



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

VL China Fund

(A Sub-Fund of VL Trusts)

Interim Report

For the period ended 31 December 2023

(Unaudited)

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MANAGEMENT AND ADMINISTRATION

Manager	VL Asset Management Limited 以立投資管理有限公司 Unit 1807, FWD Financial Centre 308 Des Voeux Road Central Hong Kong
Trustee	Standard Chartered Trust (Hong Kong) Limited 14/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong (retired on 30 November 2023) Standard Chartered Trustee (Hong Kong) Limited 14/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong (effective on 30 November 2023)
Administrator, Custodian and Registrar	Standard Chartered Bank (Hong Kong) Limited 32/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Legal Counsel to the Manager	Baker & McKenzie 14/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong
Auditors	Ernst & Young 27/F, One Taikoo Place 919 King's Road, Quarry Bay Hong Kong

REPORT OF THE MANAGER

Interim Report

As at 31 December 2023

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

Review

Over the period 1 July 2023 to 31 December 2023 ("the Relevant Period"), the Fund fell approximately 8% (Class A: -8.13%; Class B: -7.78%). For reference purposes, the MSCI China Index was down 6.38% and the Hang Seng Index 8.04% lower with dividends reinvested#.

Back in 2021, the Fund had a relatively large exposure to China A shares. In 2022, the Chinese government implemented a large-scale lockdown in a number of cities in response to localized outbreaks of COVID-19. Consequently, stock investors' sentiments towards the Greater China market were heavily dampened. Also, continuously rising tensions between China and the US, the Russian-Ukraine war, aggressive US rate hikes and decade-high inflation in the US and Europe further weakened sentiments.

In 2023, investors were in high anticipation of a rebound in domestic consumption due to "economic re-opening". However, the magnitude of recovery thus far has been smaller than expected. In addition, the mainland property market remains in need of more stimulating measures to revive.

In face of all these unfavorable factors, the Fund has taken steps to reduce its holdings in China A shares since the second quarter of 2023. The proceeds were re-deployed to increase the Fund's exposure to higher-yielding China B shares and Hong Kong-listed Chinese companies. The following table shows the gradual transformation of the Fund's asset allocation in terms of percentage over the recent three years.

As of the end of	China-listed A Shares	China-listed B Shares	Hong Kong-listed Shares
December 2021	36.03%	1.17%	61.03%
December 2022	32.86%	5.30%	59.31%
June 2023	14.39%	9.71%	72.59%
December 2023	0.07%	8.99%	86.07%

And, in that transformation process in which we had been increasing our exposure to Hong Kong listed equities, our top priority had been picking those large cap companies with sound business

outlook and high dividend yields. As a result, the Fund's composition of investments towards the end of 2023 has shifted towards the following:

- Energy Stocks - Examples included CNOOC (883 HK) and China Shenhua Energy (1088 HK);
- Telecoms Stocks - China Mobile (941 HK) was a major example;
- Financial Stocks – HSBC (5 HK) was a major example; and
- Raw materials – One example was Fufeng (546 HK), a manufacturer of fermentation-based food additives and biochemical products and starch-based products.

During the Relevant Period, all of the above-described stocks had generated investment profits for the Fund. CNOOC, China Shenhua Energy and Fufeng were among the top five contributors. Another major investment gains generator was Bairong (6608 HK), a provider of cloud-based technology services (primarily MaaS (Model as a service) and BaaS (Business as a service) to mainland institutions.

Nevertheless, the re-allocation was not timely enough to resist or offset the investment declines in select stocks the Fund held in the consumer discretionary and mainland property sectors. The worst detractors in the Relevant Period were China Resources Beer (291 HK), Li Ning (2331 HK), China Resources Land (1109 HK) and Tsingtao Brewery (168 HK). Rest assured, we did clear all of those positions before the end of December.

The Fund was 95.88% invested as at 31 December 2023.^

Outlook

The strategies of the Fund over the past few years have not been as effective as planned, which was remiss of us. Looking ahead, we strive to revive the Fund's performance by adjusting its asset allocation and stock selection criteria with greater prudence. While challenges from the broader markets remain, after a series of portfolio adjustment last year, the Fund has started to show more resilience as 2024 kicks off. For reference, for the month of January, despite the huge volatility of the broader market, we have managed to contain the investment losses to approximately 2% (class A: -2.03%; class B: -1.96%) while the MSCI China Index plunged 10.53% and the Hang Seng Index down 9.16% month on month.

US interest rate movements, China's deflationary pressure and international geo-political tensions remain the key factors which may materially affect the investment outlook of 2024. To tackle these concerns, we are taking actions to pursue the following four themes:

- 1) Energy Stocks – The wars in the Middle East and Eastern Europe have formed an uptrend in global energy prices as a whole. Investment opportunities in the energy sector, whether it be petroleum, petrochemical or coal, should remain plenty for us.

- 2) Special Situation Opportunities – With an increasing number of listed companies trading at valuations below their respective net cash on hand, we see ample investment opportunities arising from special situations such as privatization, share buyback, divestiture of non-core/non-performing assets as well as development of new businesses to drive growth. We have been identifying such opportunities in Hong Kong over the past 20-30 years and we are sure there will be more to come as many major shareholders of Hong Kong-listed companies are capable and creative;
- 3) Re-Rating Opportunities of Chinese SOEs – Stock prices of giant state-owned enterprises and red chips which are sanctioned by the US government and hence cold-shouldered by foreign institutional investors in recent years shall continue to rally given the steadily increase in dividend payouts and once the political overhang is lifted. Examples include CNOOC, China Mobile and China Unicom; and
- 4) Undervaluation of Traditional Big Caps – Hong Kong-listed conglomerates or big caps which are characterized by solid earnings, clean balance sheets, high dividend yields and sound corporate governance, could be evergreen stars in our portfolio. In particular, management of some of these companies have been found to be willing to sharply increase dividends. HSBC is an example.

Regulatory Issues

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

(www.vlasset.com > About Us > Environmental, Social and Governance (ESG);

https://www.vlasset.com/common/editor/kindeditor/attached/file/20230308/20230308191026_16221.pdf).

To tackle climate-related risks, one of the measures we have taken is the formation of a Climate Change Risk Task Force in late 2022. The task force meets up every month to discuss climate change-related risk matters (which include a review on relevant news on our portfolio holdings as well as the latest regulatory development). The task force also looks at the sustainability reports of our top holdings. In addition, the Fund, with the support of the Trustee, has appointed an external consultant to conduct an analysis on the Fund's top positions and compile a climate-related risk assessment report every six months. We hope all of the aforesaid measures will help keep us updated of and monitor any potential climate-related risks in the portfolio.

It is our obligation to let the Fund's stakeholders well informed of our views and measures taken for the latest developments related to climate change and their impact on our company structure,

strategy and the portfolios under our management. In case of any material changes, we will update you via our company website in a timely manner.

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

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

VL Asset Management Limited

15 February 2024

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2023
**STATEMENT OF NET ASSETS
AS AT 31 December 2023**

	(Unaudited) 31.12.2023 HK\$	(Unaudited) 31.12.2022 HK\$
ASSETS		
Cash and bank balances	4,303,401	3,317,175
Amounts due from brokers	2,278,266	-
Financial assets at fair value through profit or loss	97,277,473	135,001,438
TOTAL ASSETS	103,859,140	138,318,613
LIABILITIES		
Management fee payable	152,525	196,332
Trustee fee payable	86,224	142,982
Redemption payable	39,361	-
Amounts due to brokers	1,993,370	-
Amounts due to manager	10	10
Accruals and other payables	130,519	124,866
LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	2,402,009	464,190
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	101,457,131	137,854,423
TOTAL LIABILITIES (INCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	103,859,140	138,318,613
UNITS IN ISSUE		
- Class A	205,643.1955	205,291.3700
- Class B	988,704.8000	1,270,704.8000
NET ASSET VALUE PER UNIT (Note 1)	HK\$	HK\$
- Class A	77.3521	85.2981
- Class B	86.5275	94.7061

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2023
**STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 December 2023**

	(Unaudited) From 1.7.2023 to 31.12.2023 HK\$	(Unaudited) From 1.7.2022 to 31.12.2022 HK\$
INCOME		
Dividend income	2,358,937	3,627,380
Net loss on financial assets at fair value through profit or loss	(11,018,878)	(51,452,131)
Net foreign exchange differences	(13,667)	(132,505)
Interest income	3,853	10,835
TOTAL INCOME	(8,669,755)	(47,946,421)
EXPENSES		
Management fees	501,519	788,701
Trustee fees	357,792	361,306
Custodian fees	57,468	76,625
Auditors' remuneration	119,731	123,927
Brokerage commission	125,095	239,816
Transaction costs	118,171	234,304
Legal and professional fees	10,082	-
Bank charges	-	1,980
TOTAL EXPENSES	1,289,858	1,826,659
LOSS BEFORE TAX	(9,959,613)	(49,773,080)
Withholding tax	(173,622)	(167,703)
LOSS AFTER TAX	(10,133,235)	(49,940,783)
Other comprehensive income for the period	-	-
DECREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	(10,133,235)	(49,940,783)

EXPLANATORY NOTES

1. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

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

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

- (a) The last business day for the half-year period ended 31 December 2023 (the “Relevant Period”) fell on 29 December 2023. The net asset value per unit as reported in the statement of net assets in respect of the Relevant Period included the fees and expenses accrued for the date of 31 December 2023.

	31.12.2023 HK\$	31.12.2022 HK\$
Published net assets attributable to unitholders	101,462,390	137,857,000
Adjustment on fees and expenses accrued up to the last day of the reporting period end	(5,259)	(2,577)
Net assets attributable to unitholders as per statement of net assets	101,457,131	137,854,423

	Unit Price as at 31.12.2023 (per statement of net assets) HK\$	Published unit price as at 29.12.2023 HK\$	Unit Price as at 31.12.2022 (per statement of net assets) HK\$	Published unit price as at 30.12.2022 HK\$
- Class A units	77.3521	77.3561	85.2981	85.2997
- Class B units	86.5275	86.5320	94.7061	94.7078

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

SCHEDULE OF INVESTMENTS (UNAUDITED)**AS AT 31 December 2023**

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2023 HK\$	% of NAV
CHINA (9.05%)			
Anhui Gujing Distillery Co Ltd	28,900	3,433,320	3.38
Chongqing Changan Automobile Co Ltd	550,000	2,409,000	2.37
Lao Feng Xiang Co Ltd	60,000	1,616,838	1.59
Shanghai Baosight Software Co Ltd	86,000	1,423,655	1.4
China National Accord Medicines Corp Ltd	18,000	242,100	0.24
Contemporary Amperex Technology Co Ltd	180	32,355	0.03
Nantong Jianghai Capacitor Co Ltd	970	17,151	0.02
Jiangsu Zhongtian Technology Co Ltd	950	13,064	0.01
Focus Media Information Technology Co Ltd	936	6,513	0.01
		9,193,996	9.05

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2023 HK\$	% of NAV
HONG KONG (86.08%)			
CNOOC Ltd	720,000	9,360,000	9.23
China Shenhua Energy Co Ltd	340,000	9,095,000	8.96
China Mobile Ltd	121,000	7,840,800	7.73
Fufeng Group Ltd	1,637,000	7,088,210	6.99
China Petroleum & Chemical Corp	1,686,000	6,895,740	6.8
Anta Sports Products Ltd	69,000	5,226,750	5.15

VL CHINA FUND**FOR THE PERIOD ENDED 31 DECEMBER 2023**

Guangdong Investment Ltd	800,000	4,544,000	4.48
Tencent Holdings Ltd	12,000	3,523,200	3.47
Bairong Inc	260,000	3,515,200	3.46
China Unicom Hong Kong Ltd	708,000	3,469,200	3.42
China Merchants Port Holdings Co Ltd	290,248	3,088,239	3.04
Pop Mart International Group Ltd	133,000	2,693,250	2.65
Ajisen (China) Holdings Ltd	2,420,000	2,371,600	2.34
China Telecom Corp Ltd	620,000	2,318,800	2.29
Semiconductor Manufacturing International Corp	116,500	2,313,690	2.28
HSBC Holdings Plc	34,000	2,142,000	2.11
Guangshen Railway Co Ltd	1,372,000	2,085,440	2.06
China Bluechemical Ltd	962,000	1,895,140	1.87
Shenzhen Investment Ltd	1,300,000	1,495,000	1.47
Chow Sang Sang Holdings International Ltd	149,000	1,338,020	1.32
ZTE Corp	76,000	1,325,440	1.31
Medlive Technology Co Ltd	130,000	1,102,400	1.09
BYD Co Ltd	5,000	1,072,000	1.06
Hua Hong Semiconductor Ltd	50,000	944,000	0.93
COSCO Shipping International (Hong Kong) Co Ltd	188,000	571,520	0.56
Meituan	140	11,466	0.01
		<u>87,326,105</u>	<u>86.08</u>

VL CHINA FUND

FOR THE PERIOD ENDED 31 DECEMBER 2023

Listed / Quoted Investments

	Holdings	Fair Value as at 31.12.2023 HK\$	% of NAV
UNITED STATES (0.75%)			
TAL Education Group	6,050	596,663	0.59
I-Mab	6,200	91,985	0.09
AirNet Technology Inc	10,605	68,724	0.07
		<u>757,372</u>	<u>0.75</u>

TOTAL INVESTMENTS	97,277,473	95.88
OTHER NET LIABILITIES	4,179,658	4.12
PUBLISHED NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	101,457,131	100.0
 TOTAL INVESTMENTS, AT COST	 109,511,231	

VL CHINA FUND**FOR THE PERIOD ENDED 31 DECEMBER 2023****INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)
AS AT 31 December 2023**

	% of holdings 31.12.2023	% of holdings 31.12.2022
Listed / Quoted investments		
China	9.0	38.1
Hong Kong	86.1	59.3
United States	0.8	0.5
	<hr/> 95.9	<hr/> 97.9
Other net assets	<hr/> 4.1	<hr/> 2.1
Net assets attributable to unitholders	<hr/> 100.0	<hr/> 100.0