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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2025

The Board hereby announces the unaudited condensed consolidated financial statements of the Group for the Reporting Period together with the comparative unaudited figures for the corresponding period in 2024 as follows:

In this announcement, “**we**”, “**us**”, and “**our**” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL HIGHLIGHTS

	For the six months ended		
	June 30		
	2025	2024	Change
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	381,313	448,013	-14.9%
Gross profit	80,653	125,239	-35.6%
(Loss)/profit before tax	(135,912)	74,435	-282.6%
(Loss)/profit for the period	(123,497)	63,473	-294.6%
Total comprehensive (expense)/income for the period	(130,192)	45,054	-389.0%
Basic (loss)/earnings per share (<i>RMB cents</i>)	(6.53)	3.51	-285.9%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a major provider of the AR&VR content and services sector in China, the Company has been committed to providing better quality of AR&VR content and more comprehensive AR&VR marketing services and creation platforms for customers.

During the Reporting Period, the Company continued to plough into the core technology fields of metaverse, AR&VR/MR, artificial intelligence and big data, and proactively promoted the in-depth integration of digital technology and physical economy. Against the backdrop of the accelerated development of “new quality productive forces”, the Company adheres to the development path of “technology-driven, content innovation, and ecological co-construction”, and has built strong technological advantages by utilizing its self-developed key technological products and platforms such as AR&VR engine, AI behavioral algorithms, and cloud computing. The Company has built a diversified business system based on its advanced technological capabilities, covering various economic sectors such as culture and tourism, consumer, education, finance and industrial. In the field of culture and tourism industry, the Company duplicates virtual cultural tourism scenarios to bring tourists a new immersive travel experience. In the field of consumer industry, the Company creates an immersive shopping experience for enterprises and helps brands to enhance user stickiness. In the field of education industry, the Company creates virtual teaching scenarios to change the traditional way of teaching and promotes in-depth cooperation between schools and enterprises. In the field of finance industry, the Company utilizes VR technology to realize the innovation of remote financial services. In the field of industrial scenario, the Company optimizes production process and enhances production efficiency through using digital twin technology. During the Reporting Period, the Company achieved technological breakthroughs, overseas market expansion and an overall leap in brand influence.

I. Technology-driven innovation to strengthen the digital infrastructure

As a National High-tech Enterprise (國家高新技術企業) and a Beijing Specialized and Innovative Enterprise (北京市專精特新企業), the Company has always regarded technological innovation as the core engine of enterprise development. In the first half of 2025, the Company continued to increase its investment in R&D to further optimize its self-developed AR&VR engine and AI algorithm model, and to promote the in-depth integration of AR&VR and AI technologies. This provides a more efficient, intelligent, and immersive digital solution for a wide range of industries.

Virtual live streaming technology made breakthrough progress: The Company researched and released the mobile virtual humans live streaming software “FT live”, focusing on the demand of a large number of streamers to stream with virtual human images on the mobile terminal. The product contains the Company’s self-developed motion capture technology on the mobile terminal, integrated scenario, lighting, mirror, action, pop-up interactive and other full-featured modules. The Company’s interactive play between the live streaming is also innovative introduction of the “strong interaction, strong effects” concept, so that the features on IP image are more prominent and fresher. This provides a full life cycle of virtual live solutions with streamers from the entrance to the professional, promoting the virtual content creation in a popularization and intelligent way.

II. Actively participate in industry events and lead the development of the industry

During the Reporting Period, the Company frequently appeared at important domestic and international technology and industry exhibitions, demonstrating the innovative strength and international influence of China’s XR enterprises. The management of the Company attended the “2025 China Shanghai VR/AR Industry Expo” and delivered a keynote speech entitled “Digital and Intelligence Empowerment, XR and AI Driving the Progress and Changes of Industrial Transformation” (《數智賦能，XR與AI驅動產業變革的進與變》), sharing the cutting-edge insight of the Company on the integration of technology and industrial application. The Company appeared at the “2025 Zhejiang Service Trade (Shanghai) Digital Culture and Tourism Exhibition”, showcasing metaverse projects that focus on cultural heritage and well known scenic locations, and promoting cross-regional cooperation in digital culture and tourism solutions. The Company participated in the 2025 “Zhongguancun Hard Technology Carnival”, demonstrating the FT Live virtual live streaming systems of the Feitian AI Digital Intelligence Humans, which gained wide attention from the industry.

III. Honors to show user recognition and industry status

During the Reporting Period, the Company won a few authoritative honors for its outstanding technical strength and service systems, fully reflecting the high recognition from the market and users. The Company was awarded the “STIF2024 Digital Influence Enterprise” (STIF2024年度數字化影響力企業), recognizing the outstanding contribution of the Company in promoting the digital transformation of the industry. The Company was selected as the “Beijing Customer Satisfaction Enterprises” list (北京市用戶滿意企業), which signifies that the Company has reached an industry-leading level in terms of service quality, customer experience and customer satisfaction.

The Company was honored as a “Contributor” (貢獻者) by the Huzhou Municipal Government in the year of 2024, and honored as a “High Growth Demonstration Enterprise” (高成長示範企業) by the Anji County, reflecting the local government’s high affirmation of the development potential of the Company and its role in driving the regional economy.



AR&VR marketing services

Revenue from AR&VR marketing services amounted to RMB214.7 million, representing a decrease of 33.5% as compared with the same period last year. The decline in revenue was mainly due to a 24.0% period-on-period decrease in the average placement amount of a single advertising customer, decrease from RMB20,178.1 thousand to RMB15,332.2 thousand. Although the number of customers remained stable and the contract renewal rate increased to 93%, reflecting the increase in customer stickiness, the overall revenue was under pressure because of the shrinking budget of large customers. In the future, the Company will continue to optimize its customer structure, increase the proportion of high-value customers, and strengthen its commercialization capabilities to enhance the sustainability and stability of its revenue.

Considering revenue in terms of geographical regions, the domestic AR&VR marketing business realized revenue of RMB144.3 million, representing a period-on-period decrease of 43.1% as compared to RMB253.8 million of the same period last year. At the same time, the Company actively explored overseas markets and realized revenue of RMB70.4 million from overseas AR&VR marketing business, representing a period-on-period increase of 2.0% as compared to the revenue of RMB69.0 million of the same period last year.

	1H2025	1H2024
AR&VR marketing services		
Number of advertising customers	14	16
Monthly average number of advertising products promoted	144	143
Average spending per advertising customer (RMB'000)	15,332.2	20,178.1
Contract renewal rate	93%	75%

AR&VR content

During the Reporting Period, revenue from AR&VR content was RMB119.9 million, representing a period-on-period increase of 12.6%, which was mainly attributable to the significant improvement in project quality and the increase in project unit price. Specifically, despite the decrease in the number of customers and projects, the average price of projects increased from RMB1,238.8 thousand to RMB1,998.7 thousand, indicating that the Company paid more attention to quality and effectiveness in project selection and execution, which drove the overall revenue growth.

	1H2025	1H2024
AR&VR content		
Number of customers	17	28
Number of projects	60	86
Average price of projects (RMB'000)	1,998.7	1,238.8

During the Reporting Period, the Company deepened the integration of culture and tourism, created benchmark cases, expanded diversified scenarios and constructed industry ecosystems. In the first half of 2025, the Company continued to lead the digital culture and tourism, and assisted a number of cultural and tourist attractions in realizing digital transformation and brand upgrading through the innovative mode of “Technology + Culture + Tourism”.

IP short drama leads the new state of cultural and tourism: The Company has collaborated with Huzhou Giraffe Manor to jointly create a family-friendly IP short drama “Adventure Manor” (《奇遇莊園》), featuring “Little Lake Deer” (小湖鹿) as the main character. The drama blends Swahili with Huzhou dialect, African culture and Jiangnan non-heritage elements, reconstructing parent-child emotional connection through parallel time and space narrative, and realizing two-way empowerment of content dissemination and attracting traffic of tourist attractions.

Immersive experience in metaverse: During the “Romantic Gulf of Tonkin Chaopai Carnival” in Guangxi, the project “Metaverse of Guilin Xiangbishan”* (桂林象鼻山元宇宙景區) was demonstrated, where users could “travel” to Xiangbishan through a 3D digital twin to realize cross-time tour and social interaction, which greatly enhanced the participation of tourists and the recognition of the brand.

Digital technology empowers cultural heritage: At the “2025 Zhejiang Service Trade (Shanghai) Digital Culture and Tourism Exhibition”, the “Sanxingdui VR archaeology”(三星堆VR考古) project was highlighted, allowing audiences to participate in the exploration of the ancient Shu civilization in an immersive manner, and promoting the innovative dissemination of outstanding traditional Chinese culture.



MR mixed reality technology is being implemented for science education: The Company launched the “Moon Adventure” MR experience project at the Xuzhou Unmanned Aerial Vehicle Science Education Base, integrating VFX visual effects and MR technology to create a realistic lunar exploration environment and provide young people with a new experience of immersive science education.

The Company is actively expanding the application of AR&VR/MR technologies in areas such as culture and tourism, education, urban services, and corporate marketing, driving the upgrade of digital technologies from “experience-oriented” to “service-oriented.”

Digital intelligence humans empower multi-industry services: The “Feitian AI Digital Intelligence Humans” has been applied in various scenarios, such as culture and tourism tours, corporate customer service, and city administration. Digital intelligence humans can provide 7×24 intelligent voice services, realize route planning, policy consultation, interactive explanation and other functions, significantly enhancing service efficiency and user experience.

Digital twin prompts intelligent airport construction: The Company joins hands with an airport group media and an airport to create the “Tiangong” (天工) digital twin airport marketing platform, realizing the virtualization, data and intelligent operation of the airport space, providing passengers with a brand-new service experience, and creating a new mode of intelligent civil aviation marketing.



Future Outlook

In the second half of 2025, the Company will continue to deepen the integration of AI and AR&VR/MR technologies, expand more application scenarios in the industry, and promote the continuous improvement of the efficiency of digital content production and service quality. We will further strengthen in-depth cooperation with governments, scenic areas, educational institutions and corporate customers to build an open and win-win digital ecosystem and provide more valuable metaverse products and services to users around the world.

We firmly believe that in the booming wave of digital economy, the Company will continue to use the power of technology to light up the real world and create a better future of virtual and real coexistence.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group mainly generated revenue from four primary services: (i) providing AR&VR marketing services; (ii) selling AR&VR content; (iii) delivering integrated marketing services; and (iv) offering AR&VR SaaS platform solutions.

For the six months ended June 30, 2025, the Group recognized total revenue of approximately RMB381.3 million, which represents a decrease of approximately 14.9% from approximately RMB448.0 million for the six months ended June 30, 2024. This decline was primarily driven by a reduction in revenue from AR&VR marketing services.

The following table sets forth a breakdown of the revenue by service or product type in absolute amounts and as a percentage of the total revenue for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
AR&VR marketing services	214,652	56.3	322,850	72.0
AR&VR content	119,922	31.5	106,539	23.8
Integrated marketing	16,827	4.4	—	—
AR&VR SaaS	6,221	1.6	14,295	3.2
Others ^(Note)	23,691	6.2	4,329	1.0
Total	381,313	100.0	448,013	100.0

Note: Other businesses mainly comprise platform services, digital character development and operation services, short drama production and operation business, non-AR&VR technical services and promotion services.

AR&VR marketing services

The Group offers a diverse range of AR&VR marketing services. These include developing customized marketing plans, creating engaging content, distributing content across multiple platforms, and collecting, monitoring, and optimising marketing data and feedback.

For the six months ended June 30, 2025, the revenue generated from AR&VR marketing services was approximately RMB214.7 million, representing a decrease of approximately 33.5% from approximately RMB322.9 million for the six months ended June 30, 2024. The decrease is primarily attributed to a reduction in advertising expenditures by domestic clients in response to ongoing sluggish economic growth.

The following table sets forth a breakdown of the revenue from the AR&VR marketing services business by customer industry in absolute amounts and as a percentage of the total revenue from the AR&VR marketing services business for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Entertainment	72,654	33.8	28,906	9.0
Internet	26,312	12.3	52,194	16.2
E-commerce	22,659	10.6	13,351	4.1
Culture and tourism	22,412	10.4	42,143	13.1
Gaming	28,736	13.4	119,779	37.0
Automobiles	0	0	11,669	3.6
Others	41,879	19.5	54,808	17.0
Total	<u>214,652</u>	<u>100.0</u>	<u>322,850</u>	<u>100.0</u>

During the Reporting Period, the revenue generated from AR&VR marketing services primarily originated from advertising customers in various sectors, including gaming, entertainment, internet, e-commerce, culture and tourism, and automobiles. As indicated in the table above, clients from the entertainment and e-commerce industries demonstrated growth; however, clients from other sectors experienced a decline in revenue compared to the same period in 2024.

While the number of advertising clients remained steady at 14 (six months ended 30 June 2024: 16), and the average monthly number of products promoted for these clients was consistent at 144 (six months ended 30 June 2024: 143), there has been a substantial decrease in average spending per customers. This reduction has ultimately led to an overall decline in revenue for the Reporting Period.

AR&VR content

The Group generates revenue from the AR&VR content business primarily through offering customized content to customers. For the six months ended on June 30, 2025, revenue from the AR&VR content business reached approximately RMB119.9 million, representing an increase of approximately 12.6% from approximately RMB106.5 million for the same period in 2024. The growth can be primarily attributed to a significant rise in spending from major customers in the entertainment industry.

The following table sets forth a breakdown of the revenue from the AR&VR content business by customer industry in absolute amounts and as a percentage of the total revenue from the AR&VR content business for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Entertainment	18,846	15.7	9,434	8.9
Gaming	74,745	62.3	78,522	73.7
Education	21,183	17.7	8,355	7.8
Others	5,148	4.3	10,228	9.6
Total	119,922	100.0	106,539	100.0

Integrated Marketing

In the second half of 2024, the Group launched an integrated marketing business that provides comprehensive marketing services to its customers. This initiative involves procuring services from reputable media platforms on behalf of customers. These services assist customers in activating promotional features on the platforms, which enhance their visibility, increase their followers, and drive traffic to their videos and live streams.

For the six months ended June 30, 2025, the Group achieved revenue of approximately RMB16.8 million from its integrated marketing services, which was newly introduced by the Group in the second half of 2024.

AR&VR SaaS

Starting 2024, the Group strategically scaled down its operations in the AR&VR SaaS business segment. As a result, for the six months ended June 30, 2025, revenue from this business segment experienced a significant decline of approximately 56.5%. Specifically, revenue decreased from approximately RMB14.3 million for the six months ended June 30, 2024 to approximately RMB6.2 million for the same period in 2025.

Others

During the Reporting Period, revenue was generated from other businesses through promotion services, platform services, advertising agency services, short drama operations, and technical services. For the six months ended June 30, 2025, revenue from other businesses amounted to approximately RMB23.7 million, representing a significant increase of 5.5 times compared to RMB4.3 million for the same period in 2024. This significant growth is attributed to the Group's proactive strategy in pursuing new business opportunities, which include diversifying revenue through digital character development, operational services, and short drama production and management.

Cost of Revenue

The Group's cost of revenue consists of three main components (i) traffic acquisition costs, which refer to the expenses incurred for acquiring advertising traffic from media platforms or their agents, specifically related to the Group's AR&VR marketing services; (ii) subcontracting and development costs, which includes expenses for third-party service providers involved in designing and developing artistic elements, such as animations, special effects, and illustrations, used in the Group's AR&VR interactive content and AR&VR SaaS products. It also includes certain non-core technical support services; and (iii) other costs, which cover the expenses associated with professionally generated content (PGC) video materials that enhance the Group's AR&VR content offerings.

For the six months ended June 30, 2025, the Group's cost of revenue amounted to approximately RMB300.7 million, representing a decrease of approximately 6.9% as compared to approximately RMB322.8 million for the same period in 2024. The decline can be attributed primarily to a reduction in the Group's revenue during the Reporting Period.

The following table sets forth a breakdown of the cost of revenue by nature in absolute amounts and as a percentage of the total cost of revenue for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
	(Unaudited)		(Unaudited)	
Traffic acquisitions costs	201,770	67.1	258,716	80.2
Subcontracting and development costs	74,715	24.9	53,013	16.4
Others ^(Note)	24,175	8.0	11,045	3.4
Total	300,660	100.0	322,774	100.0

Note: Other cost of revenue mainly comprises use of material costs, amortization of intangible assets, staff costs and renting of servers.

AR&VR marketing services

The following table sets forth a breakdown of the cost of revenue from the AR&VR marketing services business by customer industry in absolute amounts and as a percentage of the total cost of revenue from the AR&VR marketing services business for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(Unaudited)		(Unaudited)	
Entertainment	62,912	31.2	22,831	8.8
Internet	22,794	11.3	40,782	15.8
E-commerce	35,956	17.8	10,397	4.0
Culture and tourism	19,403	9.6	32,943	12.7
Gaming	24,497	12.1	98,633	38.1
Automobiles	0	0	9,288	3.6
Others	36,208	18.0	43,842	17.0
Total	<u>201,770</u>	<u>100.0</u>	<u>258,716</u>	<u>100.0</u>

For the six months ended June 30, 2025, the Group's cost of revenue incurred by the AR&VR marketing services amounted to approximately RMB201.8 million, representing a decrease of approximately 22.0% as compared to approximately RMB258.7 million for the same period in 2024. The decline can be attributed primarily to a reduction in the Group's revenue generated from AR&VR marketing services during the Reporting Period. The fluctuations in the cost of revenue from AR&VR marketing services vary across industries, primarily due to the changes in each industry's overall revenue.

AR&VR content

The following table sets forth a breakdown of the cost of revenue from the AR&VR content business by customer industry in absolute amounts and as a percentage of the total cost of revenue from the AR&VR content business for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i> (Unaudited)	%	<i>RMB'000</i> (Unaudited)	%
Entertainment	15,641	20.9	8,170	14.8
Gaming	42,199	56.5	33,140	60.2
Education	12,340	16.5	4,623	8.4
Others	4,535	6.1	9,110	16.6
Total	74,715	100.0	55,043	100.0

For the six months ended June 30, 2025, the Group's cost of revenue incurred by the AR&VR content services amounted to approximately RMB74.7 million, representing an increase of approximately 35.7% as compared to approximately RMB55.0 million for the same period in 2024. The increase in cost can be attributed primarily to an increase in the Group's revenue generated from AR&VR content services during the Reporting Period. The fluctuations in the cost of revenue from AR&VR content services vary across industries, primarily due to the changes in each industry's overall revenue.

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2025, the Group reported a gross profit of approximately RMB80.7 million, representing a decrease of approximately 35.6% compared to approximately RMB125.2 million for the same period in 2024. This decline in gross profit was primarily attributed to a significant reduction in revenue from AR&VR marketing services.

Additionally, the gross profit margin from AR&VR marketing services fell from approximately 19.9% in the first half of 2024 to approximately 13.5% in the first half of 2025. This decrease was largely due to advertising customers implementing budget reduction in response to prevailing economic conditions and the increase in traffic acquisition costs.

Similarly, the gross profit margin for the AR&VR content business also declined, dropping from approximately 48.3% for the six months ended June 30, 2024, to approximately 37.7% for the same period in 2025. The reduction in gross profit margin can be attributed largely to escalating production costs. In an effort to maintain current customer relationships and potentially expand its market reach, the Group has focused on delivering higher-quality products that incorporate enhanced content and advanced technologies. As a result, this initiative has led to an increase in production costs.

The following table sets forth a breakdown of the gross profit by service and product type in absolute amounts and gross profit margins, for the periods indicated:

	For the six months ended June 30,			
	2025		2024	
	<i>RMB'000</i>	<i>Gross Profit Margin %</i>	<i>RMB'000</i>	<i>Gross Profit Margin %</i>
	(Unaudited)		(Unaudited)	
AR&VR marketing services	29,032	13.5	64,134	19.9
AR&VR content	45,207	37.7	51,496	48.3
Integrated marketing	676	4.0	—	—
AR&VR SaaS	2,367	38.0	9,249	64.7
Others ^(Note)	3,371	14.2	360	8.3
Total	80,653	21.2	125,239	28.0

Note: Other businesses mainly comprise platform services, digital character development and operation services, short drama production and operation business, non-AR&VR technical services and promotion services.

Other Income

For the six months ended June 30, 2025, the Group's other income was approximately RMB46,000, which included tax refund and interest income from bank deposits. This amount represents a decrease of approximately 58.2% compared to approximately RMB110,000 for the same period in 2024. The decline in other income is primarily due to the absence of government grants in 2025, which were provided in the same period of previous year.

Impairment Losses of Trade Receivables

The Group has applied the applicable accounting standards to measure the loss allowance at lifetime expected credit losses (ECL). The Group recognizes lifetime ECL for trade receivables by conducting a collective assessment based on its internal credit ratings. However, for trade receivables that show a significant increase in credit risk or are considered credit-impaired, an individual assessment is performed. This assessment takes into account factors such as aging, past default experience, current overdue amounts, and a review of the debtor's financial position.

As of June 30, 2025, the carrying amount of trade receivables was RMB781.1 million, after accounting for an allowance for credit losses of RMB143.7 million. This represents an increase of approximately RMB85.1 million recognized in the condensed consolidated statements of profit or loss and other comprehensive income for the six months ended June 30, 2025, compared to the allowance for credit losses of RMB58.7 million carried forward as of December 31, 2024. The substantial increase in the ECL allowance is mainly due to a rise in long-overdue receivables from major customers, who have consistently generated significant revenue for the Group.

In accordance with the Group's credit management policy, the finance team is responsible for the detailed recording of trade receivables and the timely distribution of monthly statements to the sales team. The sales team is entrusted with the responsibility of managing the collection of these receivables and ensuring that outstanding balances are periodically verified with customers through email confirmation.

For trade receivables that are overdue, the sales team will proactively follow up on the collection process. They will document the reasons for the delays along with the customer's proposed payment plan. This information will be shared with the team supervisor, who may assign additional resources to assist with the collection efforts.

If trade receivables remain overdue for more than one year, the sales team will engage in discussions with the customer to develop a comprehensive repayment plan. If these discussions do not lead to satisfactory agreement, the Group may issue a collection notice or consider further actions, including legal proceedings, to recover the outstanding amounts.

As of the date of this announcement, the outstanding trade receivables that remained unsettled were not subject to any disputes or legal proceedings.

Distribution and Selling Expenses

During the six months ended June 30, 2025, the Group experienced a significant increase in distribution and selling expenses, which totaled approximately RMB67.9 million, representing a substantial rise of approximately 7.8 times compared to the RMB8.7 million recognized in the same period of 2024. The increase in expenses is primarily due to higher promotion costs associated with engaging subcontractors, which have played a critical role in enhancing the Group's efforts to promote its brands and prepare products for launch effectively.

Administrative Expenses

The Group's administrative expenses primarily consist of, among others, (i) staff costs, which include wages, bonuses, and benefits for administrative personnel; (ii) rental and property management expenses; and (iii) professional service fees associated with the Group's financing activities that are not related to the Listing.

For the six months ended June 30, 2025, the Group's administrative expenses decreased by approximately 46.0%, falling from approximately RMB27.7 million in the same period in 2024 to approximately RMB15.0 million. This significant decline can be attributed to (i) a reduction in equity-settled share-based payment expenses due to employee departures, and (ii) decreased office expenses, conference fees, and intermediary service fees resulting from a strategic downsizing of the business.

Research and Development Expenses

For the six months ended June 30, 2025, the Group reported research and development expenses of approximately RMB46.1 million, representing a significant increase of approximately 3.2 times higher than approximately RMB14.4 million spent during the same period in 2024. The primary reason for this increase can be attributed to the Group's increased investment in research and development ("R&D"), particularly in motion capture technology and large-scale virtual reality, as well as the significant rise in outsourced R&D technology reserve projects. The Group did not capitalize any research and development expenses during the six months ended June 30, 2025.

Finance Costs

During the six months ended June 30, 2025, finance costs amounted to approximately RMB2.1 million, which represents a decrease of approximately 19.2% compared to approximately RMB2.6 million for the same period in 2024. This reduction is primarily due to a decline in the interest rates associated with the Group's bank borrowings during this period.

Income Tax Credit/(Expense)

The Group's income tax position has experienced a significant change, shifting from an expense of approximately RMB11.0 million for the six months ended June 30, 2024, to a credit of approximately RMB12.4 million for the six months ended June 30, 2025, primarily resulting from the Group's reported loss for the six months ended June 30, 2025.

(Loss)/Profit for the Period and Net Profit Margin

As a result of the foregoing, the Group incurred a loss of approximately RMB123.5 million for the six months ended June 30, 2025. This represents a decline of approximately RMB187.0 million in comparison to a profit of approximately RMB63.5 million for the corresponding period in 2024. The net profit margin for the Group decreased from approximately 14.2% in the first half of 2024 to -32.4% in the first half of 2025. This reduction is primarily attributable to lower revenue and a decreased gross profit margin during the first half of 2025, along with a notable increase in impairment losses on trade receivables and a significant rise in selling expenses.

Trade Receivables

Trade receivables of the Group mainly relate to the amounts due from its customers who purchased AR&VR marketing services, AR&VR content and AR&VR SaaS products.

The Group's trade receivables increased from approximately RMB641.9 million to approximately RMB781.1 million as of June 30, 2025. This growth was primarily attributed to an increase in trade receivable turnover days. This shift reflects the broader economic challenges currently affecting customer liquidity. As of the date of this announcement, approximately RMB142 million, representing 22% of the Group's trade receivables as of December 31, 2024, has been settled.

For trade receivables aged over one year which had not been settled as of the date of this announcement, the Company may consider engaging in discussions with the customer to develop a comprehensive repayment plan. If these discussions do not lead to satisfactory agreement, the Group may issue a collection notice or consider further actions, including legal proceedings, to recover the outstanding amounts.

Prepayments

The prepayments of the Group primarily comprise (i) prepayments for purchasing of advertising traffic from media platforms and their agents in connection with the AR&VR marketing services, (ii) prepayments for outsourcing service in connection with the AR&VR content business, and (iii) prepayments for recharging accounts on media platforms related to integrated marketing business.

The Group's prepayment decreased from approximately RMB755.4 million as of December 31, 2024, to approximately RMB721.0 million as of June 30, 2025. This reduction was primarily attributed to the utilisation of certain prepayments for the acquisition of advertising traffic in support of the Group's AR&VR marketing services.

Prepayments made for the acquisition of advertising traffic to media platforms, as well as prepayments for subcontracting services, are generally non-refundable upon request. These prepayments do not have a defined expiration term, and there are currently no indications that they cannot be utilized effectively. Consequently, as of June 30, 2025, no impairment has been recognized on the total amount of these prepayments.

As of the date of this announcement, approximately RMB217.2 million, representing approximately 29% of the Group's prepayment as of December 31, 2024, has been utilised.

Trade payables

The trade payables mainly were the amounts due to the Group's suppliers for subcontracting and development costs and cost of raw materials.

The trade payables increased from approximately RMB170.8 million as of December 31, 2024, to approximately RMB235.1 million as of June 30, 2025. This increase is primarily due to longer payables turnover days, as the Group's suppliers have adopted more flexible credit policies in response to the current market conditions, leading to extended payment cycles.

Borrowings

The borrowings of the Group mainly comprise short-term borrowings from commercial banks in the PRC denominated in Renminbi. The borrowings increased from RMB88.0 million as of December 31, 2024 to RMB95.5 million as of June 30, 2025, in line with the business development.

Contingent Liabilities

As of June 30, 2025, the Group did not have any material contingent liabilities.

Liquidity and Capital Resources

The Group funded its cash requirements through cash generated from its business operations and bank borrowings, together with the net proceeds from the Global Offering (as defined in the Prospectus). The Group does not anticipate any material changes to the availability of financing to fund its operations in the future.

As of June 30, 2025, the Group had cash and bank balances of RMB21.0 million denominated in Renminbi, United States dollars and Hong Kong dollars.

Capital Expenditures

The capital expenditures of the Group for the Reporting Period amounted to RMB45.2 million, which principally consist of expenditures on intangible assets and equipment.

The Group funded these expenditures through a combination of cash generated from its operations and bank borrowings.

Charge of Assets

As of June 30, 2025, the Group had no charge of assets.

Gearing Ratio

Gearing ratio equals net debt divided by total equity as of the end of the period and multiplied by 100%. Net debt equals borrowings and lease liabilities less bank and cash balances as of the end of the period. Gearing ratio is not applicable because the Group was in net cash position.

Foreign Exchange Risk Management

The Group mainly operates in the PRC with most transactions settled in Renminbi, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollars and Hong Kong dollars. As of June 30, 2025, the Group had bank balances denominated in Renminbi, United States dollars and Hong Kong dollars. Except for certain bank balances denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations as of June 30, 2025. The Group currently does not have any foreign currency hedging transactions. However, the management monitors the foreign exchange exposure and will consider hedging significant foreign exchange exposure of the Group should the need arise.

Financial Instrument

The Group did not have any financial instruments for hedging purposes as of June 30, 2025.

Treasury Policy

The Directors will continue to follow the Group's prudent treasury policy to manage its financial resources, with the objective of maintaining its highly liquid position to ensure future growth opportunities would be captured when they arise.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2025

		Six months ended 30 June	
		2025	2024
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	381,313	448,013
Cost of revenue		<u>(300,660)</u>	<u>(322,774)</u>
Gross profit		80,653	125,239
Other income		46	110
Other (losses)/gains, net		(548)	1,809
(Impairment losses)/reversal of impairment loss of trade receivables		(85,064)	620
Distribution and selling expenses		(67,862)	(8,701)
Administrative expenses		(14,960)	(27,725)
Research and development expenses		(46,116)	(14,350)
Finance costs		<u>(2,061)</u>	<u>(2,567)</u>
(Loss)/profit before tax		(135,912)	74,435
Income tax credit/(expense)	5	<u>12,415</u>	<u>(10,962)</u>
(Loss)/profit for the period	6	<u><u>(123,497)</u></u>	<u><u>63,473</u></u>
Other comprehensive (expense)/income after tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity investments at fair value through other comprehensive income		(6,245)	(18,784)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		<u>(450)</u>	<u>365</u>
Other comprehensive expense for the period, net of tax		<u>(6,695)</u>	<u>(18,419)</u>
Total comprehensive (expense)/income for the period		<u><u>(130,192)</u></u>	<u><u>45,054</u></u>

		Six months ended 30 June	
		2025	2024
<i>Note</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:			
— Owners of the Company		(123,508)	63,473
— Non-controlling interests		11	—
		<u>(123,497)</u>	<u>63,473</u>
Total comprehensive (expense)/income for the period attributable to:			
— Owners of the Company		(130,203)	45,054
— Non-controlling interests		11	—
		<u>(130,192)</u>	<u>45,054</u>
Basic and diluted (loss)/earnings per share (<i>RMB cents</i>)			
	8	<u>(6.53)</u>	<u>3.51</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2025

		30 June 2025	31 December 2024
	Notes	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Equipment		3,283	5,222
Right-of-use assets		2,211	1,963
Intangible assets	9	122,723	99,676
Equity investments at fair value through other comprehensive income		68,637	74,882
Investments at fair value through profit or loss		10,000	10,000
Deferred tax assets		24,072	10,512
		<u>230,926</u>	<u>202,255</u>
Current assets			
Trade receivables	10	781,056	641,885
Contract costs		1,090	1,157
Prepayments	11	721,032	755,418
Deposits and other receivables		3,917	4,698
Current tax assets		2,191	2,674
Bank and cash balances		20,995	162,422
		<u>1,530,281</u>	<u>1,568,254</u>
Current liabilities			
Trade and bills payables	12	255,072	190,821
Contract liabilities		9,193	29,059
Other payables and accruals		49,144	62,739
Borrowings		95,500	88,000
Lease liabilities		1,141	1,693
Current tax liabilities		6,865	1,195
		<u>416,915</u>	<u>373,507</u>
Net current assets		<u>1,113,366</u>	<u>1,194,747</u>

		30 June 2025	31 December 2024
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Audited)
Total assets less current liabilities		<u>1,344,292</u>	<u>1,397,002</u>
Non-current liabilities			
Amount due to controlling shareholders		<u>21,700</u>	<u>14,000</u>
NET ASSETS		<u><u>1,322,592</u></u>	<u><u>1,383,002</u></u>
Capital and reserves			
Share capital	13	154	128
Reserves		<u>1,319,059</u>	<u>1,380,145</u>
Equity attributable to owners of the Company		1,319,213	1,380,273
Non-controlling interests		<u>3,379</u>	<u>2,729</u>
TOTAL EQUITY		<u><u>1,322,592</u></u>	<u><u>1,383,002</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Flowing Cloud Technology Limited (the “**Company**”) was incorporated in the Cayman Islands with limited liability. The addresses of its registered office and its principal place of business are 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands and Shop 8, Jingyuan Art Centre, Guangqulu No. 3, Chaoyang District, Beijing, the People’s Republic of China (“**PRC**”) respectively. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 October 2022 (the “**Listing**”).

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) are primarily engaged in the provision of augmented reality and virtual reality (“**AR & VR**”) marketing services, AR & VR content and relevant services.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board as well as the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

These condensed consolidated financial statements should be read in conjunction with the 2024 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2024.

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

In the current period, the Group has adopted all the new and revised IFRS Accounting Standards that are relevant to its operations and effective for its accounting period beginning on 1 January 2025. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current period and prior years.

The Group has not applied the new and revised IFRS Accounting Standards that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRS Accounting Standards but is not yet in a position to state whether these new and revised IFRS Accounting Standards would have a material impact on its results of operations and financial position.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
AR&VR marketing services	214,652	322,850
AR&VR content	119,922	106,539
Integrated marketing services	16,827	—
AR&VR Software as a Service (“SaaS”) services	6,221	14,295
Platform services	14,174	156
Digital character development and operation services	3,856	—
Others	5,661	4,173
	381,313	448,013
Timing of revenue recognition		
At a point in time	375,092	438,463
Over time	6,221	9,550
	381,313	448,013
Geographical market		
Mainland, the PRC	310,918	378,064
Hong Kong	70,395	69,949
	381,313	448,013

Segment information

For management purposes, the Group does not organize into business units based on their services and only has one reportable operating segment. The chief operating decision maker monitors the operating results of the Group’s operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment. In this regard, no segment information is presented.

The Group's non-current assets (excluded financial instruments and deferred tax assets) by geographical location of the assets are detailed below:

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Mainland, the PRC	117,479	93,922
Hong Kong	10,738	12,939
	<u>128,217</u>	<u>106,861</u>

5. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Current income tax	1,145	11,399
Deferred tax	(13,560)	(437)
	<u>(12,415)</u>	<u>10,962</u>

6. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period is arrived at after charging:

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Depreciation of equipment	2,039	2,010
Depreciation of right-of-use assets	2,371	2,569
Amortization of intangible assets (included in cost of revenue, research and development expenses)	23,603	15,784

7. DIVIDENDS

No dividends were paid or proposed during the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share is based on the following data:

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted		
(loss)/earnings per share	<u>(123,508)</u>	<u>63,473</u>
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of		
calculating basic and diluted (loss)/earnings per share	<u>1,891,908</u>	<u>1,807,224</u>

The effects of all potential shares are anti-dilutive for the six months ended 30 June 2025.

Diluted earnings per share is the same as basic earnings per share as the Company did not have any dilutive potential ordinary shares during the six months ended 30 June 2024.

9. INTANGIBLE ASSETS

During the six months ended 30 June 2025, the Group acquired software of RMB46,566,000 and intellectual property of RMB130,000.

10. TRADE RECEIVABLES

The ageing analysis of trade receivables, based on billing date, and net of provision for loss allowance is as follows:

	At 30 June	At 31 December
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 6 months	302,369	282,108
Over 6 months but within 1 year	251,814	220,084
Over 1 year	<u>226,873</u>	<u>139,693</u>
	<u>781,056</u>	<u>641,885</u>

11. PREPAYMENTS

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Prepayments for purchases of advertising traffic	710,198	742,383
Prepayments for outsourcing service	9,617	9,007
Prepayments for intangible assets	102	1,689
Others	1,115	2,339
	<u>721,032</u>	<u>755,418</u>

12. TRADE AND BILLS PAYABLES

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Trade payables	235,072	170,821
Bills payables	20,000	20,000
	<u>255,072</u>	<u>190,821</u>

The ageing analysis of trade payables, based on date of billing documents, is as follows:

	At 30 June 2025 <i>RMB'000</i> (Unaudited)	At 31 December 2024 <i>RMB'000</i> (Audited)
Within 6 months	145,617	100,448
Over 6 months but within 1 year	56,675	28,834
Over 1 year but within 2 years	4,991	22,887
Over 2 years	27,789	18,652
	<u>235,072</u>	<u>170,821</u>

13. SHARE CAPITAL

Ordinary shares of US\$0.00001 each

	Number of ordinary shares '000	Nominal value of ordinary shares US\$'000	Equivalent nominal value of ordinary shares RMB'000
Authorised:			
At 1 January 2024, 31 December 2024, 1 January 2025 and 30 June 2025	<u>5,000,000</u>	<u>50</u>	<u>319</u>
Issued and fully paid:			
At 1 January 2024, 31 December 2024 and 1 January 2025	1,810,000	18	128
Issues of shares (<i>Note</i>)	361,000	4	26
Cancellation of shares	<u>(2,672)</u>	<u>—</u>	<u>—</u>
At 30 June 2025	<u>2,168,328</u>	<u>22</u>	<u>154</u>

Note: On 19 May 2025, the Company issued 361,000,000 ordinary new shares at a subscription price of HK\$0.201 per share for a total cash consideration of RMB66,862,000, net of share issue expenses of RMB674,000.

14. COMPARATIVE FIGURES

A comparative figure has been reclassified to conform to the current period's presentation. The change included the reclassification of the private equity fund investment previously designated at equity investments at fair value through other comprehensive income to investments at fair value through profit or loss. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As of June 30, 2025, the Group owned 31,101,000 shares of Hebei Yichen Industrial Group Corporation Limited (河北翼辰實業集團股份有限公司) (“**Yichen**”), a joint stock limited liability company incorporated in the PRC and the H shares of Yichen are traded on the Main Board of the Stock Exchange under stock code 1596 (the “**Equity Investment**”). Based on publicly available information, Yichen is primarily engaged in the research and development, manufacturing, and sales of rail fastening system products, welding wire, and railway sleeper products. As of the date of this announcement, the Equity Investment represents approximately 3.5% of Yichen’s total issued share capital.

The initial investment cost for the Equity Investment was approximately HK\$140,781,179. In accordance with applicable accounting standards, the Company subsequently measured the Equity Investment at fair value through other comprehensive income (FVTOCI). As of June 30, 2025, the fair value of the Equity Investment was approximately RMB68.6 million representing approximately 3.9% of the Group’s total assets as of June 30, 2025. Consequently, the Group recorded a fair value loss of RMB6.3 million during the Reporting Period, representing a decline from the carrying amount of approximately RMB74.9 million as of December 31, 2024.

During the Reporting Period, the Company has not received any dividend income from Yichen.

The Company intends to hold the Equity Investment to receive dividends while retaining the option to sell it.

Save as disclosed above, there were no significant investments held, nor were there material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilize the net proceeds raised from the Global Offering (as defined in the Prospectus) according to the plans set out in the section headed “Use of Proceeds from Listing” in this announcement.

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets as of the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2025, the Group had 103 full-time employees, all of them are located in China.

The Group's success depends on its ability to attract, motivate, train and retain qualified personnel. The Group believes it offers its employees competitive compensation packages and an environment that encourages self-development and, as a result, have generally been able to attract and retain qualified personnel and maintain a stable core management team. The Group values its employees and is committed to growing with its own employees.

The Group recruits personnel through professional headhunting companies and recruitment websites. The Group has adopted the Post-IPO Share Option Scheme to link employees' remuneration to their overall performance, and a performance-based remuneration reward system to keep them motivated. The promotion of each employee is not merely based on such employee's position and seniority. The remuneration package of employees generally consists of basic salaries, incentive payments and bonuses. The remuneration policy and package of the employees are periodically reviewed. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees with reference to the prevailing market conditions.

In addition, the Group places strong emphasis on providing trainings to its employees in order to enhance their professional skills, understanding of our industry and work place safety standards, and appreciation of its value, as well as satisfying customer services. The Group offers different training programs for employees at various positions. For example, the Group offers induction training for newly recruited employees to attend as it strives for consistency and high quality of the services it offers to its customers. In addition, the Group provides trainings specifically catering for different skills and knowledge needed for different positions including product training, business training, finance training and management training. The Group strives to maintain a local talent pool and offer a promotion path for excellent employees in the Group.

USE OF PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of Stock Exchange on October 18, 2022. After deducting the underwriting commissions, incentives and other offering expenses payable by the Company, the Company obtained the net proceeds from the Global Offering (as defined in the Prospectus) of approximately HK\$531.9 million.

The Over-allotment Option (as defined in the Prospectus) was not exercised. The table below sets forth the intended application of the net proceeds and actual usage as of June 30, 2025:

Intended application	Amount of net proceeds (HK\$ million)	Percentage of total net proceeds	Net proceeds brought forward for the Reporting Period (HK\$ million)	Utilized net proceeds for the Reporting Period (HK\$ million)	Unutilized net proceeds as of June 30, 2025 (HK\$ million)	Expected timetable for the use of unutilized net proceeds
To enhance our R&D capabilities and improve our services and products:						
(1) to develop and optimize our algorithms and data analysis capabilities;	53.2	10.0%	0.0	—	0.0	—
(2) to upgrade and iterate our AR&VR development engines;	42.6	8.0%	0.0	—	0.0	—
(3) to improve our operation capabilities;	37.2	7.0%	0.0	—	0.0	—
(4) to develop of our AR&VR content business;	37.2	7.0%	0.0	—	0.0	—
(5) to develop our AR&VR SaaS business; and	26.6	5.0%	0.0	—	0.0	—
(6) to procure IPs in support of the growth of our AR&VR content business and AR&VR SaaS business.	16.0	3.0%	0.0	—	0.0	—
To enhance our sales and marketing function:						
(1) to strengthen our brand image through marketing effort;	53.2	10.0%	0.0	—	0.0	—
(2) to enhance our brand awareness through online channels; and	26.6	5.0%	0.0	—	0.0	—
(3) to strengthen and optimize our sales and marketing network.	53.2	10.0%	0.0	—	0.0	—
For selected mergers, acquisitions, and strategic investments	79.8	15.0%	69.8	0.0	69.8	By the end of 2025
For the development of our Feitian Metaverse platform	53.1	10.0%	0.0	—	0.0	—
For our working capital and general corporate purposes	53.2	10.0%	0.0	—	0.0	—
Total	<u>531.9</u>	<u>100.0%</u>	<u>69.8</u>	<u>—</u>	<u>69.8</u>	

The Company will use the remaining proceeds for the purposes disclosed in the Prospectus. The expected timetable for utilizing the remaining proceeds is based on the best estimates of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

USE OF PROCEEDS FROM PLACING

On April 30, 2025 (after trading hours), the Company entered into a placing agreement (the “**Placing Agreement**”) with CNI Securities Group Limited (the “**Placing Agent**”), pursuant to which the Company appointed the Placing Agent as its agent to procure not less than six placees (who and whose ultimate beneficial owners shall be independent of and not connected with the Company and its connected persons) (the “**Placees**”) to subscribe for up to 361,000,000 Shares (the “**Placing Share(s)**”) at a price of HK\$0.201 per Placing Share on a best effort basis pursuant to the terms and conditions set out in the Placing Agreement (the “**Placing**”). The Placees are individual(s), corporations(s) and/or institutional or other professional investor(s). The Placing Shares were allotted and issued under the general mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company convened and held on May 28, 2024 to allot and issue up to 362,000,000 new Shares. The price of HK\$0.201 per Placing Share (exclusive of any brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) was determined on an arm’s length basis between the Company and the Placing Agent with reference to, among other things, the prevailing market price of the Shares and the liquidity of the Shares on the Stock Exchange. The Placing Price represents: (a) a discount of approximately 19.60% to the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (b) a discount of approximately 17.96% to the average closing price of HK\$0.245 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement. The net price per Placing Share is approximately HK\$0.20. Please refer to the announcements of the Company dated April 30, 2025 and May 19, 2025 for more details (collectively, the “**Announcements**”).

The Directors are of the view that the Placing can strengthen the financial position of the Group and provide additional working capital to the Group to meet any future development and obligations. The Placing also represents good opportunities to broaden the Shareholders’ base and the capital base of the Company. The Board is of the view that the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable, and the Placing is in the interests of the Company and the Shareholders as a whole.

The completion of the Placing took place on May 19, 2025. The gross proceeds from the Placing amounted to approximately HK\$72.56 million, and the net proceeds from the Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing) amounted to approximately HK\$71.62 million. The table below sets forth the intended application of the net proceeds and actual usage as of June 30, 2025:

Intended application	Amount of net proceeds (HK\$million)	Percentage of total net proceeds	Utilized net proceed as of June 30, 2025 (HK\$million)	Unutilized net proceeds as of June 30, 2025 (HK\$million)	Expected timetable for the use of unutilized net proceeds
To enhance the R&D capabilities and improving services and products	42.97	60.0%	19.29	23.68	By the end of 2025
To enhance sales and marketing function	21.49	30.0%	10.5	10.99	By the end of 2025
For our general working capital purposes	7.16	10.0%	3.5	3.66	By the end of 2025
Total	<u>71.62</u>	<u>100.0%</u>	<u>33.29</u>	<u>38.33</u>	

The Company will use the remaining proceeds for the purposes disclosed in the Announcements. The expected timetable for utilizing the remaining proceeds is based on the best estimates of the future market conditions made by the Group. It may be subject to change based on the current and future development of market conditions.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2025.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Board is of the view that the Company has complied with all applicable principles and code provisions of the Corporate Governance Code for the Reporting Period and up to the date of this announcement, except for a deviation from the code provision C.2.1 of the Corporate Governance Code, that the roles of Chairman and chief executive officer of the Company are not separated and are both performed by Mr. Wang Lei. With extensive experience in the technology services and game development industry, Mr. Wang Lei is responsible for the strategic development, overall operation and management and major decision-making of the Group and is instrumental to its growth and business expansion since he joined the Group. The Board considers that vesting the roles of Chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and visionary individuals. The Board currently comprises three executive Directors (including Mr. Wang Lei) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Decisions to be made by the Board require approval by at least a majority of the Directors. Mr. Wang Lei and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he/she acts for the benefit and in the best interests of the Company and will make decisions of the Group accordingly. The Board will continue to review the effectiveness of the corporate governance structure of the Company in order to assess whether separation of the roles of Chairman and chief executive officer is necessary. Save as disclosed above, the Company is in compliance with all code provisions as set out in Part 2 of the Corporate Governance Code during the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors and the relevant employees.

Having made specific enquiries to all Directors, all of them have confirmed that they have complied with the Model Code during the Reporting Period.

AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference in compliance with the requirements of the Corporate Governance Code. The terms of reference of the Audit Committee are set out on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.flowingcloud.com>).

As of the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Ms. Chen Yuelin, Mr. Jiang Yi and Mr. Li Shaojie, with Ms. Chen Yuelin serving as the chairlady. The principal duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal control systems of the Company.

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the Reporting Period in conjunction with the management and the external auditor of the Company. Based on this review and discussions with the management, the Audit Committee considered that the interim results are in compliance with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During the six months ended June 30, 2025 neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company (including the sale of treasury shares).

Under the repurchase mandate obtained at the annual general meeting of the Company held on June 6, 2023, a total of 2,672,000 Shares repurchased on November 23, 27 and 29, 2023, and December 22 and 27, 2023 were cancelled in May 2025. Under the repurchase mandate obtained at the annual general meeting of the Company held on May 28, 2024, a total of 1,182,000 Shares repurchased on June 11, 12, 13, 14, 17, 18 and 24, 2024 are held as treasury shares (as defined in the Listing Rules). The Company intends to utilize such treasury shares in accordance with the applicable rules and regulations, including but not limited to resale for cash, transfer to satisfy share grants under share schemes and cancellation.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no subsequent event after the Reporting Period which has a material impact on the Group.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<https://www.floatingcloud.com>). The interim report for the Reporting Period will be dispatched to the Shareholders who have elected to receive printed copies and published on the above websites in due course.

DEFINITIONS

“advertising customer(s)”	advertising customers include advertisers and their agents
“AFRC”	Accounting and Financial Reporting Council of Hong Kong
“AI”	artificial intelligence

“AR”	augmented reality, an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information
“Audit Committee”	the audit committee of the Board
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Beijing Flowing Cloud”	Beijing Flowing Cloud Technology Co., Ltd.* (北京飛天雲動科技有限公司), a limited company established in the PRC on November 17, 2021 and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Chairman”	the chairman of the Board
“China” or “the PRC”	the People’s Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	Flowing Cloud Technology Ltd, an exempted company incorporated in the Cayman Islands with limited liability on June 24, 2021, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6610)
“Consolidated Affiliated Entities”	the entities the Group controls through the Contractual Arrangements
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders (as defined in the Prospectus), the details of which are set out in the section headed “Contractual Arrangements” in the Prospectus
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Director(s)”	the director(s) of the Company or any one of them

“Group”, “Flowing Cloud”, “our”, “we” or “us”	the Company, its subsidiaries and the Consolidated Affiliated Entities at the relevant time
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	IFRS Accounting Standards
“IP”	intellectual property
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
“MR”	mixed reality, a blend of physical world and digital world
“Post-IPO Share Option Scheme”	the post-IPO share option scheme conditionally adopted by the Company on September 8, 2022
“Prospectus”	the prospectus issued by the Company dated September 29, 2022
“R&D”	research and development
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the six months period from January 1, 2025 to June 30, 2025
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted

“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) with nominal value of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“United States dollars” or “US\$”	United States dollars, the lawful currency of the United States
“VR”	virtual reality, the computer generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way
“XR”	extended reality, a combined term for AR, VR and MR
“%”	percent

* *For identification purpose only*

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

Hong Kong, August 29, 2025

As of the date of this announcement, the Board comprises Mr. Wang Lei, Ms. Xu Bing and Mr. Li Yao as executive Directors, and Mr. Jiang Yi, Ms. Chen Yuelin and Mr. Li Shaojie as independent non-executive Directors.