February 2015 as amended by supplemental deeds dated 20 December 2019 (collectively, the "Trust Deed") and the relevant provisions of Appendix E of the Code on Unit Trusts and Mutual Funds (the "SFC Code") issued by the Hong Kong Securities and Futures Commission.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. In addition, we are required to assess whether the financial statements of the Sub-Fund have been properly prepared, in all material respects, in accordance with the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and, obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sub-Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee and the Manager.
- Conclude on the appropriateness of the Trustee's and the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Sub-Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Sub-Fund to cease to continue as a going concern.



**Independent auditor's report (continued)**

To the Trustee and Manager of VL CHINA FUND

(A sub-fund of VL Trusts, an umbrella unit trust established under the laws of Hong Kong)

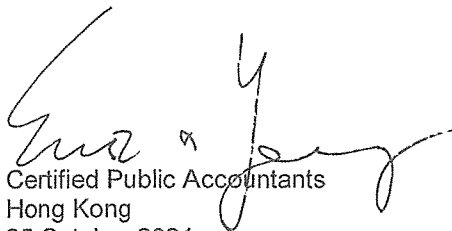
**Auditor's responsibilities for the audit of the financial statements (continued)**

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee and the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on matters under the relevant provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC code**

In our opinion, the financial statements have been properly prepared, in all material respects, in accordance with the relevant disclosure provisions of the Trust Deed and the relevant disclosure provisions of Appendix E of the SFC Code.



Certified Public Accountants  
Hong Kong  
25 October 2021

VL CHINA FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 HK\$	2020 HK\$
INCOME			
Dividend income		4,182,525	6,381,883
Net gains on financial assets at fair value through profit or loss	6	136,583,449	59,097,107
Net foreign exchange differences		608,358	44,814
Interest income		12,449	5,726
		<u>141,386,781</u>	<u>65,529,530</u>
EXPENSES			
Trustee fees	4(a)	718,068	717,109
Management fees	4(c)	2,952,023	2,023,892
Performance fees	4(d)	11,021,129	3,356,729
Custodian fees	4(e)	209,884	189,100
Auditor's remuneration		231,413	230,257
Brokerage commission		658,465	574,830
Transaction costs	4(f)	579,429	491,998
Legal and professional fees		-	450,117
Bank charges		2,146	1,200
Other operating expenses		40,600	43,450
		<u>16,413,157</u>	<u>8,078,682</u>
PROFIT BEFORE TAX		<u>124,973,624</u>	<u>57,450,848</u>
Withholding taxes	5	<u>(163,979)</u>	<u>(203,653)</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>124,809,645</u>	<u>57,247,195</u>

VL CHINA FUND

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 HK\$	2020 HK\$
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	6, 7	409,294,261	281,278,640
Amount due from brokers	8	5,298,395	1,669,715
Dividends receivable, net of withholding taxes		629,600	1,259,547
Cash and bank balances	9	<u>23,377,789</u>	<u>5,653,821</u>
<b>TOTAL ASSETS</b>		<u><b>438,600,045</b></u>	<u><b>289,861,723</b></u>
<b>LIABILITIES</b>			
Amounts due to brokers	8	4,494,236	1,773,787
Amount due to the Manager	14(c)	10	10
Trustee fee payable	4(a)	54,989	58,516
Management fee payable	4(c)	553,704	368,044
Performance fee payable	4(d)	11,021,129	3,356,729
Redemption payable		-	366,468
Accruals and other payables		<u>299,109</u>	<u>293,763</u>
<b>TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<u><b>16,423,177</b></u>	<u><b>6,217,317</b></u>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>	11	<u><b>422,176,868</b></u>	<u><b>283,644,406</b></u>
<b>TOTAL LIABILITIES (INCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)</b>		<u><u><b>438,600,045</b></u></u>	<u><u><b>289,861,723</b></u></u>

VL Asset Management Limited  
Manager

Standard Chartered Trust (Hong Kong) Limited  
Trustee

VL CHINA FUND

STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

For the year ended 30 June 2021

	Notes	Number of units	HK\$
At 1 July 2019		2,306,789.5224	237,274,444
Subscriptions of units			
- Class A	10	2,233.9210	249,963
		<u>2,233.9210</u>	<u>249,963</u>
Redemptions of units			
- Class A	10	( 56,010.8471)	( 6,219,348)
- Class B	10	( 47,400.0000)	( 4,907,848)
		<u>( 103,410.8471)</u>	<u>( 11,127,196)</u>
Increase in net assets attributable to unitholders and total comprehensive income for the year		<u>-</u>	<u>57,247,195</u>
At 30 June 2020 and 1 July 2020		2,205,612.5963	283,644,406
Subscriptions of units			
- Class A	10	19,615.9245	3,010,128
- Class B	10	84,672.8101	15,000,000
		<u>104,288.7346</u>	<u>18,010,128</u>
Redemptions of units			
- Class A	10	( 28,562.8894)	( 4,287,311)
		<u>( 28,562.8894)</u>	<u>( 4,287,311)</u>
Increase in net assets attributable to unitholders and total comprehensive income for the year		<u>-</u>	<u>124,809,645</u>
At 30 June 2021		<u>2,281,338.4415</u>	<u>422,176,868</u>

		2021 HK\$	2020 HK\$
NUMBER OF UNITS IN ISSUE			
- Class A	10	<u>161,960.8314</u>	<u>170,907.7963</u>
- Class B	10	<u>2,119,377.6101</u>	<u>2,034,704.8000</u>
NET ASSET VALUE PER UNIT			
- Class A	11	<u>169.6345</u>	<u>122.1560</u>
- Class B	11	<u>186.2352</u>	<u>129.1426</u>

## VL CHINA FUND

## STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	Note	2021 HK\$	2020 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		124,973,624	57,450,848
Adjustments to reconcile changes in net assets attributable to unitholders to net cash from operating activities:			
Dividend income		(4,182,525)	(6,381,883)
Interest income		(12,449)	(5,726)
		<u>120,778,650</u>	<u>51,063,239</u>
Increase in financial assets at fair value through profit or loss		(128,015,621)	(45,876,913)
(Increase)/decrease in amount due from brokers		(3,628,680)	196,902
Increase/(decrease) in amounts due to brokers		2,720,449	(545,693)
(Decrease)/increase in trustee fee payable		(3,527)	3,755
Increase in management fee payable		185,660	50,509
Increase in performance fee payable		7,664,400	3,356,729
Increase in accruals and other payables		5,346	10,046
Cash flows (used in)/from operations		<u>(293,323)</u>	<u>8,258,574</u>
Withholding taxes paid		(163,979)	(203,653)
Dividends received		4,812,472	5,888,324
Interest received		12,449	5,726
Net cash flows from operating activities		<u>4,367,619</u>	<u>13,948,971</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from subscription of units		18,010,128	249,963
Payment on redemption of units		(4,653,779)	(10,760,728)
Net cash flows from/(used in) financing activities		<u>13,356,349</u>	<u>(10,510,765)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>17,723,968</b>	<b>3,438,206</b>
Cash and cash equivalents at beginning of year		<u>5,653,821</u>	<u>2,215,615</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b><u>23,377,789</u></b>	<b><u>5,653,821</u></b>
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:</b>			
Cash at bank	9	<u>23,377,789</u>	<u>5,653,821</u>

1. THE SUB-FUND

VL Trusts (the "Trust") is an umbrella unit trust established under the laws of Hong Kong by the trust deed dated 16 February 2015 (the "Trust Deed") between VL Asset Management Limited as manager (the "Manager") and Standard Chartered Trust (Hong Kong) Limited as trustee (the "Trustee"). The Trust Deed was amended and restated on 20 December 2019. The Trust has been established as an umbrella fund and separate and distinct sub-funds may be established by the Manager and the Trustee within the Trust.

VL China Fund (the "Sub-Fund") is a sub-fund of the Trust. The Trust and the Sub-Fund are authorised by the Securities and Futures Commission (the "SFC") pursuant to section 104(1) of the Securities and Futures Ordinance and are required to comply with the Code on Unit Trusts and Mutual Funds established by the SFC (the "SFC Code"). Authorisation by the SFC does not imply official approval or recommendation. The date of inception of the Sub-Fund was on 10 August 2015 with a financial year-end of 30 June.

The investment objective of the Sub-Fund is to provide long-term capital appreciation by investing in a diversified portfolio of equity securities of companies in different industry sectors whose primary business focus is in the China region.

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB, and the relevant disclosure requirements specified in the Trust Deed of the Trust and Appendix E to the SFC Code.

The financial statements have been prepared on a historical cost basis, except for financial assets classified at fair value through profit or loss, that have been measured at fair value.

The financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest dollars, except when otherwise indicated.

30 June 2021

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURE

The Sub-Fund applied, for the first time, the interpretation below, which is effective for annual periods beginning on or after 1 January 2020.

### Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide a new definition of material that states, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Sub-Fund.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

There are no standards and interpretations that are issued, but not yet effective, up to the date of the Sub-Fund's financial statements which, in the opinion of the Manager, will clearly impact the Sub-Fund.

## 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements

In the process of applying the Sub-Fund's accounting policies, neither the Trustee nor the Manager has made any significant judgements which have a significant effect on the amounts recognised in the financial statements.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Sub-Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Sub-Fund. Such changes are reflected in the assumptions when they occur.

### Fair value of financial instruments

When the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of liquidity and model inputs such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments. The models are calibrated regularly and tested for validity using prices from any observable current market transactions in the same instruments (without modification or repackaging) or based on any available observable market data. As at 30 June 2021 and 2020, all financial assets at fair value through profit and loss of the Sub-Fund are valued based on quoted market prices, or binding dealer price quotations (within the bid-ask spread), in an active market for identical assets without any adjustments.

## 2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

### Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on foreign withholding tax. Given the wide range of international investments, differences arising between the actual investment income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded. The Sub-Fund establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it invests. The amounts of such provisions are based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective investment's domicile. As the Sub-Fund assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below.

### Financial instruments

#### **(i) Classification**

In accordance with IFRS 9, the Sub-Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

In applying classification, a financial asset or financial liability is considered to be held for trading if:

- (a) It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term; or
- (b) On initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

#### ***Financial assets***

The Sub-Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss ("FVPL") on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial assets

#### ***Financial assets measured at amortised cost***

The Sub-Fund includes in this category short-term non-financing receivables including amount due from brokers, dividends receivable net of withholding taxes and cash and bank balances.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) **Classification** (continued)

*Financial assets measured at FVPL*

A financial asset is measured at FVPL if:

- (a) Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- (b) It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- (c) At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Sub-Fund includes in this category instruments held for trading. This category includes equity instruments which are acquired principally for the purpose of generating a profit from short-term fluctuations in price. This category also includes derivative contracts in an asset position.

**Financial liabilities**

*Financial liabilities measured at FVPL*

A financial liability is measured at FVPL if it meets the definition of held for trading. The Sub-Fund includes in this category, derivative contracts in a liability position and equity securities sold short since they are classified as held for trading. The Sub-Fund also includes its net assets attributable to unitholders in this category and the Sub-Fund's accounting policy regarding the net assets attributable to unitholders is described in note 3 below.

*Financial liabilities measured at amortised cost*

This category includes all financial liabilities, other than those measured at FVPL. The Sub-Fund includes amounts due to brokers, amount due to the Manager, trustee fee payable, management fee payable, performance fee payable, redemption payable, and accruals and other payables in this category.

(ii) **Recognition**

The Sub-Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

All purchases or sales of financial instruments that require delivery within the time frame generally established by regulation or convention in the market place are recognised on the trade date, which is, the date that the Sub-Fund commits to purchase or sell the investments.

(iii) **Initial measurement**

Financial assets and liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in statement of profit or loss and other comprehensive income.

Financial assets and liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(iv) **Subsequent measurement**

After initial measurement, the Sub-Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are presented in the statement of profit or loss and other comprehensive income within 'Net gains or losses on financial assets and liabilities at fair value through profit or loss' in the period in which they arise.

Interest and dividends earned or paid on these instruments are recorded separately in interest income or expense and dividend income or expense in the statement of profit or loss and other comprehensive income.

Debt instruments, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the debt instruments are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit or loss, are measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the amortisation process.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Sub-Fund estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(v) **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The rights to receive cash flows from the asset have expired; or
- The Sub-Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Sub-Fund has transferred substantially all the risks and rewards of the asset; or (b) the Sub-Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

**(v) Derecognition** (continued)

When the Sub-Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Sub-Fund's continuing involvement in the asset. In that case, the Sub-Fund also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Sub-Fund has retained. The Sub-Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

Impairment of financial assets

The Sub-Fund recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Sub-Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Sub-Fund may also consider a financial asset to be in default when internal or external information indicates that the Sub-Fund is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Sub-Fund. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Fair value measurement

The Sub-Fund measures its investments in financial instruments, such as equities, at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Sub-Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (within the bid-ask spread), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Fair value measurement (continued)

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Sub-Fund determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amounts reported on the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Since the Sub-Fund does not have a master netting arrangement, offsetting is not applied by the Sub-Fund.

Functional and presentation currency

The Sub-Fund's functional and presentation currency is the HK\$, which is the currency of the primary economic environment in which it operates. The Sub-Fund's performance and its liquidity are evaluated and managed, respectively, in HK\$. Therefore, the HK\$ is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Foreign currency translation

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of each reporting year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains and losses on financial instruments classified as at fair value through profit or loss are included in the statement of profit or loss and other comprehensive income as part of the 'Net gains or losses on financial assets and liabilities at fair value through profit or loss'. Foreign exchange differences on other financial instruments are included in the statement of profit or loss and other comprehensive income as 'Net foreign exchange differences'.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets attributable to unitholders

Net assets attributable to unitholders are redeemable at the holders' option and are classified as financial liabilities as they do not meet the conditions to be classified as equity. The liabilities arising from the units are measured at the redemption amount being the net asset value calculated in accordance with IFRS.

The Sub-Fund's net asset value per unit is calculated by dividing the net assets attributable to unitholders (calculated in accordance with redemption requirements) by the number of units in issue.

Distributions to unitholders

Distributions to unitholders are recognised in the statement of profit or loss and other comprehensive income as finance costs.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above, net of outstanding bank overdrafts, when applicable.

Dividend income and expense

Dividend income is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Sub-Fund's right to receive the payment is established. Dividend income is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the statement of profit or loss and other comprehensive income. Dividend expense relating to equity securities sold short is recognised when the shareholders' right to receive the payment is established.

Interest income

Interest income are recognised in the statement of profit or loss and other comprehensive income for all interest-bearing financial instruments using the effective interest method.

Net gains or losses on financial assets and liabilities at fair value through profit or loss

This item includes changes in the fair value of financial assets and liabilities held for trading and excludes interest and dividend income and expense.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the year and from reversal of prior year's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as 'at fair value through profit or loss' are calculated using the weighted average method. They represent the difference between an instrument's weighted average cost and the disposal amount.

Withholding taxes

The Sub-Fund is exempt from all forms of taxation in Hong Kong, including income, capital gains and withholding taxes. However, in some jurisdictions, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Sub-Fund presents the withholding tax separately from the gross investment income in the statement of profit or loss and other comprehensive income.

For the purpose of the statement of cash flows, cash inflows from investments are presented gross of withholding taxes, when applicable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Sub-Fund if:

- a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Sub-Fund;
  - (ii) has significant influence over the Sub-Fund; or
  - (iii) is a member of the key management personnel of the Sub-Fund or of a parent of the Sub-Fund; or
- b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Sub-Fund are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the entity);
  - (iii) the entity and the Sub-Fund are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Sub-Fund or an entity related to the Sub-Fund;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
  - (viii) the entity, or any member of a group of which it is part, provides key management personnel services to the Sub-Fund or to the parent of the Sub-Fund.

4. FEES

(a) Trustee fees

The Trustee is entitled to receive a trustee fee of 0.11% (2020: 0.11%) per annum if the net asset value of the Sub-Fund is below HK\$1,000 million (2020: HK\$1,000 million) and 0.09% (2020: 0.09%) per annum on the excess if the net asset value of the Sub-Fund is HK\$1,000 million (2020: HK\$1,000 million) or above subject to a minimum monthly fee of HK\$54,600 (2020: HK\$54,600). The trustee fee will be accrued as at each valuation day (as defined in the explanatory memorandum of the Trust and the Sub-Fund (the "Explanatory Memorandum")) and will be payable monthly in arrears. This fee covers the fees to Standard Chartered Bank (Hong Kong) Limited (the "Administrator") an affiliate of the Trustee and appointed by the Trustee.

The Trustee is also entitled to recover out-of-pocket expenses in performing its services together with certain transaction costs and processing fees.

(b) Administration fees

The administration fee is already included in the trustee fee.

(c) Management fees

The Manager is entitled to receive a management fee of 1.5% per annum of the net asset value of Class A units and 0.75% per annum of the net asset value of Class B units (before deduction of that month's management fee and before making any deduction for any accrued performance fee). The management fee is accrued and calculated as at each valuation day and payable monthly in arrears.

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4. FEES (continued)

(d) Performance fees

The Manager is also entitled to receive a performance fee at 15% of Class A units and 7.5% of Class B units of the appreciation of the net asset value per unit of the relevant class (before deduction of any provision for any performance fee and any distribution declared or paid in respect of the performance period) during the calculation year above the "base net asset value" per unit of that class. The "base net asset value" is the greater of the net asset value per unit of the relevant class at the time of issue of that unit, and the highest net asset value per unit of that class achieved as at the end of any previous calculation period (if any) during which such unit was in issue.

There is no equalisation arrangement in respect of the calculation of the performance fees. There is no adjustment of equalisation credit or equalisation losses on an individual unitholder basis based on the timing the relevant unitholder subscribes or redeems the relevant units during the course of a performance period. The unitholder may be advantaged or disadvantaged as a result of this method of calculating the performance fee.

The performance fee in respect of each unit is payable in respect of each calculation period. The "calculation period" is a period of 12 calendar months commencing on each 1 July. The performance fee is deemed to accrue monthly as at each valuation day.

(e) Custodian fees

The Administrator is entitled to receive safekeeping fees of 0.06% per annum for China securities, 0.03% per annum for Hong Kong securities, 0.054% per annum for SH-HK/SZ-HK StockConnect securities, 0.07% per annum for Taiwan securities, and 0.015% per annum for United States securities on the market value of the securities as at month end. The Administrator is also entitled to receive transaction fee of HK\$265 per transaction for China securities ('B' shares), HK\$117 per transaction for Hong Kong securities, HK\$156 per transaction for SH-HK/SZ-HK StockConnect securities, HK\$179 per transaction for Taiwan securities and HK\$78 per transaction for United States securities. These fees are payable monthly in arrears.

As at 30 June 2021, custodian fee of HK\$13,846 (2020: HK\$13,558) was payable to the Administrator. The balance was recorded under 'Accruals and other payables' in the statement of financial position.

(f) Transaction costs

The transaction costs on investment pertain to be transaction costs incurred during buy or sell financial assets through profit or loss paid to brokers or other service providers.

5. INCOME TAX

The sub-funds of the Trust are exempt from Hong Kong profits tax on income arising from its authorised activities under Section 26A (1A) of the Hong Kong Inland Revenue Ordinance.

Under PRC laws and regulations, foreign investors (such as the Sub-Fund) may be subject to a 10% withholding income tax on income (such as dividend/interest and capital gains) imposed on securities issued by PRC tax resident enterprises. There is no assurance that the rate of the withholding tax will not be changed by the PRC tax authorities in the future.

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## 6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK\$	2020 HK\$
<b>Financial assets at fair value through profit or loss</b>		
Listed common shares, at cost	267,765,158	204,590,719
Unrealised gains on listed common shares	114,098,636	63,712,221
Listed common shares, at fair value	<u>381,863,794</u>	<u>268,302,940</u>
American depository receipts, at cost	16,470,150	16,602,589
Unrealised losses on American depository receipts	(3,949,264)	(3,626,889)
American depository receipts, at fair value	<u>12,520,886</u>	<u>12,975,700</u>
Exchange-traded funds, at cost	9,901,740	-
Unrealised gains on exchange-traded funds	1,215,780	-
Exchange-traded funds, at fair value	<u>11,117,520</u>	<u>-</u>
Exchange-traded note, at cost	6,571,985	-
Unrealised gains on exchange-traded note	(2,779,924)	-
Exchange-traded note, at fair value	<u>3,792,061</u>	<u>-</u>
Financial assets at fair value through profit or loss	<u>409,294,261</u>	<u>281,278,640</u>

**Net changes in fair value of financial assets through profit or loss**

	Net realised gains HK\$	Net unrealised gains HK\$	Total HK\$
2021			
<b>Financial assets at fair value through profit or loss</b>			
Net changes in fair value	<u>88,083,553</u>	<u>48,499,896</u>	<u>136,583,449</u>
	Net realised gains HK\$	Net unrealised gains HK\$	Total HK\$
2020			
<b>Financial assets at fair value through profit or loss</b>			
Net changes in fair value	<u>2,184,163</u>	<u>56,912,944</u>	<u>59,097,107</u>

As at 30 June 2021 and 2020, all balance of financial assets at fair value through profit or loss are held with Standard Chartered Bank (Hong Kong) Limited, an affiliate of the Trustee.



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## 7. FAIR VALUE HIERARCHY

The following table hierarchy shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

	Quoted prices in active markets (Level 1) HK\$	Significant observable inputs (Level 2) HK\$	Significant unobservable inputs (Level 3) HK\$	Total HK\$
2021				
<u>Financial assets at fair value through profit or loss</u>				
Listed common shares	381,863,794	-	-	381,863,794
American depository receipts	12,520,886	-	-	12,520,886
Exchange-traded funds	11,117,520	-	-	11,117,520
Exchange-traded note	3,792,061	-	-	3,792,061
	<u>409,294,261</u>	<u>-</u>	<u>-</u>	<u>409,294,261</u>

2020

Financial assets at fair value  
through profit or loss

Listed common shares	268,302,940	-	-	268,302,940
American depository receipts	12,975,700	-	-	12,975,700
	<u>281,278,640</u>	<u>-</u>	<u>-</u>	<u>281,278,640</u>

There have been no transfers between Level 1 and Level 2 during the year (2020: Nil) and no transfers into or out of Level 3 for the year ended 30 June 2021 (2020: Nil).

Valuation techniques

When fair values of listed common shares, American depository receipts, exchange-traded funds and exchange-traded note are based on quoted market prices, or binding dealer price quotations (within the bid-ask spread), in an active market for identical assets without any adjustments, the instruments are included within Level 1 of the hierarchy. The Sub-Fund values these investments at last traded price (within the bid-ask spread).

# VL CHINA FUND

## NOTES TO FINANCIAL STATEMENTS

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### 8. AMOUNTS DUE FROM/TO BROKERS

The brokers used by the Sub-fund include Citigroup Global Markets Asia Limited, Merrill Lynch Far East Limited ("Merrill Lynch"), UBS Securities Asia Limited and Huatai Financial Holdings (Hong Kong) Ltd (2020: Merrill Lynch Far East Limited and Citigroup Global Markets Asia Limited).

	2021 HK\$	2020 HK\$
Amount due from brokers:		
Receivable for securities sold but not yet received	5,209,040	1,506,825
Receivable for return of capital from corporate action	<u>89,355</u>	<u>162,890</u>
	<u>5,298,395</u>	<u>1,669,715</u>
Amounts due to brokers:		
Payables for securities purchased but not yet settled	<u>4,494,236</u>	<u>1,773,787</u>

### 9. CASH AND BANK BALANCES

As at 30 June 2021 and 2020, the balance of cash and bank balances was held in an interest-bearing account with Standard Chartered Bank (Hong Kong) Limited, an affiliate of the Trustee.

### 10. NUMBER OF UNITS IN ISSUE

The Sub-Fund's units consist of Class A shares and Class B shares. They participate in the profits and losses of the Sub-Fund and are entitled to vote at meetings of unitholders of the Sub-Fund. Each of the Class A shares and Class B shares entitles the holder to participate equally on a pro rata basis in the profits and losses and dividends of the Sub-Fund. The minimum initial investment and minimum holding for Class A and Class B are HK\$50,000 and HK\$39,000,000 respectively. The minimum subsequent investment and minimum redemption amount for Class A and Class B are HK\$5,000 and HK\$1,000,000 respectively. The Manager may, in its absolute discretion, waive or agree to a lower amount of any of the above investment minima (either generally or in any particular case).

Units can be issued and redeemed on each dealing day. A dealing day is each business day on which units may be issued or redeemed and/or such other day or days as the Manager may from time to time determine either generally or in respect of a particular class or classes of units, provided that the dealing day for the issue of units may be on a different day or days from the dealing day for the redemption of units. The unitholders may subscribe or redeem the units on any dealing day by submitting an application form or a redemption request to the registrar. Any subscription or redemption request must be received by the registrar before the dealing deadline. Subscription and redemption requests submitted after the applicable dealing deadline in respect of any dealing day will be dealt with on the next dealing day.

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## 10. NUMBER OF UNITS IN ISSUE (continued)

Under the Trust Deed, the Manager is entitled to impose a subscription fee on the issue of units of any Sub-Fund of up to a maximum of 5% of the subscription price. The subscription fee, to be received by the fund distributor, is payable in addition to the subscription price per unit. The Manager is also entitled to impose a redemption fee on the redemption of units of any Sub-Fund of up to a maximum of 5% of the redemption price of such units. The redemption fee is deducted from the redemption proceeds payable to a unitholder in respect of each unit redeemed. The Manager may, at its absolute discretion, waive or reduce the payment of all or any portion of the subscription and redemption fee (either generally or in any particular case) of a Sub-Fund.

With a view to protecting the interests of unitholders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Sub-Fund redeemed on any dealing day to 10% of the total number of units of the Sub-Fund in issue. In this event, the limitation will apply pro rata so that all unitholders of the Sub-Fund who have validly requested to redeem units of the Sub-Fund on that dealing day will redeem the same proportion of such units of the Sub-Fund.

## 11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Unit price (per financial statements) HK\$	Published unit price HK\$
2021		
- Class A units	169.6345	169.6345
- Class B units	186.2352	186.2352
2020		
- Class A units	122.1560	122.1560
- Class B units	129.1426	129.1426

The net asset value is calculated by determining the value of the assets attributable to the Sub-Fund, including accrued income, and deducting all its liabilities as at 30 June 2021 and 2020. The resultant sum is divided by the total number of units in issue as at 30 June 2021 and 2020 to give the net asset value per unit and adjusting the resultant sum to the nearest 4 decimal places.

The published net asset value per unit issued is calculated in accordance with the Explanatory Memorandum while the net asset value per unit as reported in the statement of financial position included the following adjustment: The redemption on the last day of the reporting period which are not covered in the published net asset value as of 30 June 2020. As of 30 June 2021, no adjustment on published net assets attributable to unitholders for the Sub-Fund.

## NOTES TO FINANCIAL STATEMENTS

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## 11. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (continued)

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

	2021 HK\$	2020 HK\$
Published net assets attributable to unitholders	422,176,868	284,010,874
Adjustment on redemption on the last day of the reporting period	-	(366,468)
Net assets attributable to unitholders as per financial statements	<u>422,176,868</u>	<u>283,644,406</u>

## 12. BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

The Sub-Fund has no bank loans, overdrafts or other borrowings as of 30 June 2021 and 2020.

## 13. DISTRIBUTION TO UNITHOLDERS

There were no distributions made for the years ended 30 June 2021 and 2020.

## 14. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Manager are those as defined in the SFC Code. All transactions entered into during the year between the Sub-Fund on the one hand and the Manager or the Trustee or any of their connected persons on the other hand were carried out in the normal course of business and on normal commercial terms. To the best of the Manager's knowledge, the Sub-Fund does not have any other transactions with connected persons except for what is disclosed in note 4 to the financial statements and below:

- (a) Deposits and investments held by the Trustee's affiliate  
As detailed in notes 6 and 9 to the financial statements, the Sub-Fund's investments and bank deposits are held by Standard Chartered Bank (Hong Kong) Limited, an affiliate of the Trustee.
- (b) Holdings in the Sub-Fund by the Manager  
As at 30 June 2021, the Manager held 40,398.0072 Class A units (2020: 40,398.0072 Class A units) of the Sub-Fund which amounted to HK\$6,852,896 (2020: HK\$4,934,859). As at 30 June 2021, the increase in net assets attributable to the Manager amounts to HK\$1,918,037 (2020: HK\$908,163).
- (c) Amount due to the Manager  
The balance represented amount due to the Manager by the Sub-Fund at the inception of the Sub-Fund. The balance is unsecured, interest-free and repayable on demand.

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15. COMMITMENTS AND CONTINGENT LIABILITIES

The Sub-Fund has no commitments and contingent liabilities as of 30 June 2021 and 2020.

16. SOFT COMMISSION ARRANGEMENTS

The Manager and/or any of its connected persons reserves the right to effect transactions by or through the agency of another person with whom the Manager and/or any of its connected persons has an arrangement under which that party will from time to time provide to or procure for the Manager and/or any of its connected persons goods, services or other benefits (such as research and advisory services, computer hardware associated with specialised software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the Sub-Fund as a whole and may contribute to an improvement in the performance of the Sub-Fund or of the Manager and/or any of its connected persons in providing services to the Sub-Fund and for which no direct payment is made but instead the Manager and/or any of its connected persons undertakes to place business with that party. Any transactions executed through such party must be consistent with best execution standards and brokerage rates must not be in excess of customary institutional full-service brokerage rates.

For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

The Manager maintains soft dollar arrangements/practices with two of its brokers. The brokers would pay the Manager in respect of fees incurred thereby from time to time for services provided by financial data service providers. During the year ended 30 June 2021, only one broker, Merrill Lynch on behalf of the Manager, paid HK\$39,773 (2020: HK\$50,502) to the financial data service providers in this respect.

17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES

Risks arising from holding financial instruments are inherent in the Sub-Fund's activities and are managed through a process of ongoing identification, measurement and monitoring. The Sub-Fund is primarily exposed to market risk, liquidity risk and credit risk. Information about these risk exposures at the reporting date and potential impact on the Sub-Fund is disclosed below.

Financial instruments of the Sub-Fund comprise investments in financial assets for the purpose of generating a return on the investment made, in addition to cash and bank balances, amount due from brokers, dividends receivable net of withholding taxes, and other financial instruments such as trustee fee payable, management fee payable, performance fee payables, amounts due to a broker, and accruals and other payables, which arise directly from its operation.

The Manager is responsible for identifying and controlling the risks that arise from these financial instruments.

Information about the total realisable fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Manager. These mandate limits are generally conservative and reflect the investment strategy and market environment of the Sub-Fund, as well as the level of risk that the Sub-Fund is willing to accept with additional emphasis on selected industries.

17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

Concentration of risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentrations of risk, the Sub-Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposures or may use derivative instruments to manage the excessive risk concentrations when they arise.

***Market risk***

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk is managed by adopting prudent country, single stock and other investment restrictions as disclosed in the Explanatory Memorandum.

The maximum risk resulting from financial instruments, except for securities sold short, equals their fair value.

Short selling involves borrowing securities and selling them to a broker-dealer. The Sub-Fund has an obligation to replace the borrowed securities at a later date. Short selling allows the Sub-Fund to profit from a decline in market price to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities, while the gain is limited to the price at which the Sub-Fund sold the security short. Possible losses from short sales may be unlimited as the Sub-Fund has a liability to repurchase the security in the market at prevailing prices at the date of acquisition. The Sub-Fund shall not make short sales if as a consequence the Sub-Fund's liability to deliver securities would exceed 10% of its total net asset value (and for this purpose securities sold short must be actively traded in a market where short selling is permitted).

In 2020 and 2021, global financial markets experienced and may continue to experience significant volatility resulting from the spread of a coronavirus known as COVID-19. The outbreak of COVID-19 has resulted in country-wide lockdowns and quarantines, travel and border restrictions, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have affected and may continue to adversely affect the global economy, the economies of certain nations and individual issuers. The COVID-19 pandemic caused a sharp increase in the volatility of all financial markets. The Sub-Fund has not experienced any material adverse effects in its liquidity or operations during this period. The Manager will continue to monitor the situation as the period of uncertainty continues and respond to any liquidity or market risks as they arise.

The following risk analysis is for reporting at reporting date under IFRS 7 *Financial instruments: Disclosures* and does not guarantee future risk profile of the investments in the Sub-Fund. The risk profile of the investment in the Sub-Fund will change depending upon market environment and strategic positioning. Consequently, the disclosed risk analysis does not necessarily reflect the risk position of the investments in the Sub-Fund at any time other than at the reporting date.

## 17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Market risk* (continued)

## (i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

At 30 June 2021 and 2020, the majority of the Sub-Fund's financial assets and liabilities are non-interest bearing as the Sub-Fund's investments are mainly listed equities. The Sub-Fund's cash and bank balances held with the bank are exposed to interest rate risk which is considered by the Manager to be minimal. As such, the effect of a sensitivity analysis on the Sub-Fund's net profit and net asset value would be negligible.

## (ii) Foreign currency risk

The Sub-Fund may invest in assets denominated in currencies other than its reporting and functional currency, the HK\$. Consequently, the Sub-Fund is exposed to risks that the exchange rate of HK\$ relative to other currencies, such as the Chinese renminbi ("CNY"), may change in a manner, which has an adverse effect on the reported value of that portion of the Sub-Fund's assets which is denominated in currencies other than the HK\$. The Manager continuously monitors the Sub-Fund's exposure to foreign currency risk.

The Manager considers exposure to foreign currency risk in respect of financial assets and liabilities denominated in United States Dollar ("US\$") as minimal as the HK\$ is pegged to US\$.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the CNY exchange rates, with all other variables held constant, of the Sub-Fund's changes in net assets attributable to unitholders and on profit or loss. In practice the actual results may differ from the below sensitivity analysis and the difference could be material.

Currency	Change in currency rate	Effect on net assets attributable to unitholders	
		2021 HK\$	2020 HK\$
CNY	+/-5%	+/-5,471,000	+/-3,686,000

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## 17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Market risk* (continued)

## (iii) Equity price risk

Equity price risk is the risk of unfavourable changes in the fair values of equities or equity-linked derivatives as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Sub-Fund's investments in listed common shares, American depository receipts, exchange-traded funds and exchange-traded note.

The Manager's best estimate of the effect on the net assets attributable to unitholders and on the changes in net assets attributable to unitholders from operations due to a reasonably possible change in equity indices, with all other variables held constant, is indicated in the following table. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

The sensitivity analysis below includes the effect of possible changes in the equity price on net asset value ("NAV"):

2021	Class A		Class B	
	Change in equity price %	Effect on NAV HK\$	Change in equity price %	Effect on NAV HK\$
Hang Seng Index	+/-10%	+/-1,886,313	+/-10%	+/-27,099,407
Shanghai Composite Index	+/-10%	+/-671,104	+/-10%	+/-9,641,308
2020	Class A		Class B	
	Change in equity price %	Effect on NAV HK\$	Change in equity price %	Effect on NAV HK\$
Hang Seng Index	+/-10%	+/-1,434,268	+/-10%	+/-18,051,963
Shanghai Composite Index	+/-10%	+/-540,554	+/-10%	+/-6,803,509



## 17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Market risk** (continued)

## (iii) Equity price risk (continued)

**Concentration of equity price risk**

The spread of concentration of equity price risk by geographical distribution (based on place of primary listing or, if not listed, place of domicile) in respect of the Sub-Fund's net assets is as follows: China representing 24.4% (2020: 25.9%), Hong Kong representing 68.6% (2020: 68.6%) and United States representing 3.9% (2020: 4.5%).

The following table analyses the Sub-Fund's concentration of equity price risk by industrial distribution as a percentage of the Sub-Fund's investments:

	2021 %	2020 %
Applied Resources	2.8	2.7
Automobiles & Auto Parts	1.8	3.6
Banking & Investment Services	1.9	1.5
Cyclical Consumer Products	2.3	4.1
Cyclical Consumer Services	2.1	3.2
Energy – Fossil Fuels	1.0	0.5
Food & Beverages	-	5.4
Healthcare Services & Equipment	2.9	8.2
Industrial Goods	-	0.6
Insurance	1.6	1.7
Investment Funds	3.6	-
Mineral Resources	1.0	-
Personal & Household Products & Services	12.3	1.1
Pharmaceuticals & Medical Research	21.1	18.2
Real Estate	5.7	12.8
Retailers	4.0	4.2
Software & IT Services	16.2	23.3
Technology Equipment	9.3	3.6
Telecommunications Services	2.5	2.2
Transportation	7.9	3.1
Total	<u>100</u>	<u>100</u>

**Liquidity risk**

Liquidity risk is defined as the risk that the Sub-Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

The strategy is to minimise the Sub-Fund's exposure to liquidity risk by ensuring that most of its investments are publicly listed securities which have reasonable underlying trading liquidity. In addition, the Sub-Fund maintains sufficient bank deposits to meet normal operating requirements.

The Sub-Fund's exposure to liquidity risk is minimal as most of its investments are publicly listed and have reasonable underlying trading liquidity. The Sub-Fund has no borrowing as at 30 June 2021 and 2020. The Sub-Fund may borrow subjected to the restrictions stated in the Explanatory Memorandum.

## 17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk* (continued)*Financial assets*

Analysis of equity at fair value through profit or loss into maturity groupings is based on the expected date on which these assets will be realised. For other assets, the analysis into maturity groupings is based on the remaining period from the end of the reporting period to the contractual maturity date or, if earlier, the expected date on which the assets will be realised.

*Financial liabilities*

The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Sub-Fund can be required to pay.

The following table summarises the maturity profile of the Sub-Fund's financial assets and liabilities based on contractual undiscounted cash flows. Balances due within six months equal their carrying amounts, as the impact of discounting is insignificant. The table also analyses the maturity profile of the Sub-Fund's financial assets (undiscounted where appropriate) in order to provide a complete view of the Sub-Fund's contractual commitments and liquidity.

	Due within 1 month or on demand HK\$	Due between 1 and 3 months HK\$	Others HK\$	Total HK\$
2021				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	409,294,261	-	-	409,294,261
Amount due from brokers	5,298,395	-	-	5,298,395
Dividends receivable, net of withholding taxes	452,034	177,566	-	629,600
Cash and bank balances	23,377,789	-	-	23,377,789
Total financial assets	<u>438,422,479</u>	<u>177,566</u>	<u>-</u>	<u>438,600,045</u>
<u>Financial liabilities</u>				
Amounts due to brokers	4,494,236	-	-	4,494,236
Amount due to the Manager <sup>^</sup>	10	-	-	10
Trustee fee payable	54,989	-	-	54,989
Management fee payable	553,704	-	-	553,704
Performance fee payable	11,021,129	-	-	11,021,129
Accruals and other payables	72,347	226,762	-	299,109
Net assets attributable to unitholders <sup>#</sup>	-	-	422,176,868	422,176,868
Total financial liabilities	<u>16,196,415</u>	<u>226,762</u>	<u>422,176,868</u>	<u>438,600,045</u>

<sup>^</sup> amount due to the Manager as stated in note 14(c) to the financial statements

<sup>#</sup> subject to redemption terms stated in note 10 to the financial statements and the Explanatory Memorandum

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## 17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

*Liquidity risk* (continued)*Financial liabilities* (continued)

	Due within 1 month or on demand HK\$	Due between 1 and 3 months HK\$	Others HK\$	Total HK\$
2020				
<u>Financial assets</u>				
Financial assets at fair value through profit or loss	281,278,640	-	-	281,278,640
Amount due from brokers	1,669,715	-	-	1,669,715
Dividends receivable, net of withholding taxes	995,567	263,980	-	1,259,547
Cash and bank balances	5,653,821	-	-	5,653,821
Total financial assets	<u>289,597,743</u>	<u>263,980</u>	<u>-</u>	<u>289,861,723</u>
<u>Financial liabilities</u>				
Amounts due to brokers	1,773,787	-	-	1,773,787
Amount due to the Manager <sup>^</sup>	10	-	-	10
Trustee fee payable	58,516	-	-	58,516
Management fee payable	368,044	-	-	368,044
Performance fee payable	3,356,729	-	-	3,356,729
Redemption payable	366,468	-	-	366,468
Accruals and other payables	72,100	221,663	-	293,763
Net assets attributable to unitholders <sup>#</sup>	-	-	283,644,406	283,644,406
Total financial liabilities	<u>5,995,654</u>	<u>221,663</u>	<u>283,644,406</u>	<u>289,861,723</u>

<sup>^</sup> amount due to the Manager as stated in note 14(c) to the financial statements<sup>#</sup> subject to redemption terms stated in note 10 to the financial statements and the Explanatory Memorandum*Credit risk*

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Sub-Fund by failing to discharge an obligation.

The Sub-Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honor its contractual obligations. These credit exposures exist within financing relationships, derivatives and other transactions.

30 June 2021

17. FINANCIAL RISK AND MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Credit risk** (continued)

Credit risk disclosures are segmented into two sections based on whether the underlying financial instrument is subject to IFRS 9's impairment disclosures or not.

*Financial assets subject to IFRS 9's impairment requirements*

The Sub-Fund's financial assets subject to the ECL model within IFRS 9 are amount due from brokers, dividends receivable net of withholding taxes and cash and bank balances. At 30 June 2021, the total amount of these financial assets is HK\$29,305,784 (2020: HK\$8,583,083), on which no loss allowance had been provided. No assets are considered impaired and no amounts have been written off during the year.

*Financial assets not subject to IFRS 9's impairment requirements*

The Sub-Fund is exposed to credit risk on equity instruments. They are not subject to IFRS 9's impairment requirements as they are measured at fair value through profit or loss. The carrying value of these assets represents the Sub-Fund's maximum exposure to credit risk on financial instruments not subject to the IFRS 9 impairment requirements on the respective reporting dates. Hence, no separate maximum exposure to credit risk disclosure is provided for these instruments.

The Sub-Fund seeks to minimise exposure to credit risk by only dealing with counterparties with high credit ratings. The Sub-Fund also continuously monitors the credit standing of its counterparties and does not expect any material losses as a result of this concentration.

The Sub-Fund's major counterparty is Standard Chartered Bank (Hong Kong) Limited which has a credit rating of A+ (2020: A+) based on Standard & Poor's and the percentage of financial assets held with them is 98.7% as at 30 June 2021 (2020: 99.0%).

18. CAPITAL MANAGEMENT

The capital of the Sub-Fund is represented by the net assets attributable to unitholders.

The Sub-Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Explanatory Memorandum
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other capital markets and by using various investment strategies and hedging permissible under the provisions of Chapter 7 of the SFC Code
- To maintain sufficient liquidity to meet the expenses of the Sub-Fund, and to meet redemption requests as they arise
- To maintain sufficient size to make the operation of the Sub-Fund cost-efficient

As a result of the ability to issue and redeem units, the capital of the Sub-Fund can vary depending on the demand for redemptions and subscriptions to the Sub-Fund. The Sub-Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of units.

## VL CHINA FUND

### NOTES TO FINANCIAL STATEMENTS

30 June 2021

#### 19. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2021 and up to the date of authorisation of the financial statements, the following subscriptions and redemptions occurred in the Sub-Fund:

	Class A HK\$	Class B HK\$	Total HK\$
Subscription of units	1,815,978	-	1,815,978
Redemption of units	805,154	-	805,154

There were no other significant events affecting the Sub-Fund subsequent to the end of reporting period to the date of approval of these financial statements.

#### 20. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Trustee and the Manager on 25 October 2021.

## VL CHINA FUND

## UNAUDITED INVESTMENT PORTFOLIO

Year ended 30 June 2021

	Holding	Fair value HK\$	% of net assets
<b>Listed investments</b>			
<b>CHINA (24.4%)</b>			
AVIC Jonhon Optron Technology Co Ltd	44,200	4,197,766	1.0
Beijing Yuanliu Hongyuan Electronic Technology Co Ltd	27,000	4,151,081	1.0
C&S Paper Co Ltd	311,700	10,320,895	2.4
Contemporary Amperex Technology Co Ltd	100	64,276	0.0
CTS International Logistics Corp Ltd	361,000	6,113,320	1.5
Fujian Torch Electron Technology Co Ltd	54,200	4,397,056	1.0
Hang Zhou Great Star Industrial Co Ltd	329,797	13,508,441	3.2
Hangzhou First Applied Material Co Ltd	31,920	4,033,188	1.0
Jonjee Hi-Tech Industrial And Commercial Holding Co Ltd	63,000	3,181,673	0.8
Midea Group Co Ltd	137,400	11,785,862	2.8
Ningbo Joyson Electronic Corp	150,600	4,619,177	1.1
Shandong Chenming Paper Holdings Ltd	970,000	4,355,300	1.0
Shanghai Yuyuan Tourist Mart Group Co Ltd	371,966	5,181,382	1.2
Shenzhen Mindray Bio-Medical Electronics Co Ltd	25,500	14,712,470	3.5
Xiamen Faratronic Co Ltd	26,700	5,081,778	1.2
Xiamen Intretech Inc	83,470	3,903,468	0.9
Yunnan Energy New Material Co Ltd	12,500	3,516,984	0.8
		<u>103,124,117</u>	<u>24.4</u>
<b>HONG KONG (68.6%)</b>			
AK Medical Holdings Ltd	320,000	4,384,000	1.0
Alibaba Group Holding Ltd	10,200	2,244,000	0.5
ANTA Sports Products Ltd	35,000	6,398,000	1.5
Anton Oilfield Services Group	7,468,000	3,883,360	0.9
Beijing Jingneng Clean Energy Co Ltd	2,168,000	4,054,160	1.0
Blue Moon Group Holdings Ltd	687,000	7,543,260	1.8
CanSino Biologics Inc	22,400	9,242,240	2.2
Cheerwin Group Ltd	509,000	4,183,980	1.0
China Grand Pharm & Healthcare Holding Ltd	600,000	4,356,000	1.0
China Merchants Bank Co Ltd	114,500	7,585,625	1.8
China Merchants Port Holdings Co Ltd	248	2,812	0.0
China Resources Land Ltd	92,000	2,893,400	0.7
Chow Tai Fook Jewellery Group Ltd	340,000	6,031,600	1.4
CITIC Telecom International Holdings Ltd	2,508,000	6,445,560	1.5
COSCO SHIPPING International (Hong Kong) Co Ltd	596,000	1,472,120	0.4
Country Garden Services Holdings Co Ltd	60,000	5,034,000	1.2
CSOP Hang Seng Index Daily (-2x) Inverse Product	1,488,000	6,190,080	1.5
CSOP SZSE CHINEXT ETF	335,200	4,927,440	1.2
CStone Pharmaceuticals	427,000	7,301,700	1.7
Geely Automobile Holdings Ltd	163,000	3,985,350	0.9
Great Wall Motor Co Ltd	139,500	3,501,450	0.8
Haier Smart Home Co Ltd	238,200	6,455,220	1.5
Hainan Meilan International Airport Co Ltd	97,000	3,147,650	0.8
Hong Kong Technology Venture Co. Ltd	234,000	2,281,500	0.5
Hua Medicine	369,000	1,726,920	0.4

## VL CHINA FUND

## UNAUDITED INVESTMENT PORTFOLIO

Year ended 30 June 2021

	Holding	Fair value HK\$	% of net assets
<b>Listed investments (continued)</b>			
HONG KONG (68.6%) (continued)			
Innovent Biologics Inc	29,000	2,625,950	0.6
JD.com Inc	21,600	6,596,640	1.6
Jinke Smart Services Group Co Ltd	66,100	4,815,385	1.1
JS Global Lifestyle Co Ltd	176,000	3,845,600	0.9
Kaisa Prosperity Holdings Ltd	129,500	3,910,900	0.9
Kintor Pharmaceutical Ltd	107,000	6,741,000	1.6
KWG Living Group Holdings Ltd	177,000	1,762,920	0.4
Longfor Group Holdings Ltd	80,000	3,480,000	0.8
Meituan	38,000	12,175,200	2.9
NWS Holdings Ltd	447,000	3,692,220	0.9
Pacific Basin Shipping Ltd	1,060,000	3,317,800	0.8
PCCW Ltd	890,000	3,622,300	0.9
Pharmaron Beijing Co Ltd	96,300	19,934,100	4.7
Ping An Healthcare and Technology Co Ltd	30,200	2,920,340	0.7
Ping An Insurance Group Co of China Ltd	85,500	6,502,275	1.5
RemeGen Co Ltd	15,500	1,835,200	0.4
SITC International Holdings Co Ltd	564,000	18,301,800	4.3
Tencent Holdings Ltd	50,100	29,258,400	6.9
Times Neighborhood Holdings Ltd	382,000	2,544,120	0.6
Vesync Co Ltd	350,000	4,053,000	1.0
Vinda International Holdings Ltd	98,000	2,342,200	0.6
Viva China Holdings Ltd	2,488,000	4,005,680	1.0
WuXi Biologics (Cayman) Inc	135,000	19,210,500	4.6
Yidu Tech Inc	72,500	2,958,000	0.7
Zijin Mining Group Co Ltd	396,000	4,134,240	1.0
		<u>289,857,197</u>	<u>68.6</u>
UNITED STATES (3.9%)			
AirNet Technology Inc	42,420	955,339	0.2
Alibaba Group Holding Ltd – Sp ADR	5,894	10,380,156	2.5
iPath Series B S&P 500 VIX Short-Term Futures ETN	16,575	3,792,061	0.9
TAL Education Group – ADR	6,050	1,185,391	0.3
		<u>16,312,947</u>	<u>3.9</u>
TOTAL INVESTMENTS		409,294,261	96.9
OTHER NET ASSETS		<u>12,882,607</u>	<u>3.1</u>
PUBLISHED NET ASSETS			
ATTRIBUTABLE TO UNITHOLDERS		<u>422,176,868</u>	<u>100</u>
TOTAL INVESTMENTS, AT COST		<u>300,709,033</u>	

## VL CHINA FUND

## UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

30 June 2021

	Movement in holdings			At 30 June 2021
	At 1 July 2020	Additions	Disposals	
<b>Listed investments</b>				
<b>China</b>				
Anhui Gujing Distillery Co Ltd	15,815	-	(15,815)	-
Avic Aviation High-Technology Co Ltd	-	55,000	(55,000)	-
AVIC Jonhon Optron Technology Co Ltd	-	44,200	-	44,200
AVIC Shenyang Aircraft Co Ltd	-	21,700	(21,700)	-
Beijing Sinnet Technology Co Ltd	167,100	-	(167,100)	-
Beijing Yuanliu Hongyuan Electronic Technology Co Ltd	-	27,000	-	27,000
C&S Paper Co Ltd	311,700	-	-	311,700
Chaozhou Three-Circle Group Co Ltd	58,000	-	(58,000)	-
Contemporary Ampere Technology Co Ltd	-	100	-	100
CTS International Logistics Corp Ltd	-	361,000	-	361,000
Fujian Torch Electron Technology Co Ltd	-	54,200	-	54,200
Hang Zhou Great Star Industrial Co Ltd	-	329,797	-	329,797
Hangcha Group Co Ltd	-	150,000	(150,000)	-
Hangzhou First Applied Material Co Ltd	-	31,920	-	31,920
Hangzhou Robam Appliances Co Ltd	-	97,470	(97,470)	-
Jiangsu Hengrui Medicine Co Ltd	56,332	-	(56,332)	-
Jonjee Hi-Tech Industrial And Commercial Holding Co Ltd	-	63,000	-	63,000
Lepu Medical Technology (Beijing) Co Ltd	139,000	-	(139,000)	-
Maxscend Microelectronics Co Ltd	4,320	5,000	(9,320)	-
Midea Group Co Ltd	137,400	-	-	137,400
Ningbo Huaxiang Electronic Co Ltd	204,000	-	(204,000)	-
Ningbo Joyson Electronic Corp	165,000	38,600	(53,000)	150,600
Proya Cosmetics Co Ltd	-	17,700	(17,700)	-
Qianhe Condiment and Food Co Ltd	72,800	-	(72,800)	-
Shandong Chenming Paper Holdings Ltd	-	970,000	-	970,000
Shanghai Yuyuan Tourist Mart Group Co Ltd	371,966	-	-	371,966
Shenzhen Goodix Technology Co Ltd	5,800	-	(5,800)	-
Shenzhen Megmeet Electrical Co Ltd	-	85,600	(85,600)	-
Shenzhen Mindray Bio-Medical Electronics Co Ltd	8,900	16,600	-	25,500
Shenzhen Sinovatio Technology Co Ltd	33,532	20,119	(53,651)	-
Spring Airlines Co Ltd	-	64,541	(64,541)	-
Venustech Group Inc	-	69,000	(69,000)	-
Wuliangye Yibin Co Ltd	54,500	-	(54,500)	-
Xiamen Faratronic Co Ltd	-	26,700	-	26,700
Xiamen Intretech Inc	-	83,470	-	83,470
Yunnan Energy New Material Co Ltd	-	12,500	-	12,500
<b>Hong Kong</b>				
AK Medical Holdings Ltd	-	320,000	-	320,000
Alibaba Group Holding Ltd	50,600	7,700	(48,100)	10,200
A-Living Smart City Services Co. Ltd	130,250	-	(130,250)	-
ANTA Sports Products Ltd	-	35,000	-	35,000
Anton Oilfield Services Group	-	7,468,000	-	7,468,000



## VL CHINA FUND

## UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

30 June 2021

	Movement in holdings			
	At 1 July 2020	Additions	Disposals	At 30 June 2021
<b>Listed investments (continued)</b>				
<b>Hong Kong (continued)</b>				
ASM Pacific Technology Ltd	-	14,600	(14,600)	-
BeiGene Ltd	58,700	-	(58,700)	-
Beijing Jingneng Clean Energy Co Ltd	-	2,168,000	-	2,168,000
Blue Moon Group Holdings Ltd	-	687,000	-	687,000
CanSino Biologics Inc	14,400	37,200	(29,200)	22,400
Cheerwin Group Ltd	-	509,000	-	509,000
China Education Group Holdings Ltd	65,000	23,000	(88,000)	-
China Grand Pharm & Healthcare Holding Ltd	-	600,000	-	600,000
China Literature Ltd	52,000	-	(52,000)	-
China Merchants Bank Co Ltd	114,500	-	-	114,500
China Merchants Port Holdings Co Ltd	248	-	-	248
China Overseas Grand Oceans Group Ltd	1,162,000	-	(1,162,000)	-
China Resources Land Ltd	-	92,000	-	92,000
Chow Tai Fook Jewellery Group Ltd	-	340,000	-	340,000
CIFI Holdings Group Co Ltd	980,000	41,387	(1,021,387)	-
CIMC Enric Holdings Ltd	-	1,052,000	(1,052,000)	-
CITIC Telecom International Holdings Ltd	2,508,000	-	-	2,508,000
COSCO SHIPPING International (Hong Kong) Co Ltd	596,000	-	-	596,000
Country Garden Services Holdings Co Ltd	-	90,000	(30,000)	60,000
CSOP Hang Seng Index Daily (-2x) Inverse Product	-	2,845,800	(1,357,800)	1,488,000
CSOP SZSE CHINEXT ETF	-	455,200	(120,000)	335,200
CStone Pharmaceuticals	-	427,000	-	427,000
Duiba Group Ltd	1,881,200	1,490,400	(3,371,600)	-
Geely Automobile Holdings Ltd	206,000	123,000	(166,000)	163,000
Great Wall Motor Co Ltd	-	400,000	(260,500)	139,500
Haier Smart Home Co Ltd	-	238,200	-	238,200
Hainan Meilan International Airport Co Ltd	-	202,000	(105,000)	97,000
Health & Happiness (H&H) International Holdings Ltd	-	80,000	(80,000)	-
Hong Kong Technology Venture Co. Ltd	548,000	-	(314,000)	234,000
Hua Medicine	-	516,500	(147,500)	369,000
Innovent Biologics Inc	167,000	-	(138,000)	29,000
JD.com Inc	-	21,600	-	21,600
Jinke Smart Services Group Co Ltd	-	96,500	(30,400)	66,100
JS Global Lifestyle Co Ltd	343,000	-	(167,000)	176,000
Kaisa Prosperity Holdings Ltd	313,250	30,000	(213,750)	129,500
Kintor Pharmaceutical Ltd	-	107,500	(500)	107,000
KWG Living Group Holdings Ltd	-	177,000	-	177,000
Li Ning Co Ltd	-	160,000	(160,000)	-
Lifetech Scientific Corp	1,304,000	-	(1,304,000)	-
Longfor Group Holdings Ltd	-	80,000	-	80,000
Meituan	56,300	25,700	(44,000)	38,000
Nine Dragons Paper Holdings Ltd	-	260,000	(260,000)	-
NWS Holdings Ltd	-	447,000	-	447,000
Pacific Basin Shipping Ltd	-	1,060,000	-	1,060,000

## VL CHINA FUND

## UNAUDITED STATEMENT OF MOVEMENTS IN PORTFOLIO HOLDINGS

30 June 2021

	Movement in holdings			
	At 1 July 2020	Additions	Disposals	At 30 June 2021
<b>Listed investments (continued)</b>				
<b>Hong Kong (continued)</b>				
PCCW Ltd	-	890,000	-	890,000
Pharmaron Beijing Co Ltd	70,500	72,100	(46,300)	96,300
Ping An Healthcare and Technology Co Ltd	50,000	-	(19,800)	30,200
Ping An Insurance Group Co of China Ltd	60,500	25,000	-	85,500
Plover Bay Technologies Ltd	52,000	-	(52,000)	-
RemeGen Co Ltd	-	15,500	-	15,500
Scholar Education Group	-	171,000	(171,000)	-
Shandong Weigao Group Medical Polymer Co Ltd	308,000	140,000	(448,000)	-
Shanghai Junshi Biosciences Co Ltd	-	63,600	(63,600)	-
Sino Biopharmaceutical Ltd	580,000	290,000	(870,000)	-
Sinotrans Ltd	-	1,530,000	(1,530,000)	-
SITC International Holdings Co Ltd	732,000	105,000	(273,000)	564,000
Sunac China Holdings Ltd	197,000	-	(197,000)	-
Sunac Services Holdings Ltd	-	6,338	(6,338)	-
SUNeVision Holdings Ltd	279,000	-	(279,000)	-
Tencent Holdings Ltd	53,100	-	(3,000)	50,100
Times Neighborhood Holdings Ltd	-	599,000	(217,000)	382,000
Transport International Holdings Ltd	67,200	-	(67,200)	-
Venus MedTech (Hangzhou) Inc	-	30,000	(30,000)	-
Vesync Co Ltd	-	350,000	-	350,000
Vinda International Holdings Ltd	-	98,000	-	98,000
Viva China Holdings Ltd	-	2,488,000	-	2,488,000
Wuling Motors Holdings Ltd	-	920,000	(920,000)	-
WuXi Biologics (Cayman) Inc	86,000	165,000	(116,000)	135,000
Xinte Energy Co Ltd	-	315,600	(315,600)	-
Yidu Tech Inc	-	72,500	-	72,500
YTO Express (International) Holdings Ltd	936,000	400,000	(1,336,000)	-
Zhongsheng Group Holdings Ltd	273,000	-	(273,000)	-
Zijin Mining Group Co Ltd	-	396,000	-	396,000
<b>United States</b>				
AirNet Technology Inc	42,420	-	-	42,420
Alibaba Group Holding Ltd – Sp ADR	5,894	-	-	5,894
iPath Series B S&P 500 VIX Short-Term Futures ETN	-	16,575	-	16,575
Nokia OYJ	21,000	-	(21,000)	-
TAL Education Group – ADR	4,050	2,000	-	6,050

VL CHINA FUND

UNAUDITED PERFORMANCE TABLE

30 June 2021

**Published net assets attributable to unitholders**

(Calculated in accordance with the Sub-Fund's Trust Deed)

	Net assets attributable to unitholders per unit HK\$	Net assets attributable to unitholders HK\$
<b>As at 30 June 2021</b>		
- Class A	169.6345	27,474,140
- Class B	186.2352	394,702,728
<b>As at 30 June 2020</b>		
- Class A	122.1560	21,243,882
- Class B	129.1426	262,766,992
<b>As at 30 June 2019</b>		
- Class A	99.6756	22,395,581
- Class B	103.2996	215,080,616

**Highest issue price and lowest redemption price per unit**

	Highest issue price per unit HK\$	Lowest redemption price per unit HK\$
<b>Year ended 30 June 2021</b>		
- Class A	165.5504	132.4430
- Class B	177.1525	N/A
<b>Year ended 30 June 2020</b>		
- Class A	115.4175	98.7239
- Class B	N/A	103.5411
<b>Year ended 30 June 2019</b>		
- Class A	109.3017	88.5977
- Class B	N/A	100.2997
<b>Year ended 30 June 2018</b>		
- Class A	109.6542	100.8947
- Class B	N/A	N/A
<b>Year ended 30 June 2017</b>		
- Class A	94.9266	89.0710
- Class B	N/A	N/A
<b>Period from 10 August 2015 (date of inception) to 30 June 2016</b>		
- Class A	100.0115	80.2930
- Class B	100.0000	N/A