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WALNUT CAPITAL LIMITED

胡桃資本有限公司

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 905)

2023 INTERIM RESULTS ANNOUNCEMENT

The board (the “**Board**”) of directors (the “**Directors**”) of Walnut Capital Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 together with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	164	757
Other income	5	–	90
Loss arising on change in fair value of financial assets at fair value through profit or loss		(4,217)	(33,984)
Administrative expenses and other operating expenses		(6,778)	(9,654)
Finance costs	6	(100)	(391)
Loss before income tax	7	(10,931)	(43,182)
Income tax expense	8	–	–
Loss and total comprehensive loss for the period attributable to owners of the Company		(10,931)	(43,182)
Loss per share	9		
Basic and diluted (HK cents)		(1.56)	(6.17)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	As at 30 June 2023	As at 31 December 2022
<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS AND LIABILITIES		
Non-current assets		
Property, plant and equipment	139	189
Intangible assets	<u>7,135</u>	<u>7,135</u>
	<u>7,274</u>	<u>7,324</u>
Current assets		
Prepayments	327	449
Other receivables	–	38
Deposits paid	761	701
Financial assets at fair value through profit or loss	87,079	98,679
Cash and cash equivalents	<u>1,546</u>	<u>2,120</u>
	<u>89,713</u>	<u>101,987</u>
Current liabilities		
Accruals and other payables	741	2,134
Other financial liability		
– non-convertible bond	<u>10,000</u>	<u>10,000</u>
	<u>10,741</u>	<u>12,134</u>
Net current assets	<u>78,972</u>	<u>89,853</u>
Net assets	<u><u>86,246</u></u>	<u><u>97,177</u></u>

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	7,003	7,003
Reserves	<u>79,243</u>	<u>90,174</u>
Total equity	<u>86,246</u>	<u>97,177</u>
Net asset value per share (HK\$)	<u>0.12</u>	<u>0.14</u>

NOTES

For the six months ended 30 June 2023

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands and continued in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the Company’s registered office is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. Its principal place of business is situated at Unit 3108, 31/F, Shun Tak Centre, West Tower, 168–200 Connaught Road Central, Hong Kong.

The principal activities of the Group are investing in listed and unlisted equity and debt securities, listed derivative financial instruments and investment funds.

The unaudited condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange.

The unaudited condensed consolidated financial statements is presented in Hong Kong dollar and all values are rounded to the nearest thousand (“**HK\$’000**”) except when otherwise indicated.

The directors of the Company have, at the time of approving the unaudited condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the unaudited condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior period and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended 30 June	
	2023 <i>HK\$’000</i> (Unaudited)	2022 <i>HK\$’000</i> (Unaudited)
Dividend income	163	757
Interest income	1	–
	<u>164</u>	<u>757</u>

4. SEGMENT INFORMATION

The chief operating decision-maker (the “CODM”) has been identified as the Company’s executive directors. The Group’s principal activities are investments in listed and unlisted equity and debt securities, listed derivative financial instruments and investment funds. The CODM regards it as a single business segment and no segment information is presented.

5. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Government grant	—	90
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
	(Unaudited)	(Unaudited)
Interest on:		
Other financial liability		
– non-convertible bond	99	99
Other interest expenses to financial institutions	<u>1</u>	<u>292</u>
	<u>100</u>	<u>391</u>

7. LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss before income tax is arrived at after charging:		
Depreciation of property, plant and equipment	50	51
Directors' remuneration	2,360	4,559
Staff costs	1,480	1,758
Net foreign exchange loss	–	39
Expenses relating to short-term leases	<u>1,106</u>	<u>1,512</u>

8. INCOME TAX EXPENSE

No provision for Hong Kong Profits Tax has been made for the six months ended 30 June 2023 and 30 June 2022 as the Group had no assessable profit arising in or derived from Hong Kong.

9. LOSS PER SHARE

The computations of basic and diluted loss per share attributable to owners of the Company are based on the following data:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share (loss for the period attributable to owners of the Company)	<u>(10,931)</u>	<u>(43,182)</u>

	Six months ended 30 June	
	2023	2022
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>700,334</u>	<u>700,334</u>

The Company did not have any potential dilutive shares throughout the six months ended 30 June 2023 and 2022. Accordingly, diluted loss per share is the same as basic loss per share.

10. INTERIM DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (six months ended 30 June 2022: nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Derivative financial instruments listed in Hong Kong, at fair value	–	686
Listed equity and debt securities		
– Equity and debt securities in Hong Kong, at fair value	57,455	69,206
– Equity and debt securities outside Hong Kong, at fair value	<u>31</u>	<u>31</u>
	57,486	69,923
Unlisted equity and debt securities	26,199	25,246
Unlisted investment funds	<u>3,394</u>	<u>3,510</u>
	<u><u>87,079</u></u>	<u><u>98,679</u></u>

12. INVESTMENT

Pursuant to the requirements stipulated in Chapter 21.12 of the Listing Rules, the Group discloses its list of all investments with a value greater than 5% of the Group's gross assets and at least 10 largest investments as at 30 June 2023 and as at 31 December 2022 respectively as follows:

As at 30 June 2023

Name of investments	Notes	Percentage of equity interest held %	Net assets attributable to the Company HK\$'000	Cost of investment HK\$'000	Market value/ fair value as at 30 June 2023 HK\$'000	Dividend received HK\$'000
Listed equity securities						
Alibaba Group Holding Limited	(a)	below 0.01	3,405	10,931	4,628	-
Brockman Mining Limited	(b)	2.91	16,056	44,597	41,053	-
Frontier Services Group Limited	(c)	0.40	1,896	9,597	2,034	-
Huayi Tencent Entertainment Company Limited	(d)	0.20	566	11,177	3,642	-
Affluent Partners Holdings Limited	(e)	0.59	459	29,341	2,097	-
Tencent Holdings Limited	(f)	below 0.01	900	4,917	3,150	156
Unlisted equity and debt securities						
Oddup Inc. – Preferred shares	(g)	N/A	N/A	11,700	12,218	-
Oddup Inc. – SAFETI	(g)	N/A	N/A	2,340	3,700	-
Infinity Technology (Cayman) Limited – Preferred shares	(h)	N/A	N/A	3,900	3,197	-
Pantheon Lab Limited – Convertible promissory notes	(i)	N/A	N/A	<u>3,925</u>	<u>3,635</u>	-
				<u>132,425</u>	<u>79,354</u>	

As at 31 December 2022

Name of investments	Percentage of equity interest held %	Net assets attributable to the Company <i>HK\$'000</i>	Cost of investment <i>HK\$'000</i>	Market value/ fair value as at 31 December 2022 <i>HK\$'000</i>	Dividend received <i>HK\$'000</i>
Listed equity securities					
Alibaba Group Holding Limited	below 0.01	4,804	19,370	7,073	–
Brockman Mining Limited	2.91	16,056	44,597	42,674	–
Frontier Services Group Limited	0.41	1,943	9,597	3,196	–
Huayi Tencent Entertainment Company Limited	0.20	690	11,177	3,883	–
Kingston Financial Group Limited	0.07	15,186	36,608	2,850	–
Tencent Holdings Limited	below 0.01	877	4,917	3,173	54
Unlisted equity and debt securities					
Oddup Inc. – Preferred shares	N/A	N/A	11,700	11,810	–
Oddup Inc. – SAFETI	N/A	N/A	2,340	3,493	–
Infinity Technology (Cayman) Limited – Preferred shares	N/A	N/A	3,900	2,990	–
Pantheon Lab Limited – Convertible promissory notes	N/A	N/A	<u>3,925</u>	<u>3,307</u>	–
			<u>148,131</u>	<u>84,449</u>	

Notes:

- (a) Alibaba Group Holding Limited was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 09988) and on the New York Stock Exchange (the “**NYSE**”) (symbol: BABA). Alibaba Group Holding Limited is principally engaged in core commerce, cloud computing, digital media and entertainment and innovation initiatives and others.

For the three months ended 30 June 2023, the unaudited consolidated profit attributable to the owners of the company was approximately RMB34,332 million and its unaudited consolidated net assets was approximately RMB1,137,081 million.

- (b) Brockman Mining Limited was incorporated in Bermuda and its shares are listed on the Stock Exchange (stock code: 00159). Brockman Mining Limited is principally engaged in the acquisition, exploration and development of iron ore in Australia.

For the six months ended 31 December 2022, the unaudited consolidated loss attributable to the equity holders of the company was approximately HK\$28,637,000 and its unaudited consolidated net assets was approximately HK\$551,688,000.

- (c) Frontier Services Group Limited was incorporated in the Bermuda and its shares are listed on the Stock Exchange (stock code: 00500). Frontier Services Group Limited is principally engaged in the provision of aviation, logistics, security, insurance and infrastructure related services and the provision of online financial market information.

For the year ended 31 December 2022, the audited consolidated loss attributable to the equity holders of the company was approximately HK\$28,966,000 and its audited consolidated net assets was approximately HK\$470,575,000.

- (d) Huayi Tencent Entertainment Company Limited was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 00419). Huayi Tencent Entertainment Company Limited is principally engaged in (i) entertainment and media business; and (ii) provision of healthcare and wellness services.

For the six months ended 30 June 2023, the unaudited consolidated loss attributable to the equity holders of the company was approximately HK\$43,842,000 and its unaudited consolidated net assets was approximately HK\$287,354,000.

- (e) Affluent Partners Holdings Limited was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 1466). Affluent Partners Holdings Limited is principally engaged in purchasing, processing, designing, production and wholesale distribution of pearls and jewellery products and the operation of strategic investment and financial services.

For the year ended 31 March 2023, the audited consolidated profit attributable to owners of the company was approximately HK\$8,726,000 and its audited consolidated net assets was approximately HK\$78,338,000.

- (f) Tencent Holdings Limited was incorporated in the Cayman Islands and its shares are listed on the Stock Exchange (stock code: 00700). Tencent Holdings Limited is principally engaged in the provision of VAS, Online Advertising services and FinTech and Business Services.

For the six months ended 30 June 2023, the unaudited consolidated profit attributable to the equity holders of the company was approximately RMB52,009 million and its unaudited consolidated net assets was approximately RMB840,816 million.

- (g) Oddup Inc. was incorporated in the United States of America and is principally engaged in operating a research platform that provides analytical information on startups, their trends, and both current and expected future valuations.

For the year ended 31 December 2022, the unaudited loss attributable to the owners of the company was approximately US\$2,051,000 and its unaudited net assets was approximately US\$6,943,000.

- (h) Infinity Technology (Cayman) Limited was incorporated in the Cayman Islands. Infinity Technology (Cayman) Limited is principally engaged in providing the point of sales and online ordering platform service.

For the three months ended 31 March 2023, the unaudited consolidated loss attributable to the owners of the company was approximately HK\$3,424,000 and its unaudited consolidated net assets was approximately HK\$28,024,000.

- (i) Pantheon Lab Limited was incorporated in Hong Kong and is principally engaged in artificial intelligence and software research and development.

For the three months ended 31 March 2023, the unaudited loss attributable to owner of the company was approximately HK\$7,887,000 and its unaudited net liabilities was approximately HK\$11,968,000.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

During the six months ended 30 June 2023, the Group recorded a loss attributable to owners of the Company of approximately HK\$10,931,000, compared to a loss attributable to owners of the Company of approximately HK\$43,182,000 in the corresponding period of 2022. Such decrease was mainly due to a decrease in loss arising on change in fair value of financial assets at fair value through profit or loss of approximately HK\$29,767,000.

Investment Objectives, Policies and Restrictions

Set out below are the investment objectives, policies and restrictions of the Company:

- i. Our investments will normally be made in listed and unlisted financial instruments.
- ii. The Group had made investments with a short to long term perspective with the objective of making capital gain as well as income from dividend or interests. Over the years, the Group invested in listed and unlisted securities, bonds, direct investments, projects, properties and structured products. Investments are also made in special or recovery situations.
- iii. There is no restriction on the proportion of the Company's assets which may be invested in any specific sector or company save for the restriction that the Company will not make an investment in any company which represents more than 20% of the consolidated net assets of the Company at the time such investment is made.
- iv. The Company will not either on its own or in conjunction with any connected person take legal, or effective, management control of underlying investments and that in any event the investment company will not own or control more than 30% (or such other percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) of the voting rights in any one company or body.
- v. The Directors do not intend to seek bank borrowings until substantially all the Company's funds have been invested and that the Company borrows, the Directors do not intend to borrow amounts representing in aggregate more than the consolidated net assets of the Company at the time the borrowing is made.

Investment Review

As at 30 June 2023, the major investments of the Group were approximately HK\$57,486,000 of a portfolio of listed financial instruments, approximately HK\$26,199,000 of direct investment in unlisted financial instruments and approximately HK\$3,394,000 of direct investment in unlisted investment fund. The investment portfolio of the Group mainly comprises equity and debt securities mainly in Hong Kong and the United States of America.

Dividend from listed equity investments during the six months ended 30 June 2023 was approximately HK\$163,000.

The details of all investments with a value greater than 5% of the Group's gross assets and at least 10 largest investments as at 30 June 2023 respectively are set out in note 12.

The gain/(loss) arising in change in fair value of financial assets at fair value through profit or loss for all investments with a value greater than 5% of the Group's gross assets and at least 10 largest investment of the companies for the six months ended 30 June 2023 is as follows:

Name of investments	Notes	Number of	Market value/ fair value as compared to	Realised	Unrealised
		shares held at 30 June 2023	the consolidated total asset of the Group at 30 June 2023	gain/(loss) for the six months ended 30 June 2023	(loss)/gain for the six months ended 30 June 2023
		'000	%	HK\$'000	HK\$'000
Listed equity securities					
Alibaba Group Holding Limited	(i)	57	4.77%	364	(203)
Brockman Mining Limited	(ii)	270,088	42.33%	–	(1,621)
Frontier Services Group Limited	(iii)	9,684	2.10%	–	(1,162)
Huayi Tencent Entertainment Company Limited	(iv)	26,780	3.76%	–	(241)
Affluent Partners Holdings Limited	(v)	3,745	2.16%	–	(674)
Tencent Holdings Ltd	(vi)	10	3.25%	–	(23)
Unlisted equity and debt securities					
Oddup Inc. – Preferred shares	(vii)	N/A	12.60%	–	409
Oddup Inc. – SAFETI	(vii)	N/A	3.82%	–	208
Infinity Technology (Cayman) Limited – Preferred shares	(viii)	N/A	3.30%	–	81
Pantheon Lab Limited – Convertible promissory notes	(ix)	N/A	3.75%	–	328
				364	(2,898)

Notes:

- i. As disclosed in the announcement of the June Quarter 2023 results of Alibaba Group Holding Limited (“**Alibaba**”) as at 10 August 2023, Alibaba delivered a solid quarter as we continue to execute our Reorganization, which was beginning to unleash new energy across Alibaba’s businesses, Through this self-driven transformation, Alibaba aimed to catalyze innovation, promote vitality in Alibaba’s organization and enable businesses to focus on long-term growth. Alibaba looked forward to positive impacts on our business, including strengthening competitiveness, sustainable growth and shareholder value creation.

Due to the strong business momentum and our focus on operating efficiency across businesses, Alibaba achieved robust financial performance in the past quarter. Alibaba strong free cash flow and balance sheet put Alibaba in an excellent position to strengthen our competitiveness and capture new opportunities.

- ii. As disclosed in the interim report 2022/2023 of Brockman Mining Limited (“**Brockman**”), the Marillana project had advanced significantly in relation to both on ground technical studies as well as progression of the infrastructure solution for the project.

Since July 2022, substantial field work had been underway at Marillana. Notably among those field works were: (1) development of a water borefield for testing and modelling of the dewatering and water management design; and (2) commencement of a program of close spaced drilling to inform the optimum spacing for infill resource drilling, which was planned to be undertaken for the areas within the early years of the mine life. At the end of the interim period, 4 pumping bores, 24 water monitoring bores and 51 resource drill holes had been completed.

Work also continued on the metallurgical testwork program, which included the successful completion of the first pilot plant run. Analysis of the results from the pilot plant was currently in progress.

The Mineral Resources (“**MinRes**”) – Hancock Joint Operation continued to advance the engineering studies required to support the final investment decision on the rail and port infrastructure which would facilitate the export of the Marillana ore. MinRes was additionally advancing studies and preparation (including miscellaneous licence applications, environmental studies and permitting) for the haul road corridor from Marillana to a rail loading facility on the Roy Hill railway.

Continuing advancement of the Marillana and Ophthalmia Projects overarching studies and approvals, leading to construction and ultimately production.

- iii. As disclosed in the annual report 2022 of Frontier Services Group Limited (“**Frontier**”), At present, most industries were still struggling and the outlook was still subject to considerable uncertainties, in particular, the new geopolitical tensions and the re-election of government to be carried out in certain countries in Africa and South East Asia. Hence, Frontier would remain cautious on all these latest development. Nevertheless, Frontier still believed that there were business opportunities for Frontier to grasp. Frontier’s recent success in certain countries could enable Frontier to further build Frontier’s footprints there. At the same time, Frontier would continue implement cost-saving measures to enhance Frontier’s competitiveness in the market. Frontier believed that with the continuous support from Frontier’s shareholders together with Frontier’s commitment towards our mission, Frontier would become stronger and thrive for success during these challenging times. The operating performance of 2022 was an good indication or sign for Frontier to back on the right track to success.

- iv. As disclosed in the latest announcement of interim results of Huayi Tencent Entertainment Company Limited (“**Huayi Tencent**”), looking forward to 2023, Echartnow would continue to focus on the healthcare digitization industry, consolidate the progress made from the initial stage of enterprise digitization to the intermediate stage of enterprise digitization, and continued to promote our clients’ competitiveness in the healthcare industry after the intermediate stage of digitization. From providing digitized operation solutions to digitized project management solutions, Echartnow would also establish a digitized project operation management system and a private cloud database to realize the functional advantages of data visualization, optimization of operational decisions and optimization of ROI in the management of pharmaceutical companies, and continued to provide digitized operation solutions for pharmaceutical companies throughout the development cycle through online and offline integration.

The “HT Selected” project was launched in June 2023. Based on the first month’s trial operation data, the gross profit margin of the project was significantly higher than the original level of the healthcare consumption business. In the future, by further integrating its healthcare and lifestyle businesses, Meerkat Health was expected to construct a dual-drive model that would create more value for the Huayi Tencent while meeting the increasingly diversified needs of the people.

With the stabilization and control of the epidemic, it was expected that the “Bayhood No. 9 Club” could continue to operate as usual. In addition, it was expected that the gradual recovery and increase in public demand for outdoor sports in the future would continue to bring stable income to this business. The lease period of this operation is until 5 October 2023, after which the Huayi Tencent will cease to be engaged in the operation of “Bayhood No. 9 Club”.

The Huayi Tencent was focusing on the internet pharmaceutical and healthcare services business, and did not invest in any new film and television projects in the first half of 2023. The Huayi Tencent would concentrate on revitalising its remaining film and television projects and investments.

- v. As disclosed in the 2023 annual report of Affluent Partners Holdings Limited (“**Affluent Partners**”), with the completion of the rights issue during FY23 that could ease the liquidity pressure and improve the financial position of Affluent Partners. Affluent Partners would further use its resources as a listed company to add value for the acquisition project to increase its profitability and return. Meanwhile, Affluent Partners would continue enhancing the development of the mature pearls and jewellery business, introducing more new jewellery products, actively participating in various important jewellery & gem fairs around the world and optimising operation efficiency and productivity in a bid to stay competitive.

With the existing Strategic Investment and Financial Services Segment, Affluent Partners would focus its investments and operations more in the real estate, co-working spaces and investment and asset management sectors. Furthermore, Affluent Partners entered into the memorandum of understanding for the potential acquisition of new feminine products business and Affluent Partners expected that it would be the growth driver of Affluent Partners in the future once it was executed.

- vi. As disclosed in the announcement of the results for the three and six months ended 30 June 2023, Tencent Holdings Limited (“**Tencent**”), during the second quarter of 2023, Tencent sustained a solid revenue growth rate, along with a gravitation toward high quality revenue streams with better margins. This transition, combined with careful cost discipline developed in the previous year, resulted in profit growth exceeding revenue growth. Tencent achieved notably rapid growth in advertising business, benefitting from deploying machine learning on Tencent’s advertising platform and from Video Accounts monetisation. Tencent would continue to drive innovation, including through generative AI, where Tencent were providing a library of models to our partners via our Tencent Cloud Model-as-a-Service (MaaS) offering, as well as refining our proprietary foundation model.
- vii. Oddup Inc. was incorporated in the United States of America and is principally engaged in operating a research platform that provides analytical information on startups, their trends, and both current and expected future valuations.
- viii. Infinity Technology (Cayman) Limited, a Hong Kong-based company founded in 2019 offers restaurant point-of-sale system for Asia. It provides a series of services that enables those in the food and beverage industry to integrate operation, supply, delivery, and financing.

Infinity Technology (Cayman) Limited was recently backed by Y Combinator, and it plans to add central kitchen and school lunch box ordering for schools in Hong Kong, along with working capital loans, inventory management and an HR system to its back end in the short future.
- ix. Pantheon Lab Limited was incorporated in Hong Kong and is principally engaged in artificial intelligence and software research and development.

The Directors believe that the future performance of the listed equities held by the Group is largely affected by economic factors, investor sentiment, demand and supply balance of an investee company’s shares and fundamentals of an investee company, such as investee company’s news, business fundamental and development, financial performance and prospects. Accordingly, the Directors closely monitor the above factors, particularly the fundamentals of each investee company in the Group’s equity portfolio, and proactively adjust the Group’s equity portfolio mix in order to improve its performance.

Liquidity and Financial Resources

As at 30 June 2023, the Group had cash and cash equivalents approximately HK\$1,546,000 (as at 31 December 2022: approximately HK\$2,120,000).

At 30 June 2023, the Group had outstanding borrowings of approximately HK\$10,000,000 (as at 31 December 2022: approximately HK\$10,515,000) representing:

- (a) the margin loan from securities broker of nil (as at 31 December 2022: approximately HK\$515,000) has no determined maturity date and is subject to interest specified from time to time by securities broker. The margin loan is interest bearing at floating rates. As at 30 June 2023, the effective interest rate ranged from 7.11% (as at 31 December 2022: 6.48%) to 7.48% (as at 31 December 2022: 6.63%) per annum.
- (b) the outstanding principal amount of the non-convertible bond (the “**Bond**”) of HK\$10,000,000 (as at 31 December 2022: HK\$10,000,000). The maturity date is 16 April 2024. The Company has an option to repay the outstanding principal amount of the Bond at any time before the maturity date but the bondholder shall not redeem the Bond before the maturity date.

The Bond carries interest at the rate of 2% per annum payable annually in arrears on the last day of each year from the date of the Bond, provided that the final repayment of the interest shall be on the maturity date. However, for every 10% increase in the net profit in any financial year during the term of the Bond as compared to the immediate previous year, the interest rate shall be increased by 1% for that financial year and with retrospective effect. The following year’s interest rate will be reset at 2% subject to adjustment depending on the net profit. The interest rate during the term shall not be less than 2% per annum and not more than 6% per annum.

The gearing ratio (total debts/total equity) as at 30 June 2023 was 11.6% (as at 31 December 2022: 10.8%). Total debts included the non-convertible bond and the margin loan from securities broker.

As at 30 June 2023, the Group had net current assets of approximately HK\$78,972,000 as compared to approximately HK\$89,853,000 as at 31 December 2022.

As at 30 June 2023, the current ratio of the Group was 8.35 compared to 8.41 as at 31 December 2022.

Charges on Assets

As at 30 June 2023, a portfolio of listed equity and debt securities hold under margin account with carrying amounts of nil (31 December 2022: HK\$17,396,000) have been pledged to secure margin loan from securities broker in accruals and other payables.

Capital Commitment and Contingent Liabilities

As at 30 June 2023 and 31 December 2022, the Group had no material capital commitment and contingent liabilities.

Foreign Exchange Exposure

Most of the investments and the business transactions of the Group are denominated in Hong Kong dollars. The Board believes the foreign exchange exposure is minimal.

Share Capital and Capital Structure

As at 30 June 2023, the Company had 700,333,925 shares of HK\$0.01 each in issue (31 December 2022: 700,333,925 shares).

Material Acquisitions and Disposals of Subsidiaries

The Group did not have any material acquisition or disposal of subsidiaries during the six months ended 30 June 2023.

Prospects

Since the zero-Covid policy is no longer in effect, and the Chinese government has once more turned its attention to economic growth, the Board was of the opinion that when China reopened and things got back to normal in the early 2023, the Chinese and Hong Kong stock markets would benefit. But after a robust recovery in Q1, China's initial recovery momentum has slowed down in Q2. Due to pressure on exports, the market has doubts about China's recovery, entrepreneurs continue to have low levels of confidence, and the real estate sector, a key driver of China's economy, is still relatively weak.

The Board continues to believe that a recovery in China will help the economy in the near future because the Chinese government is likely to offer stimulus measures to jump-start the economy. Strong growth prospects will keep businesses attractive, which may aid the Board in avoiding unpredictable distractions like geopolitical risk, commodity prices, and interest rate changes. The Board will continue to exercise caution and will concentrate on identifying and investing in businesses that are currently trading at a favorable value and have promising futures.

EMPLOYEES AND REMUNERATION POLICY

The Group ensured that its employees are remunerated according to the prevailing manpower market conditions and individual performance, qualification, experience and the remuneration policies are reviewed on a regular basis.

There were 14 employees, including 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors as at 30 June 2023. Remuneration policies are reviewed in accordance with the market situation and the performance of individual Directors from time to time. In addition to salaries, the Group provides employee benefits such as medical insurance and mandatory provident fund schemes. Moreover, discretionary bonus and share options will be paid or granted to employees based on the Group's and individual performances.

The emoluments of the Directors were determined with reference to their duties and responsibilities with the Company, the Company's performance, prevailing market conditions and the market emoluments for directors of other listed companies and reviewed by the Remuneration Committee.

The Group's total staff costs (including Directors' emoluments) for the six months ended 30 June 2023 amounted to approximately HK\$3,840,000 (six months ended 30 June 2022: approximately HK\$6,317,000).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange as the code of conduct for dealing in securities of the Company by the Directors. All Directors have confirmed, upon specific enquiries made by the Company, that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2023. To ensure Directors' dealings in the securities of the Company (the "**Securities**") are conducted in accordance with the Model Code, a Director is required to notify designated executive Directors in writing and obtain a written acknowledgement from the designated executive Directors prior to any dealings in the Securities.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, the Company has applied the principles and complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 of the Listing Rules during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) currently comprises 3 independent non-executive Directors, Ms. Lui Sau Lin (the chairman of the Audit Committee), Mr. Fung Wai Ching and Mr. Chung Wang Hei. The Audit Committee has reviewed the 2023 interim report and the condensed consolidated financial statements of the Group for the six months ended 30 June 2023.

PUBLICATION OF THE CONSOLIDATED INTERIM RESULTS AND 2023 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.irasia.com/listco/hk/walnutcap/) and the 2023 interim report containing all the information required by the Listing Rules will be dispatched to shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

By Order of the Board
Walnut Capital Limited
Mung Kin Keung
Co-chairman

Hong Kong, 29 August 2023

As at the date of this announcement, the board of the Company comprises two executive directors, namely, Mr. MUNG Kin Keung (Co-chairman) and Mr. MUNG Bun Man, Alan; one non-executive director, namely, Dr. NG Kit Chong (Co-chairman); and three independent non-executive directors, namely, Mr. FUNG Wai Ching, Ms. LUI Sau Lin and Mr. CHUNG Wang Hei.