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Flowing Cloud Technology Ltd

飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6610)

DISCLOSEABLE TRANSACTION
ACQUISITION OF SHARES IN HEBEI YICHEN INDUSTRIAL GROUP CORPORATION LIMITED

During the period from November 15, 2022 to December 12, 2022 (both dates inclusive), the Company, through a series of transactions, acquired on the open market in Hong Kong an aggregate of 31,426,000 Yichen Shares at a total consideration of approximately HK\$140,781,179 in cash.

As the Acquisitions were conducted within a 12-month period, the Acquisitions are required to be aggregated under Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) exceeds 5% but all of them are less than 25% on an aggregated basis, the Acquisitions constitute a discloseable transaction for the Company under the Listing Rules and is therefore subject to the requirements of reporting and announcement pursuant to Chapter 14 of the Listing Rules.

THE ACQUISITIONS

Dates : For the period from November 15, 2022 to December 12, 2022 (both dates inclusive)

Parties : (i) the Company, as the purchaser

(ii) sellers in the open market in Hong Kong and the Company is not aware of the identities of the sellers of Yichen Shares. To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, the sellers and their respective ultimate beneficial owners are Independent Third Parties.

Interests acquired : An aggregate of 31,426,000 Yichen Shares, which represents approximately 3.50% of the total number of Yichen Shares in issue as at the date of this announcement based on the latest publicly available information. So far as the Directors are aware, there are no contractual restrictions which are applicable to the subsequent sale of Yichen Shares under the Acquisitions.

As at the date of this announcement, the Company held approximately 3.50% of the total issued share capital of Yichen.

TOTAL CONSIDERATION

The total consideration was approximately HK\$140,781,179 in cash which was satisfied on the respective settlement dates from internal financial resources of the Group. The average purchase price per Yichen Share acquired is approximately HK\$4.48.

The consideration per Yichen Share was the market prices quoted on the Stock Exchange at which the transactions for the Acquisitions were executed.

INFORMATION ON THE COMPANY AND YICHEN

The Company is listed on the Stock Exchange. The principal business of the Group is the provision of augmented reality and virtual reality (“AR/VR”) content and services in China.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, Yichen is principally engaged in research and development, manufacturing and sales of rail fastening system products, welding wire and railway sleeper products.

The table below sets out the published financial information extracted from the annual report and interim report of Yichen:

	For the six months ended/ As at June 30, 2022 (RMB’000) (unaudited)	For the year ended/As at December 31, 2021 (RMB’000) (audited)	For the year ended/As at December 31, 2020 (RMB’000) (audited)
Revenue	645,970	1,363,645	1,142,058
Profit before taxation	82,612	284,481	296,379
Profit after taxation	74,282	248,476	257,037
Total assets	3,451,672	3,221,981	2,898,028
Total liabilities	1,066,159	861,099	785,622

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

As a major provider of the AR/VR content and services market in China committed to building China's leading Metaverse platform, the Company is dedicated to providing AR/VR content and services to a variety of industries including the manufacturing industry. The Company considers the manufacturing industry a market with great growth potential which the Company has yet to explore. The application of VR in the manufacturing industry has also been encouraged by national policies in China including *the Proposal for the Integration and Development of Virtual Reality and Industry Applications (2022–2026)* (《虛擬現實與行業應用融合發展行動計劃(2022–2026年)》) jointly issued by five ministries including the Ministry of Industry and Information Technology, the Ministry of Education and the Ministry of Culture and Tourism.

Although the application of AR/VR in the manufacturing industry poses many challenges mainly due to the complexity of the production process and the usual lack of the knowledge of the Internet and AR/VR, the Company is of the view that if the Company successfully applies the AR/VR technology to the manufacturing industry, the Company may be able to accumulate valuable cross-industry experiences and build entry barriers.

As Yichen mainly produces rail fastening systems, flux cored wires and sleepers widely used in high-speed, heavy-haul, and regular and urban railways, Yichen's manufacturing and research and development processes present many opportunities for AR/VR applications including in the development of the prototypes, three-dimensional display of products, trainings of its employees and digitalization of its production lines.

Since the listing of its H shares on the Stock Exchange in 2016, Yichen's business has been growing steadily and its financial performance has remained stable. In view of the above, the Company considers it beneficial to invest in and collaborate with Yichen. The Company further plans to explore business opportunities including providing AR/VR content and services to Yichen after the investment. The Board considers that the terms of the Acquisitions, which were all conducted on the open market in Hong Kong, are on normal commercial terms, and are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the Acquisitions were conducted within a 12-month period, the Acquisitions are required to be aggregated under Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios (as defined in the Listing Rules) exceeds 5% but all of them are less than 25% on an aggregated basis, the Acquisitions constitute a discloseable transaction for the Company under the Listing Rules and is therefore subject to the requirements of reporting and announcement pursuant to Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the following meanings set out below unless the context requires otherwise:

“Acquisitions”	the purchase of an aggregate of 31,426,000 Yichen Shares conducted on the open market in Hong Kong during the period from November 15, 2022 to December 12, 2022 (both dates inclusive) at a total consideration of approximately HK\$140,781,179 in cash
“Board”	the board of Directors
“Company”	Flowing Cloud Technology Ltd, a limited liability company incorporated under the laws of the Cayman Islands whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 06610)
“connected person”	has the meaning as defined in the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries and consolidated affiliated entities
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) which are independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of disclosure in this announcement, excludes Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China and Taiwan)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Yichen”	Hebei Yichen Industrial Group Corporation Limited, a joint stock limited liability company incorporated in the People’s Republic of China whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 01596)
“Yichen Share(s)”	the shares of Yichen in issue
“%”	per cent

By order of the Board
Flowing Cloud Technology Ltd
Wang Lei
Chairman

Hong Kong, December 12, 2022

As at the date of this announcement, the Board comprises Mr. Wang Lei, Mr. Li Yanhao, Ms. Xu Bing and Mr. Li Yao as executive Directors and Mr. Jiang Yi, Mr. Tan Deqing and Ms. Wang Beili as independent non-executive Directors.