



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 2020

(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
Administrator, Custodian and Registrar	Standard Chartered Bank (Hong Kong) Limited 32/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong
Legal Counsel to the Manager	Simmons & Simmons 30th Floor One Taikoo Place 979 King's Road Hong Kong
Auditors	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue, Central Hong Kong

REPORT OF THE MANAGER

Interim Report

As at 31 December 2020

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 2020 to 31 December 2020, the Fund rallied more than 25% (Class A: +25.77%; Class B: +28.73%). For reference purpose, the MSCI China Index was 25.15% higher and the Hang Seng Index up 13.09% with dividends reinvested.

The Fund was fully invested as at 31 December 2020.

Our Fund outperformed the Hong Kong broader market during the half year, largely due to the sharp rallies of the healthcare positions we picked (including Wuxi Biologics (2269 HK), Phamaron Beijing (3759 HK) and Shenzhen Mindray Bio-Medical (300760 CH) which were up approximately 117%, 64% and 39% respectively during the half year (half-on-half; HoH)).

During the six months, the Fund's investment gains were largely attributable to our growth strategy. Among our top ten investment gain generators, six were consumer durables, another two pharmaceutical companies, and the remaining two industrial plays. Despite the impact of COVID-19, we topped up or added several pharmaceutical and consumer growth stocks which benefit the most from the recovery of China economy. Our biggest investment gains came from companies with solid business models, which included Wuxi Biologics, SITC International (1308 HK), Midea (000333 CH), Pharmaron and Hang Zhou Great Star Industrial (002444 CH).

We stated about three years ago that the prominent investment theme ahead would be on healthcare, consumer-related sectors and information technology (IT). Our conviction in that theme still holds. On healthcare, China's aging population and her citizens' propensity to spend on healthcare signal that the structural growth potential of that sector remains exponential and we believe the boom could easily extend to the next decade.

The lockdown in the first quarter hit China's consumption sector hard but, with a gradual re-opening before summer, select consumer-related companies picked up fast. China's leading auto dealer Zhongsheng Group (stock price up 28.78% HoH) and Midea (up 64.64% HoH) were some of those examples. To boost household incomes and consumption, China's President Xi Jinping has put forward the "dual circulation" strategy (a plan relying more on domestic market or internal circulation without abandoning its export-oriented development strategy or external circulation altogether)

months ago. In light of this, we find it sensible to concentrate our efforts on companies with domestic national brands where opportunities abound.

On IT plays, as online shopping has become more prominent and the usage of electronic payment gateways more widespread, many IT platforms are likely to record continuous growth. That said, competition could become fiercer ahead.

Outlook

China has vowed to achieve carbon neutrality by 2060 hinting that all-electric vehicles and renewable energy could become a key theme over a multi-year horizon. New players in the automobile industry have emerged and reshaped the playing field while traditional OEM car makers are making transformation to manufacture electric vehicles or master auto driving technology. All these have brought about new opportunities in the supply chain of battery manufacturing. Renewable energy names in the solar and wind sectors are regaining market attention as major economies roll out policies on Environmental, Social, and Corporate Governance (ESG). As the investment community turns its attention to ESG, green energy should play an increasingly influential role in the middle to longer term.

Also captured on our radar screen is the Mainland property management sector whose income model appears more secure compared with property developers. Backed by the latest support from the central government and the demand for quality of life in the Mainland, this sector is likely to see abundant growth potential in years to come.

Looking into 2021, the crux of the global recovery lies in the effectiveness of the Covid-19 vaccines. The market regards the launch of these vaccines as good news but, as it is being factored in, further positive factors will be needed to keep the upward momentum of stock prices. Separately, and for China in particular, her recovery ran ahead of others in 2020 and it may create a high base for macro data weakening the growth momentum in 2021.

Sino-US tensions continue to be a challenge. While we believe the new US President Joe Biden will adopt a less hostile policy towards China, the trade barriers (including the sanctions against Huawei and Xiaomi) might not be removed overnight. There is a chance that the Biden administration might re-propose the Trans-Pacific Partnership trying to isolate China. Nonetheless, the negative impact might be alleviated by China's joining the Regional Comprehensive Economic Partnership in late 2020.

Whilst some investors are worried about China's liquidity tightening in the form of deleveraging such as "the three red lines for property developers" and the People's Bank of China's warning on a potential asset bubble in the economy, China's latest macro data suggests that economic activities are still sound. China reported a year-on-year increase of 6.5% for the fourth quarter and a 2.3% increase for full-year 2020, beating analysts' forecasts and making its economy the only one to register positive growth in 2020.

Global liquidity and interest rates are important indicators to watch too. If the recovery pace in 2021 is slow, some of the major central banks might keep printing money leaving liquidity abundant. Short

term interest rates might continue to linger near zero level. We will keep an eye on any sign of inflation/ stagflation.

As regards our positioning, our stock-picking criteria will as always be based on the growth visibility, scarcity value (for example, whether it is a dominant market leader) and business qualities of the companies we choose, as opposed to a simple differentiation between old and new economy stocks or between recovery and growth plays. We will also monitor any policy risks such as those related to the Group Purchasing Organization (GPO) tendering for the healthcare sector and the compulsory deleveraging in the property development sector.

VL Asset Management Limited

19 February 2021

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2020
**STATEMENT OF NET ASSETS
AS AT 31 December 2020**

	(Unaudited) 31.12.2020 HK\$	(Unaudited) 31.12.2019 HK\$
ASSETS		
Cash and bank balances	6,615,530	5,328,113
Amounts due from brokers	2,058,950	7,346,980
Financial assets at fair value through profit or loss	363,672,233	250,260,995
Dividend receivable	-	-
Other receivables and prepayments	-	91,784
TOTAL ASSETS	<u>372,346,713</u>	<u>263,027,872</u>
LIABILITIES		
Management fee payable	476,216	337,769
Trustee fee payable	84,326	139,181
Performance fee payable	7,059,615	215,429
Amounts due to brokers	985,293	8,787,433
Amounts due to manager	10	10
Accruals and other payables	129,847	137,450
LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	<u>8,735,307</u>	<u>9,617,272</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	<u>363,611,406</u>	<u>253,410,600</u>
TOTAL LIABILITIES (INCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)	<u>372,346,713</u>	<u>263,027,872</u>
UNITS IN ISSUE		
- Class A	165,073.1063	207,724.1621
- Class B	<u>2,034,704.8000</u>	<u>2,034,704.8000</u>
NET ASSET VALUE PER UNIT (Note 1)	HK\$	HK\$
- Class A	153.6400	109.0961
- Class B	<u>166.2401</u>	<u>113.4065</u>

**STATEMENT OF PROFIT OR LOSS
FOR THE PERIOD ENDED 31 December 2020**

	(Unaudited) From 1.7.2020 to 31.12.2020 HK\$	(Unaudited) From 1.7.2019 to 31.12.2019 HK\$
INCOME		
Dividend income	1,151,748	2,804,670
Net gain / (loss) on financial assets at fair value through profit or loss	88,754,922	22,468,322
Net foreign exchange differences	425,413	652
Interest income	10,574	1,855
Other income	-	-
TOTAL INCOME	<u>90,342,657</u>	<u>25,275,499</u>
EXPENSES		
Management fees	1,332,776	1,004,658
Trustee fees	358,498	359,508
Performance fees	7,059,615	215,387
Custodian fees	101,831	103,617
Establishment costs	-	92,792
Auditors' remuneration	118,787	119,756
Brokerage commission	303,309	258,749
Transaction costs	260,111	232,883
Legal and professional fees	-	201,107
Bank charges	2,146	1,200
Other operating expenses	28,600	31,450
TOTAL EXPENSES	<u>9,565,673</u>	<u>2,621,107</u>
PROFIT BEFORE TAX	<u>80,776,984</u>	<u>22,654,392</u>
Withholding tax	34,634	90,984
PROFIT AFTER TAX	<u>80,742,350</u>	<u>22,563,408</u>
Other comprehensive income for the period	-	-
INCREASE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>80,742,350</u>	<u>22,563,408</u>

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:

	31.12.2020 HK\$	31.12.2019 HK\$
Published net assets attributable to unitholders	363,611,406	253,410,600
Adjustment on fees and expenses accrued up to the last day of the reporting period end	-	-
Net assets attributable to unitholders as per statement of net assets	363,611,406	253,410,600

	Unit Price as at 31.12.2020 (per statement of net assets) HK\$	Published unit price as at 31.12.2020 HK\$	Unit Price as at 31.12.2019 (per statement of net assets) HK\$	Published unit price as at 31.12.2019 HK\$
- Class A units	153.6400	153.6400	109.0961	109.0961
- Class B units	166.2401	166.2401	113.4065	113.4065

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 2020**

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2020 HK\$	% of NAV
CHINA (27.3%)			
Midea Group Co Ltd	137,400	16,036,559	4.4
Shenzhen Mindray Bio-Medical Electronics Co Ltd	25,500	12,879,607	3.5
Hang Zhou Great Star Industrial Co Ltd	329,797	12,164,648	3.3
C&S Paper Co Ltd	311,700	7,712,800	2.1
Jiangsu Hengrui Medicine Co Ltd	56,332	7,444,355	2.1
Hangzhou Robam Appliances Co Ltd	97,470	4,712,713	1.3
Ningbo Joyson Electronic Corp	150,600	4,528,215	1.3
Lepu Medical Technology (Beijing) Co Ltd	139,000	4,479,372	1.2
Spring Airlines Co Ltd	64,541	4,241,636	1.2
Shanghai Yuyuan Tourist Mart Grp Co Ltd	371,966	3,920,648	1.1
Xiamen Intretech Inc	49,100	3,744,966	1
Hangcha Group Co Ltd	150,000	3,736,545	1
Proya Cosmetics Co Ltd	17,700	3,735,477	1
Shenzhen Megmeet Electrical Co Ltd	85,600	3,456,776	1
Beijing Sinnet Technology Co Ltd	167,100	3,401,728	0.9
Qianhe Condiment and Food Co Ltd	72,800	3,226,440	0.9
Contemporary Amperex Technology Co Ltd	100	41,629	0
		<hr/>	
		99,464,114	27.3
		<hr/>	

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2020

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2020 HK\$	% of NAV
HONG KONG (68.8%)			
Tencent Holdings Ltd	51,500	29,046,000	8
Wuxi Biologics (Cayman) Inc	210,000	21,588,000	5.9
Pharmaron Beijing Co Ltd	125,600	16,453,600	4.5
SITC International Holdings Company Ltd	837,000	14,011,380	3.9
Meituan Dianping	40,300	11,872,380	3.3
Zhongsheng Group Holdings Ltd	203,000	11,215,750	3.1
Innovent Biologics Inc	121,000	9,928,050	2.7
Hainan Meilan Intl Airport	202,000	8,302,200	2.3
JD.Com Inc	21,600	7,387,200	2
Li Ning Co Ltd	132,500	7,062,250	1.9
Great Wall Motor Company	261,500	6,955,900	1.9
Geely Automobile Holdings Ltd	243,000	6,439,500	1.8
CITIC Telecom International Holdings Ltd	2,508,000	6,119,520	1.7
Ping An Insurance Group Company of China Ltd	60,500	5,747,500	1.6
CSOP SZSE ChiNext ETF	455,200	5,680,896	1.6
China Merchants Bank Co Ltd	114,500	5,610,500	1.5
Alibaba Group Holding Ltd	22,200	5,163,720	1.4
BeiGene Ltd	32,400	5,086,800	1.4
Country Garden Services Holdings Co Ltd	90,000	4,720,500	1.3
Times Neighborhood Holdings Ltd	599,000	4,348,740	1.2
Anta Sports Products Ltd	35,000	4,301,500	1.2
Jinke Smart Services Group Co Ltd	68,500	4,274,400	1.2

VL CHINA FUND
FOR THE PERIOD ENDED 31 DECEMBER 2020

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2020 HK\$	% of NAV
Hong Kong Television Network Ltd	356,000	4,065,520	1.1
CanSino Biologics Inc	23,000	4,059,500	1.1
Kaisa Prosperity Holdings Ltd	212,000	4,049,200	1.1
JS Global Lifestyle Company Ltd	264,000	3,954,720	1.1
NWS Holdings Ltd	447,000	3,213,930	0.9
Nine Dragons Paper Holdings Ltd	260,000	2,860,000	0.8
Ping An Healthcare & Techno Co Ltd	30,200	2,838,800	0.8
Sinotrans Ltd	930,000	2,622,600	0.7
Scholar Education Group	171,000	2,223,000	0.6
Hua Medicine	369,000	2,136,510	0.6
Vinda International Holdings Ltd	98,000	2,072,700	0.6
YTO Express International Holdings Ltd	400,000	1,920,000	0.5
Xinte Energy Co Ltd	167,600	1,870,416	0.5
China Grand Pharm & Healthcare Holdings Ltd	252,000	1,733,760	0.5
Viva China Holdings Ltd	2,488,000	1,542,560	0.4
A-Living Smart City Services Co Ltd	44,750	1,539,400	0.4
Wuling Motors Holdings Ltd	660,000	1,491,600	0.4
Cosco Shipping International (Hong Kong) Co Ltd	596,000	1,412,520	0.4
China Education Group Holdings Ltd	88,000	1,314,720	0.4
SUNeVision Holdings Ltd	139,000	979,950	0.3
China Overseas Grand Oceans Group Ltd	154,000	640,640	0.2
Sunac Services Holdings Ltd	6,338	108,760	0
China Merchants Port Holdings Intl Co Ltd	248	2,354	0
		249,969,446	68.8

VL CHINA FUND

FOR THE PERIOD ENDED 31 DECEMBER 2020

Listed / Quoted Investments	Holdings	Fair Value as at 31.12.2020 HK\$	% of NAV
UNITED STATES (3.9%)			
Alibaba Group Holding Ltd Spon ADR	5,894	10,636,038	2.9
TAL Education Group - ADR	4,050	2,245,635	0.6
Airnet Technology Inc	42,420	720,331	0.2
Nokia OYJ	21,000	636,669	0.2
		14,238,673	3.9
TOTAL INVESTMENTS		363,672,233	100.0
OTHER NET LIABILITIES		(60,827)	0.0
PUBLISHED NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		363,611,406	100.0
TOTAL INVESTMENTS, AT COST		248,642,834	

VL CHINA FUND**FOR THE PERIOD ENDED 31 DECEMBER 2020****INVESTMENT PORTFOLIO MOVEMENTS (UNAUDITED)
AS AT 31 December 2020**

	% of holdings 31.12.2020	% of holdings 31.12.2019
Listed / Quoted investments		
China	27.3	22.6
Hong Kong	68.8	71.5
United States	3.9	4.7
	<u>100.0</u>	<u>98.8</u>
Other net (liabilities) / assets	<u>0.0</u>	<u>1.2</u>
Net assets attributable to unitholders	<u><u>100.0</u></u>	<u><u>100.0</u></u>