



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



REALITY IMAGINATION

2024 
ANNUAL REPORT

Contents

Corporate Information	2
Financial Highlights	4
Five Years' Financial Summary	5
Chairman's Statement	6
Management Discussion and Analysis	7
Directors and Senior Management	32
Directors' Report	36
Corporate Governance Report	62
Environmental, Social and Governance (ESG) Report	80
Independent Auditor's Report	126
Consolidated Statement of Profit or Loss and Other Comprehensive Income	130
Consolidated Statement of Financial Position	132
Consolidated Statement of Changes in Equity	134
Consolidated Statement of Cash Flows	135
Notes to the Consolidated Financial Statements	137
Definitions	184





Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Lei (*Chairman and Chief Executive Officer*)
Mr. Li Yanhao
(*resigned with effect from November 3, 2024*)
Ms. Xu Bing
Mr. Li Yao

Independent Non-executive Directors

Mr. Jiang Yi
Mr. Tan Deqing
Ms. Chen Yuelin
(*appointed with effect from March 3, 2025*)
Ms. Wang Beili
(*resigned with effect from March 3, 2025*)

JOINT COMPANY SECRETARIES

Mr. Li Yao
Ms. Chan Sau Ling

AUDIT COMMITTEE

Ms. Chen Yuelin (*Chairlady*)
(*appointed with effect from March 3, 2025*)
Ms. Wang Beili (*Chairlady*)
(*resigned with effect from March 3, 2025*)
Mr. Jiang Yi
Mr. Tan Deqing

REMUNERATION COMMITTEE

Mr. Tan Deqing (*Chairman*)
Mr. Wang Lei
Ms. Chen Yuelin
(*appointed with effect from March 3, 2025*)
Ms. Wang Beili
(*resigned with effect from March 3, 2025*)

NOMINATION COMMITTEE

Mr. Tan Deqing (*Chairman*)
Mr. Jiang Yi
Ms. Chen Yuelin
(*appointed with effect from March 3, 2025*)
Ms. Wang Beili (*resigned with effect from March 3, 2025*)

AUDITOR

ZHONGHUI ANDA CPA Limited

(*appointed with effect from July 19, 2024*)
Certified Public Accountants
Registered Public Interest Entity Auditor
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, Hong Kong

Deloitte Touche Tohmatsu

(*resigned with effect from July 19, 2024*)
Certified Public Accountants
Registered Public Interest Entity Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

AUTHORIZED REPRESENTATIVES

Mr. Wang Lei
Ms. Chan Sau Ling

REGISTERED OFFICE

89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

CORPORATE HEADQUARTERS

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Guangqulu No. 3
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Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1917, 19/F
Lee Garden One
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Causeway Bay, Hong Kong



CAYMAN ISLANDS SHARE REGISTRAR AND TRANSFER OFFICE

Ogier Global (Cayman) Limited

89 Nexus Way
Camana Bay
Grand Cayman
KY1-9009
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

LEGAL ADVISOR

Jingtian & Gongcheng LLP

Suites 3203–3207, 32/F, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

PRINCIPAL BANKERS

Beijing Rural Commercial Bank Co., Ltd.

Taoranting Branch

1st Floor, Tower E, Fuli Morgan Center
6 Tai Ping Street
Xicheng District
Beijing
PRC

Bank of Nanjing Co.

Beijing Branch

Yongxing Garden Hotel
101 Fucheng Road
Haidian District
Beijing
PRC

STOCK CODE

6610

COMPANY WEBSITE

www.floatingcloud.com



Financial Highlights

	For the year ended		Year-on-year change
	December 31,		
	2024	2023	
	RMB'000	RMB'000	
Revenue	995,347	1,244,723	(20.0%)
Gross profit	200,036	420,717	(52.5%)
(Loss)/profit before tax	(44,846)	271,671	(116.5%)
(Loss)/profit for the year	(43,703)	263,935	(116.6%)
Total comprehensive (expense)/income for the year	(81,661)	221,373	(136.9%)
Basic and diluted (loss)/earnings per share (RMB cents)	(2.42)	14.58	(116.6%)
Non-IFRS Measure:			
Adjusted net (loss)/profit* (unaudited)	(30,643)	273,971	(111.2%)

* Adjusted net (loss)/profit was derived from (loss)/profit for the year adjusted by adding equity-settled share-based payments. Equity-settled share-based payments are non-cash in nature.

Five Years' Financial Summary



	Year ended December 31,				
	2024	2023	2022	2021	2020
	RMB'000	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating results					
Revenue	995,347	1,244,723	1,066,157	595,290	338,598
Gross profit	220,036	420,717	373,995	175,516	104,704
(Loss)/profit before tax	(44,846)	271,671	247,144	87,142	70,371
(Loss)/profit for the year	(43,703)	263,935	236,593	71,719	60,252
Total comprehensive (expense)/income for the year	(81,661)	221,373	257,465	71,719	60,252
Non-IFRS Measure:					
Adjusted net (loss)/profit* (unaudited)	(30,643)	273,971	257,711	105,596	61,609
	As at December 31,				
	2024	2023	2022	2021	2020
	RMB'000	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial position					
Non-current assets	202,255	228,621	248,823	40,236	28,289
Current assets	1,568,254	1,492,653	1,278,627	543,279	362,311
Current liabilities	373,507	268,142	300,525	134,201	211,016
Net current assets	1,194,747	1,224,511	978,102	409,078	151,295
Non-current liabilities	14,000	900	1,520	2,744	167
Net assets	1,383,002	1,452,232	1,225,405	446,570	179,417

* Adjusted net (loss)/profit was derived from (loss)/profit for the year adjusted by adding equity-settled share-based payments. Equity-settled share-based payments are non-cash in nature.



Chairman's Statement

Dear Shareholders,

2024 marks a pivotal year for the deep restructuring of the digital ecosystem. Disruptive breakthroughs in artificial intelligence technology, coupled with the ongoing evolution of metaverse applications, are reshaping the global industrial landscape. Facing this once-in-a-century wave of technological revolution, we bear the mission of leading industry transformation while embracing historic opportunities to pioneer new frontiers.

MACRO ENVIRONMENT AND INDUSTRY OPPORTUNITIES

The deepening integration of the digital economy and innovations in 3D interaction technologies are redefining global industrial ecosystems. National strategies have injected strong momentum into industry development, with China's 2024 Government Work Report explicitly listing "accelerating the development of new quality productive forces" as a key task, while the Central Economic Work Conference emphasized technology-driven innovation as the foundation for modernizing the industrial system. Against this policy backdrop, 3D content production and the applications of AR & VR/MR technology have experienced explosive growth, emerging as one of the core engines for leapfrogging total factor productivity.

USER DEMAND AND MARKET POTENTIAL

As digital natives, younger generations exhibit rising acceptance and expectations for virtual-real integration experiences, fueling exponential growth in demand for 3D content. Leveraging our first-mover advantages in technology and scenario-driven innovation capabilities, we are positioning ourselves as a leader in the next-generation internet landscape through high-precision modeling, low-latency interaction, and cross-platform compatibility.

INDUSTRY PARADIGM SHIFTS DRIVEN BY TECHNOLOGICAL ITERATION

Global tech giants are accelerating their deployment of AR & VR/MR hardware ecosystems. The launch of products like Apple Vision Pro, Meta Quest series, and AR+AI glasses marks the dawn of the "spatial computing era". With exponential growth in computing power and iterative upgrades in smart wearable devices, information interaction is transitioning from 2D to 3D, creating a golden opportunity for the 3D content industry. In the emerging spatial computing landscape, three-dimensional interactive content will become the core medium for human-computer interaction, redefining business models, social interaction and daily lifestyle.

SEIZING OPPORTUNITIES AMID CHALLENGES

We remain steadfast in our commitment to openness and collaboration, working with partners across industries to tackle challenges and co-create a brilliant future for the digital era. In 2025, we will stay aligned with technological trends, integrate cutting-edge innovations and explore new application scenarios to enhance product competitiveness and user experience. With respect to overseas market expansion, we will implement strategic deployments by establishing specialized teams with global vision, capitalizing on our AR & VR expertise to unlock international growth opportunities. Furthermore, we will establish a company-centric metaverse ecosystem, fostering multi-dimensional collaboration through business partnerships, technological alliances, and industrial investments. By working closely with local governments and industrial capital, we are positioned to empower more emerging metaverse enterprises.

STEADFAST IN OUR MISSION

With the dedication of our employees and the unwavering support of the society, we firmly believe that Flowing Cloud will ride the tides of the digital age, with technological innovation as its boat and ecosystem synergy as its sail, to deliver sustainable value for shareholders, customers and society, jointly creating a future world of virtual-real integration.

Wang Lei

Chairman of the Board

Management Discussion and Analysis



BUSINESS REVIEW

Strategic Expansion Built on Technology

In 2024, guided by principles of innovation and transformation, open collaboration, sincere trust and self-motivated discipline, the Company actively captured the industry opportunities and strategically expanded by building on its B-end business and innovatively exploring C-end business. The breakthrough development of artificial intelligence technology has significantly enhanced the anthropomorphism, perception, expression and cognitive abilities of AI virtual humans, leading to widespread applications in entertainment, media, finance, education and other fields. The virtual human industry, with advantages such as cost reduction, personalized customization, multilingual support and cross-platform operations, has also unlocked new growth opportunities and innovative potential. At the Global Digital Trade Expo, the Company's self-developed intelligent interactive virtual human won the Excellence Award in the "Digital Human Intelligence Debate Competition" (「數字人智辯大賽」實力獎).

With the emergence of a diversified live-streaming ecosystem, platforms like Douyin faced increasing demand for high-quality content and continuous refinement of streamer operations. Therefore, capitalizing on its unique technological innovation capabilities, the Company launched "FT Live", an intelligent live streaming control product, successfully establishing itself as a virtual idol MCN brand. With advanced 3D production capabilities, rich features and gameplay, precise traffic support and effective operational guidance, the Company has strengthened the virtual human IP content ecosystem. The Company's self-developed 3D engine provided efficient 3D production capabilities, enabling nearly limitless content creation at relatively low costs and high efficiency through continuous technological iteration. Strong support from platforms like Douyin ensures ample exposure for high-quality content, facilitating the development of diverse monetization models.



Management Discussion and Analysis

Entry into the European Market through Exhibitions and Technical Collaboration

Showcasing at International Exhibitions: through participation in international events such as the Internationale Funkausstellung (IFA) in Berlin, Germany, and the Smart City Expo World Congress, Flowing Cloud has showcased its metaverse solutions globally, including leading cases in the digital and intelligent industrial systems and digital cultural tourism. For instance, at the Convention Center in Barcelona, the Company demonstrated its real-time factory monitoring system based on 3D modeling and VR restoration technology for cultural heritage sites, which sparked interest in collaboration from multiple European enterprises.

The screenshot shows the IFA Berlin 2024 website banner. The top navigation bar includes the IFA logo, a 'Get your Tickets!' button, and links for Visit, Exhibit & Sponsor, Programme, Media, About, a search icon, and flags for the UK and Germany. The main banner features a green background on the left with the text 'Join Bosch, Electrolux, LG, Miele & Samsung at the most innovative tech event in the world' and 'IFA Berlin 6-10 September 2024' with a 'Buy today' button. On the right is a photo of a VR simulation booth where two people are seated, and a person in the foreground is taking a photo with a smartphone. Below the banner, the text 'The world's largest consumer and electronics show' is displayed, followed by a chat icon.



Industry Leadership Position

In 2024, Flowing Cloud further solidified its position as a frontrunner in the metaverse sector. Leveraging cross-platform lightweight engine tools and real-time high-density 3D scene construction capabilities, the Company offered metaverse solutions spanning across multiple industries, facilitating the digital transformation of enterprises. The Company was recognized as a “2024 Beijing Intellectual Property Pilot Unit”, demonstrating its leadership in intellectual property protection and technological innovation. The Company was also recognized as one of the “2024 VR Top 50 Enterprises”, further cementing its dominant position in the virtual reality industry. As a member of the MIIT’s Metaverse Standardization Working Group, the Company participated in the development of national-level standards, including *Linking the Metaverse: Technology and Development* (《鏈接元宇宙:技術與發展》) and the *Spatial Computing Development Report (2024)* (《空間計算發展報告 (2024年)》), driving industry standardization.



During the Reporting Period, existing business segments of the Company continued to develop.



Management Discussion and Analysis

Augmented reality and virtual reality (“AR&VR”) Marketing Services

AR&VR marketing services remained our primary revenue source in 2024. Through collaborations with media platforms and their agents, we primarily provided AR&VR marketing services to our advertising customers. In terms of revenue by geographical regions, the domestic marketing business realized revenue of RMB428.7 million, representing a year-on-year decrease of 42.5% as compared to RMB745.6 million of the same period last year. The decrease in revenue of this business segment was mainly attributable to the impact of the macro-economy and the general reduction in marketing budgets of domestic advertising customers. At the same time, the Group actively explored overseas markets and realized revenue of RMB144.4 million from overseas marketing business, representing a year-on-year increase of 45.0% as compared to the revenue of RMB99.6 million of the same period last year.

Operating Metrics	As at/for the year ended December 31,	
	2024	2023
AR&VR marketing services — Domestic		
Revenue — Domestic (<i>RMB in millions</i>)	428.7	745.5
Number of advertising customers	16	24
Monthly average number of advertising products promoted	51	69
Average spending per advertising customer (<i>RMB in thousands</i>)	26,795	31,064
Number of long-tail media institutions	4,459	4,780
AR&VR marketing services — Overseas		
Revenue — Overseas (<i>RMB in millions</i>)	144.4	99.6
Number of advertising customers	6	4
Monthly average number of advertising products promoted	27	25
Average spending per advertising customer (<i>RMB in thousands</i>)	24,060	24,891
Number of long-tail media institutions	710	374

AR&VR Content

We primarily utilize our self-developed AR&VR development engine to offer bespoke AR&VR content according to the needs of customers from various industries, including culture and tourism, education, technology and gaming, bringing end users a diversified and immersive virtual world experience.



During the Reporting Period, AR&VR content recorded revenue of RMB211.3 million, representing a year-on-year decrease of 36.7%, primarily due to the decrease in the number of projects and customers caused by fierce market competition, with the number of projects decreasing to 115 as compared to 170 of the same period last year. Leveraging AR&VR/MR integration technologies and the metaverse ecosystem as its technological foundation, the Company systematically advanced the integration of cultural and technological innovation by successfully implementing several industry-leading projects, covering digital preservation of cultural heritage, upgrades in cultural tourism scenarios, innovations in educational models, urban digital twin development and international communication capacity building. The Company completed the digital cultural heritage project for Zhang Zhihe Memorial Hall (張志和紀念館) and other cultural heritage restoration projects, achieving innovative breakthroughs in the digital preservation of cultural relics and cultural dissemination. The Company also designed the multi-dimensional narrative space for the “Huzhou Giraffe Rainforest Pavilion” (湖州長頸鹿雨林館) and the “Xining Cultural Tourism Metaverse” (西寧文旅元宇宙) platform, utilizing spatial computing and virtual-real integration technologies to build new online and offline cultural tourism consumption scenarios, and further demonstrating the value of digital technologies in upgrading the cultural tourism industry. By deeply integrating spatial positioning algorithms and naked-eye 3D imaging technologies, the Company developed a cross-dimensional astrophysical visualization engine, breaking through the spatial and temporal constraints of traditional educational settings. Through a multi-modal perception collaborative framework, the engine enables advanced teaching interactions, such as gravitational field simulations and dynamic star orbit predictions, allowing students to manipulate virtual celestial bodies and complete orbital mechanics experiments without wearable devices. This transforms abstract cosmic concepts into perceptible and verifiable cognitive models. The solution effectively addressed the industry pain point of “theory disconnected from observation” in astronomy education, improving teaching efficiency. It has been selected as a typical case for innovative literacy cultivation by the Ministry of Education, providing key technologies for building next-generation immersive science education infrastructure. The solution has also been extended to vertical fields, such as aerospace science popularization and geological exploration, creating a replicable matrix of educational technology products. The Company provides metaverse urban ecosystem solutions for state-owned and central stated-owned enterprise real estate clients, enabling full-cycle digital management of urban planning, operations and services through the application of digital twin technology, thereby reducing operational costs and carbon emissions in pilot project areas. The Company has built a national-level media metaverse space station integrating a multi-language intelligent interaction system and a global communication matrix, enhancing the international dissemination of Chinese culture and laying the foundation for customers to build global communication platforms.

Operating Metrics	As at/for the year ended		
	December 31, 2024	2023	Change
Number of customers	32	75	(57.3%)
Number of projects	115	170	(32.4%)



Management Discussion and Analysis

Zhang Zhihe Memorial Hall:

Centered around the theme of “Seeking the Hermit: Zhang Zhihe” (尋隱·張志和), the memorial hall offered visitors a journey of discovery and elegance, with a fortuitous experience of encountering the legendary Zhang Zhihe. Drawing on the cultural essence of traditional fishing and seclusion, as well as the pursuit of Eastern aesthetics, the exhibition integrated new media art and innovative technologies to vividly bring to life the ethereal poetry and transform it into a grand spectacle of light and shadow. The hall was divided into five artistic spaces, namely “Admiration”, “Visit”, “Encounter”, “Journey” and “Farewell”, each progressively unfolding in a linear narrative structure. These interconnected spaces comprehensively and multi-dimensionally presented Zhang Zhihe’s legendary life, personal experiences and artistic achievements in poetry and painting.



Huzhou Giraffe Rainforest Pavilion:

We have created an immersive exhibition themed “Rainforest Secret Realm”, presenting a dazzling kaleidoscopic journey that guides visitors through the magical world of tropical rainforests. This experience allows audiences to witness the vibrant biodiversity and enchanting wonders of the rainforest while inspiring them to reflect on humanity’s relationship with nature. Through this sensory exploration, the exhibition conveys a profound message of harmonious coexistence between humans and the natural world, advocating for mutual respect and balanced cohabitation.





Astronomy virtual course:

Based on professional astronomy education scenarios and the astronomy curriculum for primary and secondary schools, we integrated VR virtual reality and AR augmented reality technologies, along with perceptual smart tokens, to build a comprehensive hardware-software simulation teaching platform. Through multi-sensory technologies and equipment, such as visual, auditory, tactile and kinesthetic systems, the course brought the “universe” into the classroom and the “stars” into the lesson. Learners can navigate and control the virtual environment without the need for 3D glasses or headsets and experience interactive learning that transcends time and space between the virtual and real worlds. By designing real-time interactions targeting the core content of specialized courses, a bridge can be built between theoretical learning and the cultivation of practical abilities, which can help foster students’ interest in astronomy courses, as well as their initiative and comprehensive scientific literacy.



Metaverse for a large state-owned real estate enterprise:

Through metaverse technology, we designed an immersive digital world for a leading real estate group, digitally replicating and integrating its diversified business sectors across residential, commercial, and urban development sectors. AI-driven interfaces enable stakeholders to interact with lifelike property models, conduct virtual tours, and simulate project scenarios in real time. This metaverse not only offered experiential client engagement but also laid a solid foundation for its expansion of metaverse ecosystem.





Management Discussion and Analysis

Xining Cultural Tourism Industry Service Center Metaverse:

Based on CAVE (Cave Automatic Virtual Environment) space, the center offered a one-stop fresh experience for recommending tourist attractions. The space integrated with the tourism resources of Qinghai Province, showcasing eight key tourist attractions, including Qinghai Lake, Chaka Salt Lake and Huangyuan Dangar Ancient Town. Visitors can feel the serenity of nature and the wonder of technology through immersive light and shadow effects, embarking on a magical journey that blended nature, ecology and innovation.



Official media space station:

With the design philosophy of “Connecting China with the World, Bridging Global Communication” and guided by the principle of international expression of Chinese culture, the space station has been crafted to embody a modern media platform that is global, distinctly Chinese and technologically advanced. Leveraging metaverse technology, we presented the customers’ development journey, brand programs and digital cultural creations to visitors in a three-dimensional format. The space station constructed a multi-dimensional and cross-temporal virtual world, providing global visitors with a boundless and multi-faceted interactive platform to gain deeper insights into customers.





Integrated Marketing

To meet the comprehensive needs of our customers, the Group newly introduced integrated marketing business in 2024. Revenue from the integrated marketing business amounted to RMB179.5 million for the year ended December 31, 2024. The Group leveraged the innovative capabilities and deep industry expertise of our professional team to provide our customers with customized and full-range marketing services. Based on the unique product characteristics and market positioning of our customers, we have independently designed precise marketing solutions and integrated resources from core media platforms like Douyin, to achieve value transformation through the following core service highlights:

Intelligent advertising strategy

Led by a seasoned operation team, the Company implemented dynamic ad placements on platforms like Douyin, precisely reaching the target users to drive efficient traffic conversion.

Long-term value co-creation

Through annual framework agreements, the Company has established deep collaborative relationships with customers, and has assisted customers in achieving sales growth and enhancing brand influence with consistent service delivery and continuous strategy iteration.

AR&VR SaaS Services

Based on our extensive experience in developing AR&VR content and service projects, we have developed a standardized, simplified-code and user-friendly AR&VR SaaS platform. Our AR&VR SaaS platform provides our small and medium-sized customers with a range of online AR&VR interactive content design, development and distribution tools and empowers our customers to create platforms that offer experiences such as AR&VR exhibition, live-streaming, marketing and content experiencing, with the goal to improve the participation level and experience of their end users. During the Reporting Period, our AR&VR SaaS service business recorded revenue of RMB22.2 million, representing a year-on-year decrease of 61.5%. The decrease in revenue was mainly due to the simultaneous decrease in the number of paid subscribers and the number of customized projects.

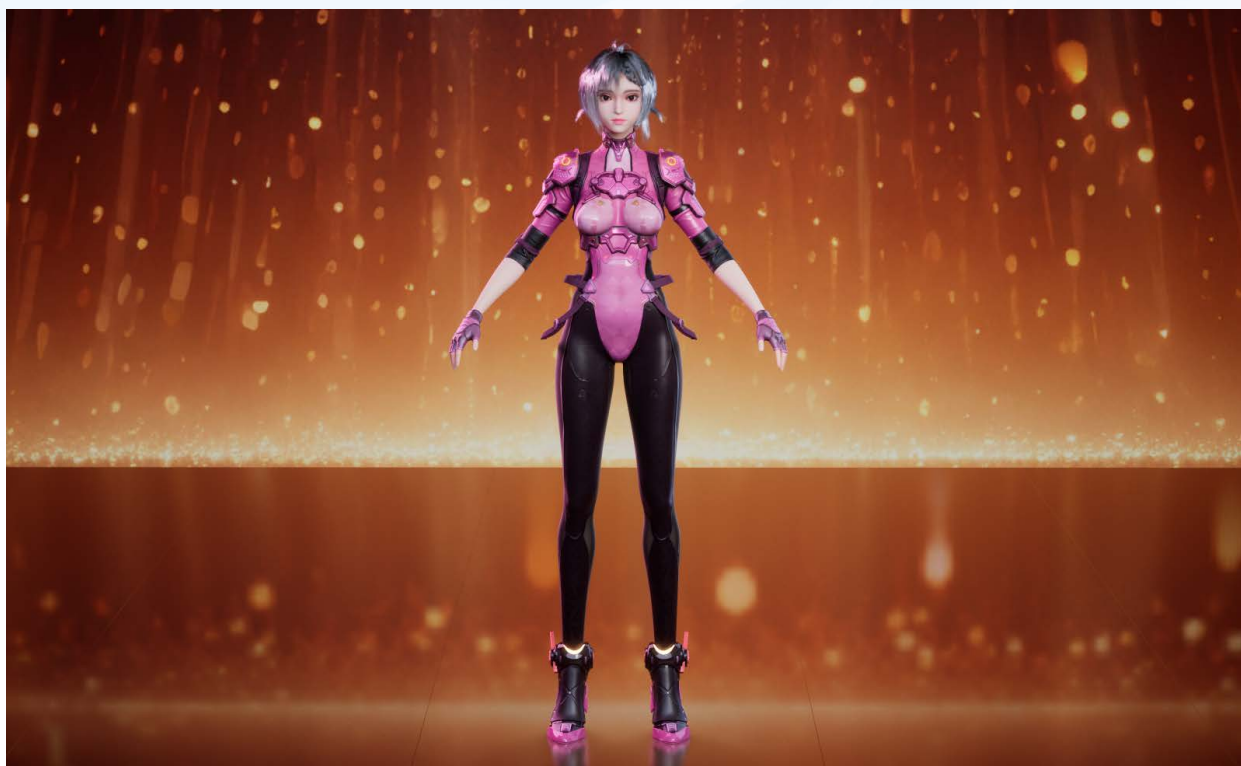
Operating Metrics	As at/for the year ended		
	December 31, 2024	2023	Change
AR&VR SaaS			
Number of registered users	17,078	41,880	(59.2%)
Number of paid subscribers	3,415	9,283	(63.2%)
Number of customized projects	58	402	(85.6%)
Average daily active users	2,424	10,028	(75.8%)



Management Discussion and Analysis

Virtual idol live streaming operations and virtual human union

Leveraging our deep expertise in virtual reality (VR), augmented reality (AR) and digital human technology, and in response to the rapidly growing market demand, the Company has commenced the organization of a virtual human live streaming union in addition to its self-operation of virtual human live streaming accounts last year, serving as a professional virtual human MCN agency with technological advantages. Capitalizing on our first-mover advantages in AR&VR content creation, live streaming control systems and digital human operations, we focused on incubating and contracting virtual streamers who resonated with the preferences of the younger generation.



During the Reporting Period, the Company has established a virtual IP ecosystem and a PGC/UGC virtual asset ecosystem and made breakthrough progress in four key areas, including virtual asset production, virtual live streaming operations, live streaming control tool development and digital asset trading, with successful commercialization of virtual IPs, monthly revenue growth exceeding 25% and the number of virtual streamers surpassing 100. The Company pioneered a “virtual-real integration” operational model, facilitating the transformation of experienced talent streamers into virtual human while simultaneously incubating pure virtual streamers, so as to create a differentiated competitive advantage. The Company has developed a closed-loop system that connected creator economy, streamer demand and tool support, ensuring the protection of digital asset copyrights. With a paid user utilization rate of 27.91%, it will serve as a sustainable source of content for the Group’s virtual content library going forward.



Flowing Cloud's technological engines, such as the Uni-Play engine, Uni-AR engine, Uni-VR engine and rendering engine, provided a solid foundation for creating high-quality virtual avatars. These tools not only supported rapid content production, but also enabled highly customized virtual character designs to meet diverse user needs. Additionally, the Company's self-developed live streaming control platform has made virtual live streaming on mobile and computer devices more convenient and efficient, significantly lowering the barrier to entry for live streaming while ensuring high-quality experience. During the Reporting Period, the Company allocated its resources to create short video content and live interactive effects for virtual influencers, to attract and retain audience interest. Our goal is to build a virtual world with deep interactivity and rich content, allowing viewers to fully immerse themselves in the experience.

XR games

In 2024, the Company's XR gaming business achieved significant progress in category expansion and technological advancement. Building on breakthroughs in hardware adaptation and casual games in the first half of the year, we further expanded our product lines in the second half to include fighting, racing and board/card games, creating a multi-dimensional XR entertainment matrix that provided global users with more abundant and immersive gaming experiences.

Future Outlook

B-end:

Building on the comprehensive XR product lineup and technological breakthroughs achieved in 2024, the Company will deepen its global market penetration and strengthen its industrial ecosystem by focusing on core business areas. Through technological upgrades and content quality enhancement, the global competitiveness of its AR&VR content and services will be enhanced. The Company will expand its product matrix of the MR content ecosystem, and develop open-world games that support mixed reality environments, enabling dynamic interactions between virtual characters and physical spaces. The Company will also implement offline VR large-scale space solutions that integrate motion capture, force feedback devices and spatial computing to deliver ultra-low-latency competitive experiences.

C-end:

We will continue to drive technological innovation to promote the sustainable development of the Group's MCN business, including but not limited to further optimizing the existing multi-modal 3D production workflow, reducing content production costs while improving efficiency, and supporting the growth and development of virtual idol IPs. By integrating the technological capabilities and market insights of Flowing Cloud, it can be foreseen that in the near future, a comprehensive virtual human MCN agency that combines content creation, virtual live streaming and fan economy will not only enhance the market competitiveness of the Company, but also have a positive impact on the development of the entire industry.

Industrial clusters

Through the acquisition and integration of high-quality XR studios worldwide, we aim to incubate 30+ ecosystem partners within a year, forming a hundred-billion-level industrial cluster.

Long-term value anchors

The Company is committed to becoming a core content service provider in the era of the "Spatial Internet" and aims to redefine the connections between humans, the digital world and physical spaces by deeply integrating AI and XR technologies.



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group generated revenue primarily from the provision of AR&VR marketing services and the sale of AR&VR content. The revenue decreased by 20.0% from RMB1,244.7 million for the year ended December 31, 2023 to RMB995.3 million for the year ended December 31, 2024, mainly attributable to the decrease in the revenue generated from AR&VR marketing services and AR&VR content.

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

	For the year ended December 31,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
AR&VR marketing services	573,072	57.6	845,124	68.0
AR&VR content	211,286	21.2	334,026	26.8
Integrated marketing	179,477	18.0	—	—
AR&VR SaaS	22,171	2.2	57,556	4.6
Others ^(Note)	9,341	1.0	8,017	0.6
Total	995,347	100.0	1,244,723	100.0

Note: Other businesses primarily comprise 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 generates revenue from the AR&VR marketing services business primarily through provision of AR&VR marketing services to its advertising customers. The revenue from AR&VR marketing services business decreased by 32.2% from RMB845.1 million for the year ended December 31, 2023 to RMB573.1 million for the year ended December 31, 2024. During the Reporting Period, affected by the lower-than-expected market demand and the centralization of advertising traffic platforms, there was a decrease in the number of advertising customers and the average monthly number of advertising products we promoted compared to 2023.



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 years indicated:

	For the year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Gaming	172,581	30.0	106,429	12.6
Entertainment	101,002	17.6	190,008	22.5
Internet	86,588	15.1	165,514	19.6
Culture and tourism	67,336	11.8	132,164	15.6
Commercial services	52,489	9.2	25,560	3.0
E-commerce	27,407	4.8	83,959	9.9
Education	23,960	4.2	21,119	2.6
Automobiles	18,542	3.2	51,920	6.1
Real estate	12,715	2.2	36,515	4.3
Healthcare	8,421	1.5	15,756	1.9
Live streaming	2,031	0.4	5,479	0.6
Finance	—	—	10,701	1.3
Total	573,072	100.0	845,124	100.0

Our revenue from the gaming industry increased from RMB106.4 million in 2023 to RMB172.6 million in 2024 due to the increase in the number of our customers. Our revenue from the e-commerce industry decreased from RMB84.0 million in 2023 to RMB27.4 million in 2024 because our major customers in the e-commerce industry reduced their spending in placing more AR&VR advertisements on various media platforms.

AR&VR content

The Group generates revenue from the AR&VR content business primarily through offering customized content to customers. The revenue from the AR&VR content business decreased by 36.7% from RMB334.0 million for the year ended December 31, 2023 to RMB211.3 million for the year ended December 31, 2024, primarily due to the decrease in the number of projects and customers caused by fierce market competition. Our number of customers with respect to AR&VR content business decreased from 75 in 2023 to 32 in 2024. The number of AR&VR content projects we carried out decreased from 170 in 2023 to 115 in 2024.



Management Discussion and Analysis

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 years indicated:

	For the year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Gaming	159,175	75.4	108,415	32.5
Science and technology, culture and tourism, and others	28,981	13.7	16,913	5.0
Education	22,658	10.7	69,159	20.7
Entertainment	472	0.2	139,539	41.8
Total	211,286	100.0	334,026	100.0

Our revenue from gaming industries increased from RMB108.4 million in 2023 to RMB159.2 million in 2024, mainly due to an increase in the number of our customers from the gaming industry.

Integrated Marketing

The Group leveraged the innovative capabilities and deep industry expertise of our professional team to provide our customers with customized and full-range marketing services. In 2024, the Group newly introduced integrated marketing business. Revenue from the integrated marketing business amounted to RMB179.5 million for the year ended December 31, 2024.

AR&VR SaaS

The Group generates revenue from the AR&VR SaaS business primarily through the provision of customized AR&VR SaaS products and customers' subscriptions to the standardized AR&VR SaaS services. The revenue from the AR&VR SaaS business decreased by 61.5% from RMB57.6 million for the year ended December 31, 2023 to RMB22.2 million for the year ended December 31, 2024, primarily due to the scale-down of our customized AR&VR SaaS business.

Others

The Group's revenue from the other businesses in 2024 was primarily generated from promotion services, advertising agency services and short drama operation, and historically technical services. Revenue from the other businesses increased by 16.5% from RMB8.0 million for the year ended December 31, 2023 to RMB9.3 million for the year ended December 31, 2024, primarily due to our active exploration of new businesses, revenue from the digital character development and operation services, and short drama production and operation business.



Cost of Revenue

The cost of revenue of the Group primarily consists of (i) traffic acquisition costs, which mainly represent costs the Group pays to media platforms or their agents to purchase advertising traffic in connection with the AR&VR marketing services and integrated marketing business, (ii) subcontracting and development costs, which mainly represent outsourced service costs to third party service providers in connection with the design of arts elements including animations, special effects and illustrations in its AR&VR interactive content and AR&VR SaaS products, and the provision of certain non-core technical support, and (iii) use of materials costs, which represent the costs of PGC video materials in connection with the AR&VR content business.

The cost of revenue decreased by 3.5% from RMB824.0 million for the year ended December 31, 2023 to RMB795.3 million for the year ended December 31, 2024, primarily due to the decrease in revenue from our AR&VR marketing services and AR&VR content business.

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

	For the year ended December 31,			
	2024		2023	
	RMB'000	%	RMB'000	%
Traffic acquisitions costs	655,091	82.4	647,293	78.6
Subcontracting and development costs	98,884	12.4	105,593	12.8
Others ^(Note)	41,336	5.2	71,120	8.6
Total	795,311	100.0	824,006	100.0

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

AR&VR marketing services

The cost of revenue from the AR&VR marketing services business decreased by 25.8% from RMB654.8 million for the year ended December 31, 2023 to RMB485.9 million for the year ended December 31, 2024, primarily due to the decrease in our traffic acquisitions costs driven by the reduction of our AR&VR marketing services business.



Management Discussion and Analysis

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 years indicated:

	For the year ended December 31,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Gaming	145,838	30.0	81,634	12.5
Entertainment	75,282	15.5	146,313	22.4
Internet	72,098	14.8	127,482	19.5
Culture and tourism	50,750	10.4	101,426	15.5
Education	44,315	9.1	17,188	2.6
Commercial services	38,384	8.0	20,276	3.1
E-commerce	22,176	4.6	64,977	9.9
Automobiles	16,674	3.4	40,561	6.2
Real estate	9,698	2.0	28,347	4.3
Healthcare	9,145	1.9	12,908	2.0
Live streaming	1,549	0.3	4,824	0.7
Finance	—	—	8,821	1.3
Total	485,909	100.0	654,757	100.0

The fluctuations in the cost of revenue from the AR&VR marketing services business in different industries are driven by the fluctuations in the revenue for the AR&VR marketing services business in different industries.

AR&VR content

The cost of revenue from the AR&VR content business decreased by 20.9% from RMB142.0 million for the year ended December 31, 2023 to RMB112.3 million for the year ended December 31, 2024, primarily due to the decrease in costs driven by the decline of our AR&VR content business, as well as the reduction in project development costs by leveraging our extensive industry-related and project experiences and the application of AIGC.

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 years indicated:

	For the year ended December 31,		2023	
	2024			
	RMB'000	%	RMB'000	%
Gaming	74,522	66.4	40,743	28.7
Entertainment	20,589	18.3	57,980	40.8
Education	13,092	11.6	27,541	19.4
Science and technology	4,023	3.6	10,751	7.6
Culture and tourism	58	0.1	4,995	3.5
Total	112,284	100.0	142,010	100.0

The fluctuations in the cost of revenue from the AR&VR content business in different industries are driven by the fluctuations in the revenue for the AR&VR content business in different industries.

Gross Profit and Gross Margin

The gross profit of the Group decreased by 52.5% from RMB420.7 million for the year ended December 31, 2023 to RMB200.0 million for the year ended December 31, 2024, primarily due to the decrease in our revenue. The gross profit margin of the Group decreased from 33.8% in 2023 to 20.1% in 2024. The decrease in the gross profit margin was driven by net effect of the increase of integrated marketing business as a percentage in revenue, resulting from the impact of the macroeconomic environment and the change of revenue mix of the Group.

The following table sets forth a breakdown of the gross profit/(loss) by service and product type in absolute amount and gross margins, for the years indicated:

	For the year ended December 31,		2023	
	2024			
	Gross Margin		Gross Margin	
	RMB'000	%	RMB'000	%
AR&VR marketing services	87,163	15.2	190,367	22.5
AR&VR content	99,752	47.2	192,016	57.5
Integrated marketing	2,177	1.2	—	—
AR&VR SaaS	12,172	54.2	45,623	79.3
Others ^(Note)	(1,228)	(13.1)	(7,289)	(90.9)
Total	200,036	20.1	420,717	33.8

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



Management Discussion and Analysis

The gross margin of the AR&VR marketing services business decreased from 22.5% for the year ended December 31, 2023 to 15.2% for the year ended December 31, 2024, primarily because of a slight increase in traffic prices due to the trend of increased concentration of traffic platforms.

The gross margin of the AR&VR content business decreased from 57.5% for the year ended December 31, 2023 to 47.2% for the year ended December 31, 2024, primarily due to the increase in R&D investment of projects.

The gross margin of the AR&VR SaaS business decreased from 79.3% for the year ended December 31, 2023 to 54.2% for the year ended December 31, 2024, primarily due to certain fixed costs (including staff costs and costs of servers) incurred despite the scale-down of business.

The gross margin of other businesses increased from -90.9% for the year ended December 31, 2023 to -13.1% for the year ended December 31, 2024, primarily due to the expansion of our digital character development and operation services, and short drama production and operation business.

Other Income

Other income of the Group primarily consists of dividend income from equity investments at fair value through other comprehensive income, other tax refund, interest revenue on bank deposits and government grants. Other income decreased by 90.9% from RMB6.5 million for the year ended December 31, 2023 to RMB0.6 million for the year ended December 31, 2024 mainly due to decrease in interest revenue and other tax refund.

Other Gains/(Losses), net

Other gains/(losses), net of the Group primarily consist of foreign exchange gains, and others which include miscellaneous gains and losses. We recorded other losses of RMB0.5 million in 2023 and other gains of RMB2.1 million in 2024 due to receipt from breach of contract and foreign exchange gains.

Impairment Losses of Trade Receivables

Impairment losses of trade receivables represent net impairment losses recognized and reversed under expected credit loss ("ECL") model in respect of trade receivables. Our impairment losses under ECL mode, net of reversal decreased from RMB30.2 million in 2023 to RMB17.4 million in 2024, primarily due to the net decrease in the ECL rates.

Distribution and Selling Expenses

The distribution and selling expenses of the Group primarily consist of (i) staff costs, (ii) advertising and marketing costs, (iii) traveling expenses, (iv) office expenses, and (v) others. The distribution and selling expenses increased by 356.5% from RMB19.3 million for the year ended December 31, 2023 to RMB88.2 million for the year ended December 31, 2024, primarily due to: (i) the increase in staff costs due to the increase in our headcounts driven by the expansion of our business and the increase in the average compensation level, and (ii) the increase in promotion expenses as we strengthened our brand and product promotion.



Administrative Expenses

The administrative expenses of the Group primarily consist of (i) staff costs which include wages, bonuses and benefits for administrative personnel, (ii) rental and property management expenses, and (iii) professional service fees in relation to our financing activities which were not related to the Listing, among others. The administrative expenses increased by 3.5% from RMB49.6 million for the year ended December 31, 2023 to RMB51.3 million for the year ended December 31, 2024, primarily due to (i) the increase in the staff costs in line with our business expansion, and (ii) the increase in our rental and property management expenses, office expenses as we rented more office space due to business expansion.

Research and Development Expenses

The R&D expenses of the Group primarily consisted of (i) staff costs of R&D personnel, (ii) outsourced R&D expenses mainly in relation to outsourced interactive content modules for our Feitian Metaverse platform, and (iii) amortization expenses in relation to intelligent software purchased. The R&D expenses increased by 64.7% from RMB51.2 million for the year ended December 31, 2023 to RMB84.3 million for the year ended December 31, 2024, primarily due to the increase in the outsourced R&D expenses in line with the development and growth of our Feitian Metaverse platform. The Group did not capitalize any R&D expenditures for the year ended December 31, 2024.

Finance Costs

The finance costs of the Group primarily include interest expenses on bank borrowings and lease liabilities. The finance costs increased by 32.8% from RMB4.8 million for the year ended December 31, 2023 to RMB6.4 million for the year ended December 31, 2024, primarily due to the increase in the interest expenses on our bank borrowings in line with our business expansion.

Income Tax Credit/(Expense)

The income tax expense of the Group changed from RMB7.7 million for the year ended December 31, 2023 to income tax credit of RMB1.1 million for the year ended December 31, 2024, due to the change from income tax expense to income tax credit resulting from the loss of the Group recorded for the year ended December 31, 2024.

Beijing Flowing Cloud was qualified to enjoy the preferential tax treatment of “two-year exemption and three-year half payment” as a software enterprise. The effective tax rate for the year ended December 31, 2024 was 12.5%.

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

As a result of the foregoing, the Group recorded a loss of RMB43.7 million for the year ended December 31, 2024, representing a change of 116.6% as compared to a profit of RMB263.9 million for the year ended December 31, 2023. The net profit margin of the Group decreased from 21.2% in 2023 to -4.4% in 2024 mainly due to combined impact of factors including the decrease in gross profit margins and increase in distribution and selling expenses.



Management Discussion and Analysis

Non-IFRS Measure: Adjusted Net (Loss)/Profit

To supplement the Group's consolidated financial statements presented in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board, the Groups also uses non-IFRS measure, namely adjusted net (loss)/profit, as an additional financial measure, which is not required by, or presented in accordance with IFRS Accounting Standards. The Group believes this non-IFRS measure facilitates comparisons of operating performance from year to year by eliminating potential impacts of certain items. The Group believes that such measure provides useful information to investors and others in understanding and evaluating its consolidated results of operations in the same manner as they help the management. The term "adjusted net (loss)/profit" is not defined under IFRS Accounting Standards. However, the presentation of adjusted net (loss)/profit may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, the Group's results of operations or financial conditions as reported under IFRS Accounting Standards. The presentation of non-IFRS measure should not be construed as an implication that the Group's future results will be unaffected by unusual items.

The Group defines adjusted net (loss)/profit as (loss)/profit for the year adjusted by adding equity-settled share-based payments. Equity-settled share-based payments are non-cash in nature.

The following table sets forth the reconciliation of (loss)/profit for the year to adjusted net (loss)/profit for the years indicated:

	For the year ended	
	December 31,	
	2024	2023
	RMB'000	RMB'000
<hr/>		
Reconciliation of (loss)/profit for the year to		
adjusted net (loss)/profit:		
(Loss)/profit for the year	(43,703)	263,935
Add:		
Equity-settled share-based payments	13,060	10,036
<hr/>		
Non-IFRS measure:		
Adjusted net (loss)/profit (unaudited)	(30,643)	273,971
<hr/>		

Intangible Assets

The intangible assets of the Group consist of (i) software; and (ii) adaptation rights for novels, IP images and cartoon characters for its own use. The intangible assets increased from RMB95.0 million as at December 31, 2023 to RMB99.7 million as at December 31, 2024, primarily due to the increase in acquiring software and adaptation rights in order to support the growth of our AR&VR SaaS business.



Contract Costs

The contract costs of the Group comprise (i) incremental costs to obtain contracts capitalized in relation to the incremental sales commissions paid to agents whose selling activities resulted in customers entering into agreements for the AR&VR SaaS business, and (ii) costs to fulfill contracts capitalized in relation to the setup cost to provide AR&VR content. The contract costs of the Group increased from RMB0.1 million as at December 31, 2023 to RMB1.2 million as at December 31, 2024, primarily due to the increase in the setup costs in relation to our AR&VR content business.

Trade and Other Receivables and Deposits

The 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. Other receivables and deposits mainly consist of rental and other deposits and other receivables.

The trade receivables increased from RMB561.5 million as at December 31, 2023 to RMB641.9 million as at December 31, 2024, as the customers' cash conversion cycle generally lengthened and payment periods of certain customers extended under the impact of macroeconomic environment.

Prepayments

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

The prepayments increased from RMB594.0 million as at December 31, 2023 to RMB755.4 million as at December 31, 2024, primarily due to the increase in our prepayments for purchases of advertising traffic related to our AR&VR marketing services and integrated marketing services in line with the management's expectations for the overall growth of our AR&VR marketing services and integrated marketing business in the future.



Management Discussion and Analysis

Trade and other payables

The trade and other payables of the Group mainly comprise (i) trade and bills payables, (ii) employee compensation payable, and (iii) other tax payables. The trade and bills payables were mainly the amounts due to the Group's suppliers for subcontracting and development costs and cost of raw materials.

The trade and other payables increased from RMB148.1 million as at December 31, 2023 to RMB253.6 million as at December 31, 2024, primarily due to (i) the increase in the amount of traffic purchased from suppliers in line with our business expansion, and (ii) a general extension of payment cycles across the industry, resulting from looser credit policies offered by suppliers to stabilize customers under the impact of macroeconomic environment.

Contract Liabilities

The contract liabilities of the Group mainly arise from the advance payments in relation to AR&VR marketing services, AR&VR content, AR&VR SaaS and integrated marketing services ordered by the customers while the underlying services or products are yet to be provided. These contract liabilities are not expected to involve any cash outflow.

The contract liabilities increased from RMB13.1 million as at December 31, 2023 to RMB29.1 million as at December 31, 2024. We recognized revenue amounting to RMB13.1 million for the year ended December 31, 2024, which relates to the contract liabilities balance at the beginning of the year.

Borrowings

The borrowings of the Group comprise short-term borrowings from commercial banks and third party in the PRC denominated in Renminbi. The borrowings slightly decreased from RMB95.0 million as at December 31, 2023 to RMB88.0 million as at December 31, 2024, primarily due to lower funding needs as a result of the decline in revenue.

Lease Liabilities

The lease liabilities of the Group were unguaranteed. Our lease liabilities decreased from RMB3.4 million as at December 31, 2023 to RMB1.7 million as at December 31, 2024. The decrease in lease liabilities resulted from the approaching conclusion of lease agreements and our partial repayment of the liabilities.

Contingent Liabilities

As at December 31, 2024, 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 at December 31, 2024, the Group had bank and cash balances of RMB162.4 million denominated in Renminbi, United States dollars and Hong Kong dollars.



Capital Expenditures

The capital expenditures of the Group for the year ended December 31, 2024 amounted to RMB42.6 million, which principally consist of expenditures on (i) equipment, (ii) right-of-use assets for leased offices, and (iii) intangible assets.

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

Charge of Assets

As at December 31, 2024, the Group had no charge of assets.

Gearing Ratio

Gearing ratio equals net debt divided by total equity as at the end of the period and multiplied by 100%. Net debt equals borrowings and lease liabilities less bank and cash balances as at 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 at December 31, 2024, 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 at December 31, 2024. 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 at December 31, 2024.

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.



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

The Group held a significant investment as at December 31, 2024 in Hebei Yichen Industrial Group Corporation Limited (Stock Code: 1596) ("**Yichen**"). Yichen is principally engaged in R&D, manufacturing and sales of rail fastening system products, welding wire and railway sleeper products. As at December 31, 2024, the Group held 31,101,000 shares, representing 3.5% of the total issued share capital of Yichen. The investment costs were approximately HK\$140,781,179. As at December 31, 2024, the fair value of this investment at FVTOCI was RMB74.9 million, representing approximately 4.2% of the Group's total assets as at December 31, 2024. The Group recorded a fair value loss on investments in equity instruments at FVTOCI of RMB37.6 million for the year ended December 31, 2024. Based on the interim report of Yichen for the six months ended June 30, 2024, Yichen recorded a revenue of RMB498.7 million and net loss of RMB42.2 million. The Group received dividend income of HK\$0.3 million for the year ended December 31, 2024. As Yichen mainly produces rail fastening systems, welding wire products and railway sleeper products widely used in high-speed, heavy-haul, and regular and urban railways, Yichen's manufacturing and R&D 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. The Company further plans to explore business opportunities including providing AR&VR content and services to Yichen after the investment.

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 year ended December 31, 2024.



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 annual report.

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

EMPLOYEES AND REMUNERATION POLICIES

As at December 31, 2024, the Group had 124 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. For the year ended December 31, 2024, our employee remuneration amounted to RMB54,431,000 (including salaries and other benefits, discretionary bonus, equity-settled share-based payments and retirement benefits scheme contributions).

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.

During the years ended December 31, 2024 and 2023, there were no contributions forfeited by the Group on behalf of its employees who left the plan prior to vesting fully in such contribution, nor had there been any utilisation of such forfeited contributions to reduce future contributions. As at December 31, 2024 and 2023, no forfeited contributions were available for utilisation by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix D2 to the Listing Rules.



Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Wang Lei (汪磊), aged 42, was appointed as the Director on June 24, 2021. He was appointed as the chairman of the Board, chief executive officer and re-designated as the executive Director on December 13, 2021. He is primarily responsible for the strategic development, overall operation and management and major decision making of the Group. Mr. Wang joined the Group as a general manager of Ophyer Technology on April 1, 2009. Mr. Wang also holds various positions with other members of the Group.

Mr. Wang has over 19 years of experience in the Internet technology industry. Prior to joining the Group, from July 2005 to May 2006, Mr. Wang served as WAP operation manager in Newpalm (China) Information Technology Co., Ltd. (掌中萬維(中國)信息科技有限公司). From June 2006 to January 2009, Mr. Wang served as senior operations director in Ourpalm Co., Ltd. (北京掌趣科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code 300315).

Mr. Wang received the “Industry Leading Individual Award” at the 7th session of the Beijing Animation Event issued by the Beijing Animation Committee in August 2018.

Mr. Wang obtained his bachelor’s degree in automation from the North China University of Technology (北方工業大學) in Beijing, PRC in July 2005, and his master’s degree in project management from the Beijing University of Posts and Telecommunications (北京郵電大學) in Beijing, PRC in March 2013.

Ms. Xu Bing (徐冰), aged 42, was appointed as the Director on December 13, 2021 and was re-designated as the executive Director on December 13, 2021. She is also a vice president and chief officer for data of the Company, responsible for assisting in overall management and sales and marketing activities of the Group. Ms. Xu joined the Group as a commercial manager of Ophyer Technology on August 3, 2009. Ms. Xu also holds various positions with other members of the Group.

Ms. Xu has over 17 years of experience in the information technology services industry. Prior to joining the Group, from January 2007 to March 26, 2008, Ms. Xu served as business development manager in Beijing Joyes Tech. Co., Ltd. (北京卓娛互動科技有限公司), responsible for market development related work. From April 2008 to April 2009, Ms. Xu served as terminal cooperation manager in Shanghai Jichuang Network Technology Co., Ltd. (上海積創網絡科技有限公司), responsible for promoting games and cooperating with mobile terminals to provide game content. From April 2009 to August 2009, Ms. Xu served as marketing manager in Yimenlou (Beijing) Technology Co., Ltd. (億門樓(北京)科技有限公司).

Ms. Xu obtained her bachelor’s degree in international economics and trading from Jilin University of Finance and Economics (吉林財經大學) (previously known as the Changchun Taxation College (長春稅務學院)) in Jilin, PRC in July 2006.



Mr. Li Yao (李堯), aged 42, was appointed as the Director on December 13, 2021. He was appointed as the joint company secretary to the Board and re-designated as the executive Director on December 13, 2021. He is also a vice president of the Company, responsible for overseeing the daily business operations and assisting in overall management of the Group. Mr. Li Yao joined the Group as deputy general manager and secretary to the board of Ophyer Technology on February 29, 2016. Mr. Li Yao also holds various positions with other members of the Group.

Mr. Li Yao has over 19 years of experience in games and software development. Prior to joining the Group, from December 2004 to December 2007, Mr. Li Yao served as product manager in Ourpalm Co., Ltd. (北京掌趣科技股份有限公司), responsible for games related business. From January 2008 to June 2010, Mr. Li Yao served as mobile games product director in Shanghai Snowfish Tech. Co., Ltd. (上海雪鯉魚計算機科技有限公司), responsible for Java related business. From July 2010 to January 2016, Mr. Li Yao served as general manager in Beijing Fengxinzi Computer Technology Co., Ltd.* (北京風信子計算機科技有限公司) (currently known as (Beijing Planet Wings Sports Culture Co., Ltd.* 北京星球之翼體育文化有限公司)), responsible for marketing and operation of the company.

Mr. Li Yao received the 2018 National Equities Exchange and Quotations Gold Medal for Secretary of the Board (2018年度新三板金牌董秘) issued by the Rhino Star (IPO3.COM) in 2018.

Mr. Li Yao obtained his diploma in stage lighting and sound engineering from the Beijing Broadcast and Television University (北京廣播電視大學) (subsequently known as Beijing Open University (北京開放大學)) in Beijing, PRC in July 2005, and his bachelor's degree in Chinese literature and linguistics from the Central Broadcast and Television University (中央廣播電視大學) (subsequently known as The Open University of China (國家開放大學)) in Beijing, PRC in January 2011.

Independent Non-Executive Directors

Mr. Jiang Yi (江一), aged 40, was appointed as the independent non-executive Director on September 8, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Jiang has over 12 years of experience in the field of corporate services. Since March 2012, he has been serving as the chairman of the board of Zhonglian Hengye (Beijing) Investment Management Co., Ltd.* (中聯恒業(北京)投資管理有限公司), primarily responsible for leading the board and focusing on strategic matter. Since November 2014, He has been serving as the chairman of the board of Qingyun Technology (Beijing) Co., Ltd.* (擎雲科技(北京)有限公司), primarily responsible for leading and supervising the board and the senior management. Since April 2019, he has been serving as the independent non-executive director of HCR Co., Ltd.* (北京慧辰資道資訊股份有限公司), a company listed on the Shanghai Stock Exchange Science and Technology Innovation Board (stock code: 688500), primarily responsible for providing independent opinion and judgement to the company.

Mr. Jiang obtained his bachelor's degree in electronic information engineering from the Wuhan University of Science and Technology (武漢科技大學) in Wuhan, PRC in June 2007.



Directors and Senior Management

Mr. Tan Deqing (譚德慶), aged 59, was appointed as the independent non-executive Director on September 8, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Tan has extensive experience in the education sector. Prior to joining the Group, Mr. Tan was a lecturer in Beihua University and a lecturer and associate professor in Qingdao University. Since September 2005, Mr. Tan has been serving as the professor of Southwest Jiaotong University, primarily responsible for teaching strategies, operations research, practical statistics, game theory and data modelling.

Mr. Tan was a director of the 7th and 8th sessions of Leading Organization of Operations Research Society of China and a standing director of the 3rd session of Corporate Operations Research Division of Operations Research Society of China. He is currently a member of the Expert Database of the National Doctoral and Master's Thesis Sampling Commentary.

Mr. Tan obtained his bachelor's degree in mathematics from the Northeast Normal University (東北師範大學) in Jilin, PRC in July 1988, and his master's degree in applied mathematics from Sichuan University (四川大學) in Sichuan, PRC in June 1994. He obtained his doctorate in management from Southwest Jiaotong University (西南交通大學) in Sichuan, PRC in January 2005.

Ms. Chen Yuelin (陳玥霖), aged 41, has over 17 years of experience in taxation, accounting and management. Ms. Chen Yuelin served as an officer at the Beijing Municipal Tax Bureau* (北京市稅務局) from July 2008 to December 2016; a senior consultant at the Beijing TMT (technology, media & telecommunications) team of the taxation and legal department of Deloitte China from December 2016 to August 2018; the tax officer at Beijing Zhangzhong Financial Information Service Co., Ltd.* (北京掌眾金融信息服務有限公司) from August 2018 to March 2020, where she was responsible for the tax work of the group's domestic and overseas companies; and the tax director at Zhongjia Xincheng Group Co., Ltd.* (中嘉新辰集團有限公司) from May 2020 to present, where she is responsible for the overall tax management of more than 300 companies under the group, providing professional support for the group's strategic decisions.

Ms. Chen Yuelin obtained a bachelor's degree in management from Beihang University in June 2008. She has been a Certified Public Accountant in China since December 2016.

Other Disclosure Pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed in this annual report, each of the Directors confirms with respect to himself/herself that he/she (1) did not hold any other positions with the Company and other members of the Group; (2) did not hold other long positions or short positions in the Shares, underlying Shares, debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO); (3) had no other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of the Company; (4) did not hold any other directorships in the last three years prior to the date of this annual report in any public companies the securities of which are listed on any securities market in Hong Kong or overseas or hold any other major appointments and professional qualifications; and (5) there are no other matters concerning the Directors that need to be brought to the attention of the Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules.



SENIOR MANAGEMENT

For biographical details of Mr. Wang Lei, Ms. Xu Bing and Mr. Li Yao, please see the paragraph headed “Executive Directors” in this section.

Mr. Hai Xuesen (海學森), aged 38, joined the Group on July 24, 2023 and has been the Chief Human Resource Officer of the Group since then. He is primarily responsible for the organization and talent management of the Group.

Mr. Hai has over 16 years of experience in human resources and management. Prior to joining the Group, from September 2007 to May 2012, Mr. Hai worked at Schneider Electric (China) Co., Ltd. (施耐德電氣(中國)有限公司) as an international project manager and human resources information development consultant, mainly responsible for project management and human resources information development. From May 2012 to November 2016, Mr. Hai worked as a human resources consultant and senior manager at Baidu Online Network Technology (Beijing) Company Limited (百度在線網絡技術(北京)有限公司), responsible for the group’s recruitment platform and operation management. From November 2016 to July 2018, Mr. Hai worked as a senior director at Beijing Yixin Information Technology Co., Ltd. (北京易鑫信息科技有限公司), responsible for the group’s human resources related work. After that, Mr. Hai worked in Beijing Xiaochuan Technology Co., Ltd. (北京小川科技有限公司), Beijing YiPin WenHui Technology Co., Ltd. (北京屹品文惠科技有限公司) and Beijing Moviebook Technology Co., Ltd. (北京影譜科技股份有限公司), where he successively served as HR Partner, Managing Partner and HR VP.

Mr. Hai obtained his bachelor’s degree in Engineering from Renmin University of China in July 2007.



Directors' Report

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2024.

GLOBAL OFFERING

The Company was incorporated as an exempted limited liability company in the Cayman Islands on June 24, 2021, and the shares of which were listed on the Main Board of the Stock Exchange on October 18, 2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of AR & VR marketing services, AR & VR content, integrated marketing services and relevant services. There is no significant change in the nature of the Group's activities during the year ended December 31, 2024.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial performance of the Group for the year ended December 31, 2024 and the consolidated financial position of the Group as at December 31, 2024 are set out in the consolidated financial statements on pages 130 to 183 of this annual report.

GROUP FINANCIAL SUMMARY

A summary of the Group's results and assets and liabilities for the past five financial years is set out in the section headed "Five Years' Financial Summary" of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended December 31, 2024.

BUSINESS REVIEW

A review of the business of the Group during the year ended December 31, 2024, which includes a discussion and analysis of the Group's performance using financial and operational key performance indicators and future business development are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Financial Highlights" of this annual report. The financial risk management objectives and policies of the Group are set out in note 5 to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

Mr. Wang Lei
Mr. Li Yanhao (*resigned with effect from November 3, 2024*)
Ms. Xu Bing
Mr. Li Yao



Independent non-executive Directors

Mr. Jiang Yi
 Mr. Tan Deqing
 Ms. Chen Yuelin (*appointed with effect from March 3 2025*)
 Ms. Wang Beili (*resigned with effect from March 3, 2025*)

In accordance with Article 108(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

Accordingly, Mr. Wang Lei, Mr. Jiang Yi, Mr. Tan Deqing and Ms. Chen Yuelin shall retire by rotation at the forthcoming AGM. All of the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 32 to 35 of this annual report.

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent during the Reporting Period and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either the executive Director or the Company.

Each of the independent non-executive Directors has entered into a letter of appointment with us for a term of three years, which may be terminated by not less than three months' notice in writing served by either the independent non-executive Director or the Company.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contract or letter of appointment with any member of the Group (excluding agreements expiring or determinable by any member of the Group within one year without payment of compensation (other than statutory compensation)).



Directors' Report

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Save as otherwise disclosed, there were no changes in information which are required to be disclosed and had been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) as well as Rule 13.51(B) of the Listing Rules up to the date of this annual report.

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 at December 31, 2024:

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 as at December 31, 2024 (HK\$ million)	Unutilized net proceeds as at December 31, 2024 (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%	17.4	17.4	0.0	—
(2) to upgrade and iterate our AR&VR development engines;	42.6	8.0%	12.2	12.2	0.0	—
(3) to improve our operation capabilities;	37.2	7.0%	15.5	15.5	0.0	—
(4) to develop of our AR&VR content business;	37.2	7.0%	11.1	11.1	0.0	—
(5) to develop our AR&VR SaaS business; and	26.6	5.0%	5.4	5.4	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%	2.5	2.5	0.0	—
To enhance our sales and marketing function:						
(1) to strengthen our brand image through marketing effort;	53.2	10.0%	16.5	16.5	0.0	—
(2) to enhance our brand awareness through online channels; and	26.6	5.0%	4.3	4.3	0.0	—
(3) to strengthen and optimize our sales and marketing network.	53.2	10.0%	31.0	31.0	0.0	—
For selected mergers, acquisitions, and strategic investments	79.8	15.0%	79.8	10.0	69.8	By the end of 2025
For the development of our Feitian Metaverse platform	53.1	10.0%	11.3	11.3	0.0	—
For our working capital and general corporate purposes	53.2	10.0%	14.1	14.1	0.0	—
Total	531.9	100.0%	221.1	151.3	69.8	

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.



MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2024, revenue from the Group's top five customers accounted for 27.82% (2023: 26.03%) of the Group's total revenues while revenue from the Group's largest customer accounted for 9.06% (2023: 6.88%) of the Group's total revenues.

Major Suppliers

For the year ended December 31, 2024, the expense paid to the Group's top five suppliers accounted for 34.80% (2023: 50.47%) of the total cost of revenue while the expense paid to the Group's largest supplier accounted for 7.34% (2023: 12.78%) of the Group's total cost of revenue.

None of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the number of the issued Shares) was interested in the top five customers or suppliers of the Group.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognizes that employees, customers and suppliers are key to the Group's success. The Group actively maintains a good relationship with employees, customers and suppliers. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

EQUIPMENT

Details of the movements in the equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in consolidated statement of changes in equity and note 31 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the Reporting Period are set out in the consolidated statement of changes in equity in this annual report.

Details of the Company's reserves available for distribution to the Shareholders as at December 31, 2024 are set out in the consolidated statement of changes in equity and note 33 to the consolidated financial statements.

BORROWINGS

Details of borrowings of the Group as at December 31, 2024 are set out in note 29 to the consolidated financial statements.



POST-IPO SHARE OPTION SCHEME

We have adopted the Post-IPO Share Option Scheme on September 8, 2022. The principal terms of the Post-IPO Share Option Scheme are set out as follows.

(a) Purpose

The purpose of the Post-IPO Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The Directors consider that the Post-IPO Share Option Scheme, with its broadened basis of participation, will enable the Group to reward the employees and the Directors for their contributions to the Group, and to promote the success of the business of the Group. Given that participants are given an opportunity to have a personal stake in the Company, it is expected that the Post-IPO Share Option Scheme will motivate participants to optimize their performance and efficiency, and attract and retain participants whose contributions are important to the long-term growth and profitability of the Group.

(b) Who may join

The Directors (which expression shall, for the purpose of this paragraph, include the Board or a duly authorized committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants, who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group, to take up options to subscribe for Shares: (i) any director and employee of any member of the Group (each an **"employee participant"**); and (ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of the Company (each a **"related entity participant"**).

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme shall not in aggregate exceed 10% of the relevant class of Shares in issue on the Listing Date (the **"Scheme Mandate Limit"**), which shall be 181,000,000 Shares, being 10% of the total number of Shares in issue as at the date of this annual report. The total number of Shares which remains available for issue under the Post-IPO Share Option Scheme was 181,000,000 Shares, being 10% of the total number of Shares in issue (excluding treasury shares) as at the date of this annual report. The number of options available for grant under the Post-IPO Share Option Scheme was 108,503,000 options at the beginning and the end of the year ended December 31, 2024.

The Scheme Mandate Limit may be refreshed at any time after three years from the date of Shareholders' approval for the last refreshment (or the date on which the Post-IPO Share Option Scheme is adopted, as the case may be) by approval of its Shareholders in general meeting in accordance with the Listing Rules.

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme under the scheme mandate as refreshed must not exceed 10% of the relevant class of Shares in issue (excluding treasury shares) as at the date of approval of the refreshed scheme mandate. The Company may seek separate Shareholders' approval in a general meeting to grant options beyond the Scheme Mandate Limit to participants specifically identified by the Company before such approval is sought in accordance with the Listing Rules.



(d) Maximum entitlement of each participant

Where any grant of options to a participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such participant (excluding any options lapsed in accordance with the terms of the Post-IPO Share Option Scheme) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the relevant class of Shares in issue (excluding treasury shares), such grant must be separately approved by the Shareholders in general meeting in accordance with the Listing Rules.

(e) Grant of options to connected persons

- (i) Notwithstanding the foregoing, any grant of options under the Post-IPO Share Option Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is a participant of the Post-IPO Share Option Scheme and has accepted an offer of a grant of an option).
- (ii) Where any grant of options to an independent non-executive Director or a substantial shareholder of the Company or any of their respective associates would result in the Shares issued and to be issued in respect of all options and awards granted (excluding any options and awards lapsed in accordance with the terms of the Post-IPO Share Option Scheme) under the Post-IPO Share Option Scheme and any other schemes of the Company to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the Shares in issue, such further grant of options must be approved by the Shareholders at a general meeting of the Company in accordance with the Listing Rules.

(f) Time of acceptance and exercise of option

An offer made to a participant shall remain open for acceptance by such participant for a period of five business days from the offer date (inclusive of the offer date). Any offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than ten years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Share Option Scheme. In any event, the minimum period for which an option must be held before it can be exercised shall be 12 months.

(g) Performance targets

The Directors shall have absolute discretion to determine the performance targets such as growth rate of revenue, earnings per share and/or total shareholder return that must be achieved by a grantee before any options granted under the Post-IPO Share Option Scheme can be exercised.

(h) Subscription price for Shares and consideration for the option

The subscription price per Share under the Post-IPO Share Option Scheme will be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of a Share on the date of the offer of grant.

A nominal consideration of HK\$1.00 is payable upon acceptance of the grant of an option.



Directors' Report

(i) Period of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Post-IPO Share Option Scheme is adopted and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. The remaining life of the Post-IPO Share Option Scheme shall be approximately eight years and five months.

The table below shows details of the movements in the number of share options granted under the Post-IPO Share Option Scheme during the Reporting Period.

Name or category of grantees		Date of grant	Outstanding as of January 1, 2024	Granted	Exercised	Cancelled	Lapsed	Outstanding as of December 31, 2024
Post-IPO Share Option Scheme								
<i>Directors</i>								
Mr. Wang Lei	Note 1	July 14, 2023	1,800,000	—	—	—	—	1,800,000
Mr. Li Yanhao (resigned as an executive Director with effect from November 3, 2024)		July 14, 2023	1,800,000	—	—	—	—	1,800,000
Ms. Xu Bing		July 14, 2023	1,800,000	—	—	—	—	1,800,000
Mr. Li Yao		July 14, 2023	1,800,000	—	—	—	—	1,800,000
<i>Employee participants in aggregate</i>								
Employees	Note 1	July 14, 2023	54,465,000	—	—	—	(14,438,000)	40,027,000
Total			61,665,000	—	—	—	(14,438,000)	47,227,000

Notes:

- (1) Options with an exercise price of HK\$1.78 per Share with a vesting period in three tranches: 30% of which shall be vested on the first anniversary of the date of grant; 30% of which shall be vested on the second anniversary of the date of grant; and 40% of which shall be vested on the third anniversary of the date of grant. The exercise period shall be five years from the date of grant (the "Option Period") and the Options shall lapse at the expiry of the Option Period.

The vesting of each tranche of the Options granted shall be subject to such Grantee not having been graded "D" for his/her monthly individual performance appraisal for more than two times during the 12-month period prior to the end of each vesting period. The Company has established an appraisal mechanism which uses a scoring system based on a matrix of qualitative and quantitative indicators that vary according to the roles and responsibilities of each individual in improving the Group's operational results and/or linked to the Group's strategic goals. The indicators include, but are not limited to, individual key performance indicators specific to each individual determined in accordance with the department he/she belongs to and the position held, as well as an overall evaluation on work attitude. In particular, individual key performance indicators evaluate each individual's regular duties and/or tasks assigned during the appraisal period in terms of work quality, efficiency, completion status and timeliness and/or team management, while factors such as compliance with the Company's rules and regulations and work commitment are taken into account for overall evaluation on work attitude. The closing price of the Shares on the business day immediately before the date of grant was HK\$1.77 per Share. Please refer to notes 3 and 34 to the consolidated financial statements for the fair value of options at the date of grant and the accounting standard and policy adopted.

- (2) The number of Shares that may be issued in respect of options granted under all schemes of the Company during the year ended December 31, 2024 divided by the weighted average number of Shares of the relevant class in issue for the year was 2.6%.



DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors were interested in any business apart from the Company's business, which competed or was likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "Continuing Connected Transactions" in this annual report, there was no transaction, arrangement or contract of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended December 31, 2024 or as at December 31, 2024.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in "Related Party Transactions" in note 37 to the consolidated financial statements, there was no contract of significance between the Company or any of its subsidiaries and the Controlling Shareholders or any of its subsidiaries during the year ended December 31, 2024 or subsisted as at December 31, 2024. No contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the year ended December 31, 2024 or subsisted as at December 31, 2024.

EMOLUMENT POLICY

The Remuneration Committee is primarily responsible for: (i) making recommendations to the Board on the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) determining the remuneration packages of Directors and senior management; and (iii) reviewing and approving remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time.

The Directors receive remuneration in the form of fees, salaries, bonuses, other allowances and benefits in kind, including the Company's contribution to the pension scheme on their behalf. The Group determines the salaries of the Directors based on each Director's responsibilities, qualification, position and seniority. The Group has also adopted the Post-IPO Share Option Scheme.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' emoluments and the five highest paid individuals are set out in note 12 to the consolidated financial statements.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2024.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Group are set out in notes 3, 11, 12 and 37 to the consolidated financial statements.



DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at December 31, 2024, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules were as follows:

Interests in Shares

Name of Directors	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)	Long/short position
Mr. Wang	Beneficial owner ⁽¹⁾ Interest in controlled corporation ⁽¹⁾	769,856,301	42.53	Long position
Ms. Xu Bing	Beneficial owner ⁽²⁾	1,800,000	0.10	Long Position
Mr. Li Yao	Beneficial owner ⁽²⁾	1,800,000	0.10	Long Position

Notes:

- (1) Mr. Wang is interested in 768,056,301 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 26.16% by Wanglei Co., Ltd. ("**Wang BVI**"), 61.05% by Cyber Warrior Holdings Limited ("**Cyber Warrior**") and 12.79% by LYH Ltd.. Wang BVI is wholly owned by Mr. Wang. Cyber Warrior is wholly owned by Vistra Trust (Singapore) Pte. Limited, the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector and the beneficiary of the Wang Family Trust is Wanglei Co., Ltd.. The Wang Family Trust is established for Mr. Wang's estate planning purposes.

As at December 31, 2024, Mr. Wang was interested in 1,800,000 underlying Shares which comprised 1,800,000 share options granted to him pursuant to the Post-IPO Share Option Scheme.

- (2) As at December 31, 2024, each of Ms. Xu Bing and Mr. Li Yao was interested in 1,800,000 underlying Shares which comprised 1,800,000 share options granted to each of them pursuant to the Post-IPO Share Option Scheme.



Interests in Shares of Associated Corporations

Name of Directors	Capacity/Nature of Interest	Name of associated corporation	Approximate Percentage of Shareholding (%)
Mr. Wang	Beneficial owner ⁽¹⁾	Ophyer Technology	40.88

Note:

- (1) Mr. Wang, one of the Registered Shareholders, holds 40.88% of the equity interest in Ophyer Technology. Ophyer Technology is a subsidiary of the Company by virtue of the Contractual Arrangements.

Save as disclosed above, as at December 31, 2024, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.



SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2024, to the best knowledge of the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

Interests in Shares

Name of Shareholders	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding (%)	Long/Short Position
Wanglei Co., Ltd.	Interest in controlled corporation ⁽¹⁾	768,056,301	42.43	Long position
Vistra Trust (Singapore) Pte. Limited	Trustee ⁽²⁾	768,056,301	42.43	Long position
Cyber Warrior Holdings Limited	Interest in controlled corporation ⁽²⁾	768,056,301	42.43	Long position
Ms. Zhang Zimo	Interest of spouse ⁽³⁾	769,856,301	42.53	Long position
Brainstorming Cafe Limited	Beneficial owner	768,056,301	42.43	Long position

Notes:

- (1) Mr. Wang is interested in 768,056,301 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 26.16% by Wanglei Co., Ltd. ("**Wang BVI**"), 61.05% by Cyber Warrior Holdings Limited ("**Cyber Warrior**") and 12.79% by LYH Ltd.. Wang BVI is wholly owned by Mr. Wang. Cyber Warrior is wholly owned by Vistra Trust (Singapore) Pte. Limited, the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector and the beneficiary of the Wang Family Trust is Wanglei Co., Ltd.. The Wang Family Trust is established for Mr. Wang's estate planning purposes.

As at December 31, 2024, Mr. Wang was interested in 1,800,000 underlying Shares which comprised 1,800,000 share options granted to him pursuant to the Post-IPO Share Option Scheme.

- (2) Cyber Warrior is wholly owned by Vistra Trust (Singapore) Pte. Limited, the trustee of the Wang Family Trust which is a discretionary trust established by Mr. Wang as the settlor and protector and the beneficiary of the Wang Family Trust is Wanglei Co., Ltd.. The Wang Family Trust is established for Mr. Wang's estate planning purposes.
- (3) Ms. Zhang Zimo is the spouse of Mr. Wang. Under the SFO, Ms. Zhang Zimo is deemed to be interested in the same number of Shares in which Mr. Wang is interested.



Save as disclosed above, as at December 31, 2024, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO.

PRINCIPAL RISKS AND UNCERTAINTIES

Save as disclosed the paragraph headed "Continuing Connected Transactions — Risks Relating to the Contractual Arrangements" and note 5 to the consolidated financial statements in this annual report, summarized below are principal risks and uncertainties identified and faced by the Group which may have a material and adverse impact on the Group's business performance, financial condition, results of operations or prospects:

- (i) ability to achieve or maintain operating results in the future and ability to forecast them;
- (ii) ability to implement growth strategies or manage growth effectively;
- (iii) uncertainties in the SaaS industry and the AR & VR marketing industry in PRC;
- (iv) failure to improve and enhance the functionality, performance, reliability, design, security and scalability of its products and services timely to suit its customers' evolving needs;
- (v) uncertainties with compliance with laws, regulations and governmental policies regarding privacy and data protection in the PRC;
- (vi) uncertainties in the enactment, interpretation and enforcement of certain laws, regulations and governmental policies in PRC;
- (vii) intense competition in the markets and may not be able to compete successfully against the existing and future competitors; and
- (viii) risks relating to industry, business and operations.

There may be other principal risks and uncertainties in addition to those set out above which are not known to the Group, or which may not be material now but could turn out to be material in the future.

CONTINUING CONNECTED TRANSACTIONS

During the year ended December 31, 2024, the Group had entered into the following transactions, which constituted continuing connected transactions under the Listing Rules, and are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

Non-exempt Continuing Connected Transactions — Contractual Arrangements

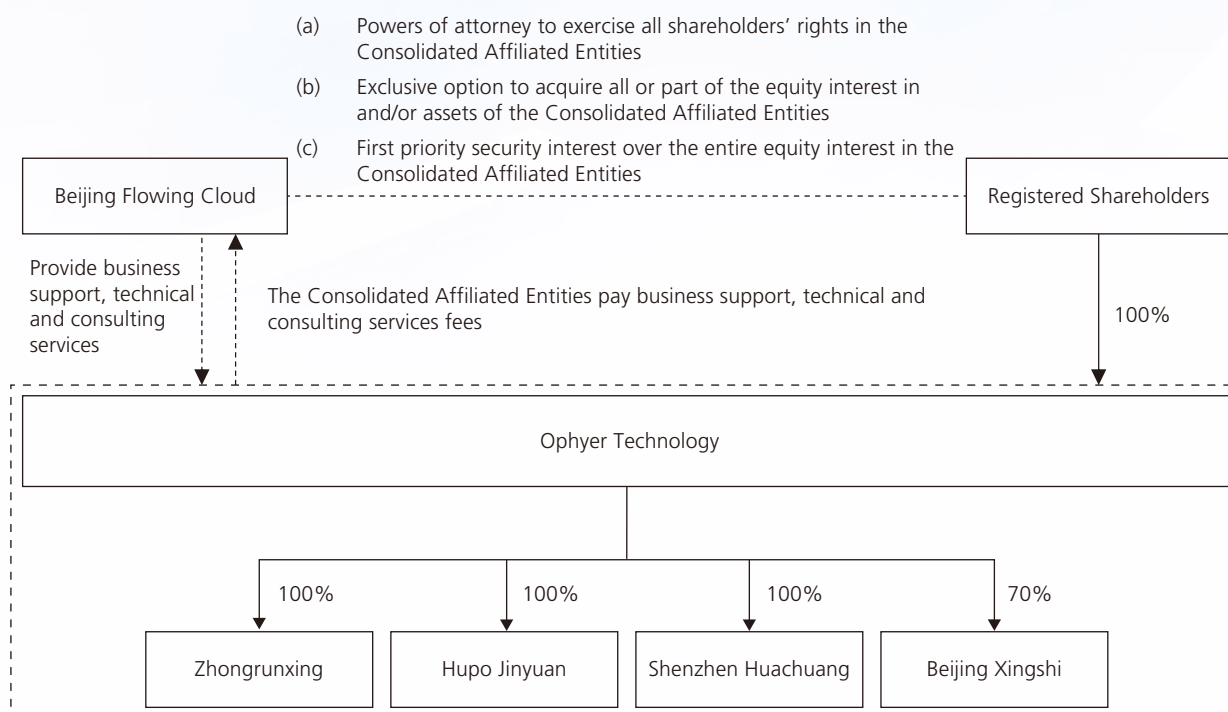
As disclosed in the section headed "Contractual Arrangements" in the Prospectus, in order for the Group to operate the business of Ophyer Technology and its subsidiaries in compliance with the relevant PRC laws and regulations, Beijing Flowing Cloud entered into the Contractual Arrangements with Ophyer Technology and the Registered Shareholders on December 16, 2021 and with Ophyer Technology and its subsidiaries on May 6, 2022, pursuant to which, all economic benefits arising from the business and operation of Ophyer Technology and its subsidiaries are transferred to Beijing Flowing Cloud by means of service and consultation fees payable by the Consolidated Affiliated Entities to Beijing Flowing Cloud.



Directors' Report

In order to enable the Group to further expand its Metaverse business in the cultural tourism and education industries in view of the favorable policies in Anji County on tax, rental subsidy, R&D subsidy and incentives to attract talents, the Group carried out an internal restructuring. Upon completion of the internal restructuring on March 30, 2023, Beijing Flowing Cloud became a direct wholly-owned subsidiary of Anji Flowing Cloud, which is in turn wholly-owned by Ophyer HK, an indirect wholly-owned subsidiary of the Company. Accordingly, the Contractual Arrangements remain in full force and the Group, through its wholly-owned subsidiary, Beijing Flowing Cloud, can continue to exercise control over the Consolidated Affiliated Entities and be entitled to all the economic benefits derived from their operations. Anji Flowing Cloud and Ophyer Technology entered into a cooperation agreement on March 13, 2023, pursuant to which Anji Flowing Cloud shall provide agency service for Ophyer Technology. This transaction is a transaction between subsidiaries as Ophyer Technology, one of the Consolidated Affiliated Entities, is treated as the Company's subsidiary. Save as the above, there is no other change to the Contractual Arrangements.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to the Group stipulated under the Contractual Arrangements:



Notes:

- (1) See the section headed "Shareholders' Rights Entrustment Agreements" for details.
- (2) See the section headed "Exclusive Option Agreements" for details.
- (3) See the section headed "Equity Pledge Agreements" for details.
- (4) See the section headed "Exclusive Technical Consultation and Services Agreement" for details.
- (5) As at December 31, 2024, the Group was principally engaged in the Relevant Businesses through Ophyer Technology. The Consolidated Affiliated Entities other than Ophyer Technology which had no substantial operation as at December 31, 2024, are planned to operate the Relevant Businesses in the future.
- (6) "→" denotes direct legal and beneficial ownership in the equity interest.
"----->" denotes contractual relationship.



Exclusive Technical Consultation and Services Agreement

Beijing Flowing Cloud and the Consolidated Affiliated Entities entered into an exclusive technical consultation and services agreement on May 6, 2022 (the “**Exclusive Technical Consultation and Services Agreement**”), pursuant to which the Consolidated Affiliated Entities agreed to engage Beijing Flowing Cloud as their exclusive provider of comprehensive management and consultation services, including but not limited to:

- (a) to provide information consultation services relating to the Consolidated Affiliated Entities’ principal businesses, and provide the Consolidated Affiliated Entities with advices and recommendations on all aspects of business operations;
- (b) to provide corporate management consultation services, taxation and financial management services, information system services and technical services, promoting the Consolidated Affiliated Entities’ corporate standardization and formation of information management system;
- (c) to provide services relating to market research, market surveys, research consultation and judgment, and provide market information;
- (d) to provide the relevant technical support and staff training for business personnel, and provide advices and recommendations on human resources management;
- (e) to provide management and consultation services in relation to daily operation, finance, investment, assets, credits and debts, human resources, internal informatization and other management and consultation services;
- (f) to provide advices and recommendations on the negotiation, execution and performance of material contracts;
- (g) to provide advices and recommendations on the mergers and acquisitions and other expansion plans of the Consolidated Affiliated Entities;
- (h) to provide customer order management and customer services, and assist in formulating customer maintenance plans and maintaining customer relationships;
- (i) to provide marketing and promotion and publicity services;
- (j) to design, develop, maintain, upgrade and update the corresponding application software required for the Consolidated Affiliated Entities’ business;
- (k) to design, install, conduct daily management, maintain and update the computer network system and hardware equipment of the Consolidated Affiliated Entities;
- (l) to provide consultation services in relation to the relevant applications for going through statutory procedures such as all statutory licenses, approvals and permits required for the Consolidated Affiliated Entities to commence operation; and
- (m) other relevant technical services, consultation, operation information, maintenance and management to the extent permitted by laws as requested by the Consolidated Affiliated Entities from time to time.



Directors' Report

Pursuant to the Exclusive Technical Consultation and Services Agreement, the service fees shall be equivalent to the total consolidated profit of the Consolidated Affiliated Entities, after offsetting the prior-year losses (if any) and statutory reserve funds (if applicable). Notwithstanding the foregoing, Beijing Flowing Cloud shall have the right to adjust the level of the service fees based on the actual service scope and with reference to the operating conditions and expansion needs of Beijing Flowing Cloud and send the service fee payment notification to the Consolidated Affiliated Entities within 90 days after each fiscal year end for the services provided in the preceding fiscal year. The Consolidated Affiliated Entities have agreed to pay the service fee after receiving Beijing Flowing Cloud's notification.

In addition, pursuant to the Exclusive Technical Consultation and Services Agreement, without the prior written approval from Beijing Flowing Cloud, the Consolidated Affiliated Entities shall not accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Technical Consultation and Services Agreement with any third party, nor transfer the rights and obligations under the Exclusive Technical Consultation and Services Agreement to any third party.

The Exclusive Technical Consultation and Services Agreement also provides that, (i) all intellectual property rights developed or created during the performance of the Exclusive Technical Consultation and Services Agreement belong to Beijing Flowing Cloud, and (ii) the Consolidated Affiliated Entities shall deal with the intellectual property rights as directed by Beijing Flowing Cloud from time to time, including but not limited to assigning or licensing such rights to Beijing Flowing Cloud or its designee, subject to the laws of the PRC.

The Exclusive Technical Consultation and Services Agreement is effective from the date of its signing for 10 years, which shall be unconditionally renewed at the request of Beijing Flowing Cloud for 10 years and for an indefinite number of successive 10 years thereafter.

The Directors consider that the above arrangement will ensure the economic benefits generated from the operations of the Consolidated Affiliated Entities will flow to Beijing Flowing Cloud and hence, the Group as a whole.

Exclusive Option Agreements

Beijing Flowing Cloud, Ophyer Technology and the Registered Shareholders entered into an exclusive option agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an exclusive option agreement on May 6, 2022 (collectively, the "**Exclusive Option Agreements**", each an "**Exclusive Option Agreement**"), pursuant to which Beijing Flowing Cloud has the exclusive rights to request the Registered Shareholders and Ophyer Technology to transfer all or part of their equity interests in the Consolidated Affiliated Entities and/or to request the Consolidated Affiliated Entities to transfer all or part of its assets to Beijing Flowing Cloud and/or any third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. The respective Registered Shareholders and Ophyer Technology have also undertaken that, subject to the relevant PRC laws and regulations, if such minimum purchase price is more than nil consideration, they will return the purchase price they have received in full to Beijing Flowing Cloud and/or a third party designated by it.



Pursuant to the Exclusive Option Agreements, the respective Registered Shareholders and the Consolidated Affiliated Entities unconditionally and irrevocably undertake, without the prior written consent of Beijing Flowing Cloud, including but not limited to the following matters:

- (a) not to supplement, change or amend the articles of association of the Consolidated Affiliated Entities, or change the registered capital or capital structure, in any forms;
- (b) maintain its corporate existence in accordance with good business standard and practices, obtain and maintain all necessary government licences and permits by prudently and effectively operating its business;
- (c) not to sell, transfer, pledge or otherwise deal with any assets (except for assets used during the course of its daily business operations of less than RMB one million), business or revenue or allow to impose any security interest on its assets (except for security interest imposed during the course of its daily business operations);
- (d) to ensure the valid existence of the Consolidated Affiliated Entities and that the Consolidated Affiliated Entities will not be liquidated or dissolved;
- (e) not to incur, inherit, guarantee or allow the existence of any debt, except for debts generated during the course of its daily business operations or debts disclosed to and agreed by Beijing Flowing Cloud;
- (f) not to perform any actions that may adversely affect the Consolidated Affiliated Entities' business status and asset value;
- (g) not to enter into any material contracts with a contract value of more than RMB one million with any entity except for contracts entered during the course of its daily business operations or entered with Beijing Flowing Cloud and its shareholder or its subsidiaries;
- (h) not to procure the Consolidated Affiliated Entities to lend any loan, or provide guarantee or any other form of guarantee, or any material undertakings for any entity;
- (i) regularly provide Beijing Flowing Cloud with all operations and financial information about the Consolidated Affiliated Entities' business at the request of Beijing Flowing Cloud;
- (j) purchase and maintain insurance related to the Consolidated Affiliated Entities' assets and business from the insurance company accepted by Beijing Flowing Cloud;
- (k) not to procure or agree to any partnership, joint venture or merger between the Consolidated Affiliated Entities and any other entity or invest in anyone, except for an acquisition or investment amount less than RMB one million;
- (l) immediately notify Beijing Flowing Cloud of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to its assets, business or revenue, or any event that may adversely affect its existence, business operation, financial situation, asset or goodwill;
- (m) not to procure the Consolidated Affiliated Entities to declare or distribute any distributable profits or dividends without Beijing Flowing Cloud's prior written consent; and
- (n) appoint or replace any director, supervisor or any other management of the Consolidated Affiliated Entities according to Beijing Flowing Cloud's request.



Directors' Report

The Exclusive Option Agreements have a term of ten years and may be renewed by Beijing Flowing Cloud after expiration unless all the equity interests in and assets of the Consolidated Affiliated Entities have been transferred to Beijing Flowing Cloud or its designated entities or individuals. To the extent permitted under PRC laws, the Consolidated Affiliated Entities and the respective Registered Shareholders are not contractually entitled to unilaterally terminate the Exclusive Option Agreements with Beijing Flowing Cloud.

In addition, the respective Registered Shareholders and Ophyer Technology undertake that (i) in case they receive any dividends or other profit distributions from the Consolidated Affiliated Entities, they shall return to the same to Beijing Flowing Cloud; and (ii) in case they receive any proceeds from transfer of equity interests in the Consolidated Affiliated Entities, or any distributions upon liquidation of the Consolidated Affiliated Entities, they shall return to Beijing Flowing Cloud such proceeds or distribution they receive.

Equity Pledge Agreements

Beijing Flowing Cloud, the Registered Shareholders and Ophyer Technology entered into an equity pledge agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an equity pledge agreement on May 6, 2022 (collectively, the **"Equity Pledge Agreements"**, each an **"Equity Pledge Agreement"**), pursuant to which each of the respective Registered Shareholders and Ophyer Technology irrevocably and unconditionally agreed to pledge all of their respective equity interests in the Consolidated Affiliated Entities to Beijing Flowing Cloud as security interest to guarantee the performance of contractual obligations of the registered shareholders and the payment of outstanding debts by the Consolidated Affiliated Entities under the Contractual Arrangements.

Under the Equity Pledge Agreements, if the Consolidated Affiliated Entities declare dividends during the term of the pledge, Beijing Flowing Cloud or its designee is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interest, if any. In addition, pursuant to the Equity Pledge Agreements, each of the respective registered shareholders and the Consolidated Affiliated Entities has undertaken to Beijing Flowing Cloud that, among other things, not to transfer his/her/its equity interests in the Consolidated Affiliated Entities or create or allow any pledge on the pledged equity without Beijing Flowing Cloud's prior written consent.

The Equity Pledge Agreements came into effect on upon the execution date and shall remain valid until (i) the final repayment and performance of the secured debt and contractual obligations secured by the pledge; (ii) the respective Registered Shareholders have transferred their entire equity interests in the Consolidated Affiliated Entities to Beijing Flowing Cloud and/or its designee or the Consolidated Affiliated Entities have transferred all of their assets to Beijing Flowing Cloud and/or its designee, pursuant to the applicable PRC laws and regulations, and the Listing Rules; (iii) Beijing Flowing Cloud exercises its unilateral right of termination; or (iv) the agreement is terminated in accordance with or as required by the applicable PRC laws and regulations.

If an event of default (as provided in the Equity Pledge Agreements) occurs, unless it is successfully resolved to Beijing Flowing Cloud's satisfaction within 30 days after such default event is identified, Beijing Flowing Cloud may demand the respective Registered Shareholders and the Consolidated Affiliated Entities to immediately pay all outstanding amounts due under the Exclusive Technical Consultation and Services Agreement, repay any loans and make all other payments due to it and/or dispose of the pledged equity interest. The registration of the pledge of equity interest as required by the relevant laws and regulations had completed in accordance with its terms under the equity pledge agreements dated December 16, 2021 and May 6, 2022, respectively, and PRC laws and regulations.



Shareholders' Rights Entrustment Agreements

Ophyer Technology, the Registered Shareholders and Beijing Flowing Cloud entered into an shareholders' voting rights entrustment agreement on December 16, 2021, and Beijing Flowing Cloud, Ophyer Technology, Beijing Xingshi, Hupo Jinyuan, Shenzhen Huachuang and Zhongrunxing entered into an shareholders' voting rights entrustment agreement on May 6, 2022 (collectively, the **"Shareholders' Rights Entrustment Agreements"**, each a **"Shareholders' Rights Entrustment Agreement"**), pursuant to which, each of the respective Registered Shareholders and Ophyer Technology irrevocably, unconditionally and exclusively, through their respective powers of attorney, appoints Beijing Flowing Cloud or its designated person (including the Directors and their successors and liquidator replacing the Directors but excluding the Registered Shareholders and Ophyer Technology), as his/her/its attorney-in-fact to exercise such shareholder's rights in the Consolidated Affiliated Entities, including without limitation to, the rights to:

- (a) propose to convene, participate in and attend general meetings of the Consolidated Affiliated Entities on behalf of the registered shareholders, and sign the minutes and resolutions of the meetings;
- (b) exercise voting rights on all matters which are subject to discussions and resolutions of the shareholders of the Consolidated Affiliated Entities in general meetings (including but not limited to the designation, appointment or replacement of directors and supervisors of the Consolidated Affiliated Entities;
- (c) exercise other voting rights which the shareholders of the Consolidated Affiliated Entities are entitled to in accordance with the articles of association (as amended from time to time);
- (d) decide to transfer or otherwise dispose of the equity interests in the Consolidated Affiliated Entities held by the Registered Shareholders and Ophyer Technology;
- (e) submit any document for filing purpose to the competent authorities on behalf of the Registered Shareholders and Ophyer Technology;
- (f) take over the property on behalf of the Registered Shareholders after dissolution or liquidation of the Consolidated Affiliated Entities;
- (g) receive any profit distribution or dividend in accordance with PRC laws and regulations and the articles of association of the Consolidated Affiliated Entities; and
- (h) exercise other shareholders' rights as specified in applicable PRC laws and regulations and the articles of association of the Consolidated Affiliated Entities (as amended from time to time).



Directors' Report

Spouse Undertakings

The spouse of each of the Registered Shareholders, where appropriate, has signed an unconditional and irrevocable undertaking (the “**Spouse Undertakings**”) to the effect that, among others:

- (a) the spouse has been made fully aware of the Contractual Arrangements and consented to the execution of the Contractual Arrangements by such Registered Shareholder and shall not prejudice or hinder the enforcement of the Contractual Arrangements and the equity interest in Ophyer Technology held and to be held by each of the Registered Shareholders (together with any other interest therein) do not fall within the scope of communal properties;
- (b) in the event that the spouse obtains any equity interest in Ophyer Technology, he/she will be subject to and abide by the terms of the Contractual Arrangements, and at the request of Beijing Flowing Cloud, he/she will sign any documents in the form and substance consistent with the Contractual Arrangements;
- (c) no authorization or consent from the relevant spouse is required regarding the performance, modification or termination of the Contractual Arrangements; and
- (d) no claim or action against the Contractual Arrangements will be taken by the spouse.

Reasons for Adopting the Contractual Arrangements

The Special Administrative Measures (Negative List) for Foreign Investment Access (2024 version), jointly promulgated by the NDRC and the MOFCOM, was announced on September 6, 2024 and became effective on November 1, 2024. The list specifies the prohibitive and restrictive conditions for foreign investment sectors and sets out the special administrative measures for foreign investment access. Foreign investments should comply with the relevant restrictions and prohibitions stipulated in the list.

The Group engages in AR & VR marketing services fall into the VATS and are considered “restricted” and certain of the Group’s animation video production businesses fall into the radio and television programs production and operation business and are considered “prohibited” (collectively, the “**Relevant Businesses**”). As a result, the Company cannot hold more than 50% equity interests in companies providing VATS and is prohibited from investing in the production and operation of radio and television programs.

In order to comply with the PRC laws and regulations and maintain effective control over the Relevant Businesses, the Group, through its wholly-owned subsidiary, Beijing Flowing Cloud, entered into the Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders, pursuant to which Beijing Flowing Cloud acquired effective control over the Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from their operations.

In light of the foregoing reasons, the Company believe that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in the fields that are subject to foreign investment restrictions in the PRC.

The Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to the Group’s legal structure and business operations, have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms or better and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Revenue and Assets subject to the Contractual Arrangements

For the year ended December 31, 2024, the revenue subject to the Contractual Arrangements amounted to RMB535 million (2023: RMB625 million), while the total assets subject to the Contractual Arrangements as at December 31, 2024 amounted to RMB1,112 million (2023: RMB920 million).

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

- (i) if the PRC Government determines that the Contractual Arrangements do not comply with applicable regulations, or if these regulations or their interpretations change in the future, the Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of the Group's interest in the Consolidated Affiliated Entities;
- (ii) substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the Group's current corporate structure, corporate governance and business operations;
- (iii) the Contractual Arrangements may not be as effective in providing operational control as direct ownership and the Consolidated Affiliated Entities or the Registered Shareholders may fail to perform their obligations under the Contractual Arrangements;
- (iv) the Group may lose the ability to use and enjoy assets and licenses held by the Consolidated Affiliated Entities that are important to the operation of the Group's business if any of the Consolidated Affiliated Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding;
- (v) the Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional taxes may be imposed. A finding that the Group owe additional taxes could substantially reduce the Group's consolidated net income and the value of your investment;
- (vi) the Registered Shareholders and Ophyer Technology may potentially have a conflict of interest with the Group, and they may breach their contracts with the Group or cause such contracts to be amended in a manner contrary to the Group's interests;
- (vii) the Group conduct the Relevant Businesses in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws;
- (viii) if the Group exercise the option to acquire equity ownership of the Consolidated Affiliated Entities, the ownership transfer may subject the Group to certain limitations and substantial costs; and
- (ix) the Group may not be able to meet regulatory requirements with respect to VATS, notwithstanding the 2022 Decision which came into effect on May 1, 2022, the Group's plan to unwind the Contractual Arrangements may be subject to certain limitations.

For details, please refer to the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" of the Prospectus.



Directors' Report

Compliance with the Contractual Arrangements

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and compliance with the Contractual Arrangements:

- (i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (ii) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (iii) the Company will disclose the overall performance and compliance with the Contractual Arrangements in annual reports; and
- (iv) the Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Beijing Flowing Cloud and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

Pursuant to Chapter 14A of the Listing Rules, (i) Mr. Wang, the Controlling Shareholder and executive Director; and (ii) Ophyer Technology, a company held as to approximately 40.88% and 5.92% by Mr. Wang and Mr. Li Yanhao, respectively, are connected persons of the Company. Therefore, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of the Company under the Listing Rules.

In respect of the Contractual Arrangements, the Stock Exchange has granted a waiver from (i) strict compliance with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions under the Contractual Arrangements pursuant to Rule 14A.53 of the Listing Rules; and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to the following conditions, details of which are set out in the section headed "Continuing Connected Transactions" in the Prospectus:

- (a) no change without independent non-executive Directors' approval;
- (b) no change without independent Shareholders' approval;
- (c) economic benefits flexibility;
- (d) renewal and reproduction; and
- (e) ongoing reporting and approvals.

Furthermore, the Consolidated Affiliated Entities have undertaken that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide the Group's management and the auditor with full access to their relevant records for the purpose of procedures to be carried out by the auditor on the connected transactions.



Confirmation from Independent Non-executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that: (i) the transactions have been entered into in the ordinary and usual course of business of the Company; (ii) the transactions have been entered into on normal commercial terms or better; (iii) the transactions have been entered into according to the agreement governing them on terms that are fair and reasonable and in the interest of the Shareholders as a whole; (iv) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (v) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (vi) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year ended December 31, 2024 (if any) are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

Confirmation from the Auditor

The auditor of the Company was engaged to report on the Group's continuing connected transactions carried out pursuant to the Contractual Arrangements for the year ended December 31, 2024 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants and provided a letter to the Directors confirming whether anything has come to their attention that cause them to believe that the Contractual Arrangements (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) for those transactions with the Consolidated Affiliated Entities under the Contractual Arrangements, dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of the equity interests of the Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to the Group.

Save as disclosed above, none of the other related party transactions constitute connected transactions or continuing connected transactions that are required to be disclosed under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules and that it had followed the relevant policies and guidelines when determining the price and term of the continuing connected transactions conducted during the year ended December 31, 2024.

EQUITY-LINKED AGREEMENTS

Save for the Post-IPO Share Option Scheme as disclosed in this annual report, no equity-linked agreements were entered into by the Company during the year ended December 31, 2024, or subsisted at the end of December 31, 2024.

MANAGEMENT CONTRACTS

During the Reporting Period, no contract concerning the management and administration of all or any substantial part of the business of the Company was entered into or existed.



Directors' Report

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to Article 191 of the Articles of Association, the Director shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has purchased appropriate liability insurance for Directors and officers.

DONATIONS

During the Reporting Period, there were no charitable or other donations made by the Group.

CORPORATE GOVERNANCE

The Group is committed to maintaining high level of corporate governance practices. Details of the corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this annual report.

ESG MATTERS

The Group is committed to environmental protection and promoting corporate social responsibility and best corporate governance practices to develop sustainable value for stakeholders, undertaking the responsibilities as a corporate citizen. The Group has established ESG policies which set forth environmental protection measures, social responsibility principals and internal governance.

Under the ESG policies for environmental protection, the Group aims to promote usage of renewable resources and reduce production of hazardous chemicals and gas emissions. The ESG policies for social responsibility and corporate governance aim to ensure that the Group's business meets applicable laws and regulations, contribute to social responsibility causes and promote employees' work safety. The Group also established ESG policies for corporate governance, which aim to manage risks in operation and enhance operational efficiency. In addition, the Group endeavors to reduce any negative impacts on the environment through its commitment to energy saving and sustainable development. The Group will also focus on embracing diversity within the organization and equal and respectful treatment of all employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, the Group will also continue to promote work-life balance and create a happy culture in workplace for all employees.

The Group believes that it requires collective effort from the Board to evaluate and manage material ESG issues, therefore the Group has not established any sub-committee for ESG issues. The Directors have collective and overall responsibility for the Group's ESG strategy and reporting, ensuring that the ESG policies are duly implemented and comply with the latest standards and managing material ESG issues (in particular, climate-related risks and opportunities). The management will implement the ESG strategy and policies and make timely report to the Directors on ESG issues. The Directors also support the Group in fulfilling its environmental and social responsibilities. The Directors are responsible for identification, assessment and management of the ESG-related risks at least once a year, and ensuring that appropriate and effective ESG risk management and internal control systems are in place. The Directors may assess or engage independent third party(ies) to evaluate the ESG risks and review the existing strategy, target and internal controls. Necessary improvement will then be implemented to mitigate the risks.

For further details, please refer to the section headed "Environmental, Social and Governance (ESG) Report" of this annual report.



COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During the year ended December 31, 2024, the Company bought back a total of 1,182,000 Shares at prices ranging from HK\$0.52 to HK\$0.62 per Share on the Stock Exchange, with an aggregate consideration of approximately HK\$689,000 (excluding commissions and other expenses). Details of the share buy-backs by the Company on the Stock Exchange during the year ended December 31, 2024 are as follows:

Month of repurchase	No. of Shares repurchased	Price per Share		Total paid HK\$'000
		Highest HK\$	Lowest HK\$	
June	1,182,000	0.62	0.52	689

The Board believes that the share buy-backs could reflect the Board's confidence in the Company's long-term business prospects. As at the date of this annual report, 3,854,000 Shares of the bought Shares are yet to be cancelled.

Save as disclosed above, neither the Company, nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares) throughout the year ended December 31, 2024.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Shares were held by the public as at the latest practicable date prior to the issue of this annual report.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

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



PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

Save as disclosed in the section headed "Post-IPO Share Option Scheme" in this annual report, the Company had no outstanding convertible securities, options, warrants and similar rights during the year ended December 31, 2024 and there was no issue or grant of any convertible securities, options, warrants and similar rights during the year.

DIVIDEND POLICY

The Company adopted the dividend policy in relation to the declaration, payment or distribution of its profits as dividends to the Shareholders. The payment of dividend is subject to any restrictions under the Companies Law of the Cayman Islands, the Memorandum and Articles of Association, the Listing Rules and any other application laws and regulations.

The dividend policy sets out the factors in consideration, limitations, declaration and payment of dividends. In recommending or declaring dividends, the Company shall take into account the following factors: (i) the Group's overall results of operation, financial condition, business strategies and operations, future cash commitments and investment needs to sustain the long-term growth of business, working capital requirements, capital expenditure requirements, liquidity position and future expansions plans; (ii) the amount of retained profits and distributable reserves of the Company; (iii) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and (iv) any other factors that the Board deems relevant. The dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time.

The Company was not aware of any Shareholders who had waived or agreed to waive any dividend arrangement for the year ended December 31, 2024.

TAX RELIEF

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's Shares.

AUDIT COMMITTEE

The Audit Committee has jointly discussed with the management and the external auditor of the Company about the accounting principles and policies adopted by the Company, and discussed and reviewed internal control, risk management and financial reporting matters (including the review of the annual results for the year ended December 31, 2024) of the Group. The Audit Committee and the independent auditor considered that the annual results are in compliance with the applicable accounting standards, applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance. Accordingly, the Audit Committee recommends the Board to approve the consolidated financial statements of the Group for the year ended December 31, 2024.

AUDITOR

The consolidated financial statements for each of the two years ended December 31, 2022 and 2023 were audited by Deloitte Touche Tohmatsu ("**Deloitte**"). Deloitte resigned as the auditor of the Company with effect from July 19, 2024. On the same day, ZHONGHUI ANDA CPA Limited ("**ZHONGHUI ANDA**") was appointed as the auditor of the Company to fill the vacancy following the resignation of Deloitte and to hold office until the conclusion of the next AGM. The consolidated financial statements of the Group for the year ended December 31, 2024 have been audited by ZHONGHUI ANDA. Save as disclosed above, there have been no other changes in the Company's auditor in the preceding three years. For more details, please refer to the announcement of the Company dated July 19, 2024.

ANNUAL GENERAL MEETING

The forthcoming AGM will be held on Wednesday, May 28, 2025. A notice convening the AGM and all other relevant documents will be published and despatched to the Shareholders who have elected to receive printed copies in April 2025.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, May 23, 2025 to Wednesday, May 28, 2025, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at AGM, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfers documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, May 22, 2025, being the last registration date.

On behalf of the Board

Wang Lei
Chairman

Hong Kong, March 31, 2025



Corporate Governance Report

The board of directors of the Company (the “**Board**”) is pleased to present this Corporate Governance Report in the annual report of the Company for the year ended December 31, 2024.

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholders’ wealth will be maximized in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of business ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company’s corporate governance practices. Such practices provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company. Regular reviews are conducted to ensure the compliance with the Corporate Governance Code. Meanwhile, the Company has also put in place certain recommended best practices as set out in the Corporate Governance Code. The Board is of the view that throughout the year ended December 31, 2024, the Company has complied with most of the applicable code provisions as set out in the Corporate Governance Code, except for code provision C.2.1 of the Corporate Governance Code. For more details of the deviation, please refer to section headed “Chairman and Chief Executive Officer” of this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended December 31, 2024.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code for securities transactions by employees who, because of such office or employment, are likely to possess inside information in relation to the Company or its securities. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company’s success by directing and supervising the Company’s affairs. All Directors carry out their duties in good faith and always take decisions objectively in the best interests of the Company as well as the Shareholders.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company’s business. Regular reviews are conducted on the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their roles and the Board’s responsibilities. The Board includes a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

The Board currently consists of six Directors and its composition is as follows:

Executive Directors

Mr. Wang Lei (*Chairman and Chief Executive Officer*)
Ms. Xu Bing
Mr. Li Yao
Mr. Li Yanhao (*resigned on November 3, 2024*)

Independent non-executive Directors

Mr. Jiang Yi
Mr. Tan Deqing
Ms. Chen Yuelin (*appointed on March 3, 2025*)
Ms. Wang Beili (*resigned on March 3, 2025*)

The biographical information of the Directors and the relationships between the Directors are set out in the section headed “Directors and Senior Management” of this annual report. Save as otherwise disclosed above, there is no relationships (including financial, business, family or other material/relevant relationship(s)) between the Board members.



Corporate Governance Report

Board Meetings and Directors' and Board Committee Members' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2024 are set out in the table below:

Name of Director	Attendance/Number of Meetings During His/her Tenure				
	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Wang Lei	4/4		1/1		1/1
Xu Bing	4/4				1/1
Li Yao	4/4				1/1
Li Yanhao (<i>resigned on November 3, 2024</i>)					1/1
Jiang Yi	4/4	1/1		2/2	1/1
Tan Deqing	4/4	1/1	1/1	2/2	1/1
Chen Yuelin (<i>appointed on March 3, 2025</i>)	N/A	N/A	N/A	N/A	N/A
Wang Beili (<i>resigned on March 3, 2025</i>)	4/4	1/1	1/1	2/2	1/1

Apart from regular Board meetings, the chairman of the Board also held one meeting with the independent non-executive Directors without the presence of other Directors on March 28, 2024. All the relevant Directors attended this meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. The Company believes that the independent non-executive Directors possess sufficient experience, and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement. They will also be able to provide an impartial and external opinion to protect the interests of the Shareholders.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.



The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Chairman and Chief Executive Officer

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from this code provision as the Chairman and Chief Executive Officer of the Company are held by Mr. Wang, who is one of the founders of the Group and has extensive experience in the technology services and game development industry.

With extensive experience in the technology services and game development industry, Mr. Wang is responsible for the strategic development, overall operation and management and major decision-making of the Group and is instrumental to the 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) and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Decisions to be made by the Board requires approval by at least a majority of the Directors. Mr. Wang 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 Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Independent Non-executive Directors

During the year ended December 31, 2024, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Ms. Chen Yuelin has been appointed as an independent non-executive Director with effect from March 3, 2025. Ms. Chen Yuelin obtained legal advice referred to in Rule 3.09D of the Listing Rules on March 3, 2025 and she has confirmed she understood her obligations as a director of a listed issuer.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.



Corporate Governance Report

Board Independence Evaluation

The Company has established a Board Independence Evaluation Mechanism which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its implementation and effectiveness. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

Appointment and Re-election of Directors

The independent non-executive Directors are appointed for a specific term of three years, subject to renewal after the expiry of the current term.

Under the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any Director who has not been subject to retirement by rotation in the three years preceding the annual general meeting shall retire by rotation at such annual general meeting. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.



Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The training records of the Directors for the year ended December 31, 2024 are summarized as follows:

Directors	Type of Training ^{Note}
Executive Directors	
Mr. Wang Lei	A
Ms. Xu Bing	A
Mr. Li Yao	A
Mr. Li Yanhao (<i>resigned on November 3, 2024</i>)	A
Independent non-executive Directors	
Mr. Jiang Yi	A
Mr. Tan Deqing	A
Ms. Chen Yuelin (<i>appointed on March 3, 2025</i>)	N/A
Ms. Wang Beili (<i>resigned on March 3, 2025</i>)	A

Note:

Types of Training

A: Reading relevant news alerts, newspapers, journals, magazines and relevant publications.



BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. The majority of the members of each Board committee are independent non-executive Directors. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

During the year ended December 31, 2024, the Audit Committee consists of three members, namely the independent non-executive Directors Ms. Wang Beili, Mr. Jiang Yi and Mr. Tan Deqing. Ms. Wang Beili was the chairlady of the Audit Committee.

On March 3, 2025, Ms. Wang Beili resigned as an independent non-executive Director. Ms. Chen Yuelin was appointed as an independent non-executive Director and become the chairlady of the Audit Committee on March 3, 2025.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the Corporate Governance Code. The main duties of the Audit Committee are, without limitation, assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

The Audit Committee held two meetings with the external auditor during the year ended December 31, 2024 to review the significant issues on the financial reporting, operational and compliance controls, the effectiveness of internal control and risk management systems as well as internal audit function. The attendance records of the Audit Committee meetings are set out under "Board Meetings and Directors' and Board Committee Members' Attendance Records" on page 64.

Remuneration Committee

The Remuneration Committee consists of three members, namely the executive Director Mr. Wang Lei, the independent non-executive Directors Mr. Tan Deqing and Ms. Wang Beili. Mr. Tan Deqing is the chairman of the Remuneration Committee.

On March 3, 2025, Ms. Wang Beili resigned as an independent non-executive Director. Ms. Chen Yuelin was appointed as an independent non-executive Director and become a member of the Remuneration Committee on March 3, 2025.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the Corporate Governance Code. The primary functions of the Remuneration Committee include, without limitation, making recommendations to the Board of the policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; determining the remuneration packages of Directors and senior management; and reviewing and approving remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time.

The Remuneration Committee held one meeting during the year ended December 31, 2024 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters, as well as the matters relating to share schemes under Chapter 17 of the Listing Rules. The attendance records of the Remuneration Committee meeting are set out under "Board Meetings and Directors' and Board Committee Members' Attendance Records" on page 64.



The remuneration of the senior management (excluding executive Directors) during the year ended December 31, 2024 falls within the following bands:

Remuneration (HK\$)	Number of Individuals
0 to HK\$1,000,000	1

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance and profitability, the prevailing market conditions and the performance or contribution of each executive Director. The remuneration for the executive Directors comprises basic salary, pensions and discretionary bonus. Executive Directors shall receive options to be granted under the Post-IPO Share Option Scheme. The remuneration policy for independent non-executive Directors is to ensure that independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the independent non-executive Directors mainly comprises Director's fee which is determined with reference to their duties and responsibilities by the Board. Individual Directors and senior management have not been involved in deciding their own remuneration.

Nomination Committee

The Nomination Committee consists of three members, namely the independent non-executive Directors Mr. Tan Deqing, Mr. Jiang Yi and Ms. Wang Beili. Mr. Tan Deqing is the chairman of the Nomination Committee.

On March 3, 2025, Ms. Wang Beili resigned as an independent non-executive Director. Ms. Chen Yuelin was appointed as an independent non-executive Director and become a member of the Nomination Committee on March 3, 2025.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the Corporate Governance Code. The principal duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of our Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.



Corporate Governance Report

The Nomination Committee held one meeting during the year ended December 31, 2024 to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the annual general meeting, and to consider and recommend to the Board on the appointment of Directors. The Nomination Committee has set a measurable objective implementing the Board Diversity Policy by appointing at least two Directors of a different gender on the Board by the end of 2025. The Nomination Committee considers that an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of the Nomination Committee meeting are set out under “Board Meetings and Directors’ and Board Committee Members’ Attendance Records” on page 64.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company’s competitive advantage. The Board aims to attract and maintain a Board which has an appropriate mix of diversity, skill, experience and expertise.

In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to the Board. The Board believes that such merit-based appointments will best enable the Company to serve its Shareholders and other stakeholders going forward.

The Company is committed to having a Board of more than one gender. Apart from that, the Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

An analysis of the Board’s current composition is set out below:

Gender	Age Group
Male: 4 Directors Female: 2 Directors	41–50: 5 Directors 51–60: 1 Director
Designation	Educational Background
Executive Directors: 3 Directors Independent non-executive Directors: 3 Directors	Business Administration: 1 Director Account and Finance: 1 Director Electronic Technology/Information Technology: 2 Directors Others: 3 Directors
Nationality	Business Experience
Chinese: 6 Directors	Business Administration: 2 Directors Accounting & Finance: 1 Director Electronic Technology/Information Technology: 4 Directors Others: 1 Director



The Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and have a balanced mix of knowledge and skills, including knowledge and experience in the area of technology, business management, finance and accounting, etc. The Directors, with two females and four males, ranging from 40 years old to 59 years old, are able to bring a balance of diversity perspectives to the Board.

The Nomination Committee will conduct an annual review on the Board Diversity Policy and its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. To further enhance gender diversity, the Board and the Nomination Committee will stay vigilant in identifying a pipeline of potential successors to the Board. The Company constantly implements policies which encourage and attract qualified incumbents to take up senior managerial and Board roles.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this annual report:

	Female	Male
Board	33.33% (2)	66.67% (4)
Senior Management	25% (1)	75% (3)
Other employees	39.32% (46)	60.68% (71)
Overall workforce	37.9% (47)	62.1% (77)

The Board is committed to improving greater gender diversity in the Board, senior management and other employees of the Group and wishes to achieve at least 33.33% (2) of female Directors, 25% (1) of female senior management and 37.9% (47) of female employees by the end of 2025. The Board expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee.

The Company has adopted a Nomination Policy which sets out the selection criteria, principles and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Nomination Policy is as follows:

Appointment of New Director

The secretary of the Nomination Committee shall invite nominations of candidates from Board members (if any), for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration. For appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval.



Corporate Governance Report

Re-election of Director at General Meeting

The Nomination Committee should make recommendations to the Board in respect of the proposed re-election of Director at the general meeting. The Board shall have the final decision on all matters relating to the recommendation of candidates to stand for election at the general meeting.

Where the Board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

Selection Criteria

The Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- (a) Reputation for integrity;
- (b) Commitment in respect of sufficient time, interest and attention to the Company's business;
- (c) Qualifications, both academic and professional, experience and reputation in the relevant industry and other relevant sectors;
- (d) Diversity in all aspects, with due regard to the diversity perspectives set out in the Board Diversity Policy of the Company and the balance skills and knowledge in the Board;
- (e) The ability to assist and support management and make significant contributions to the Company's success;
- (f) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive Director; and
- (g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board shall be made in accordance with the Articles of Association and other applicable rules and regulations.

The Nomination Committee will review, amend and modify the Nomination Policy from time to time, as appropriate, to ensure its that it is transparent and fair, remains relevant to the Company's needs and reflects the current regulatory requirements and good corporate governance practice. Any subsequent amendment is subject to the Board's approval.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the Corporate Governance Code.

During the year ended December 31, 2024, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Employees Written Guidelines, and the Company's compliance with the Corporate Governance Code and disclosure in this corporate governance report.



RISK MANAGEMENT AND INTERNAL CONTROLS

The Company established a risk management system and relevant policies and procedures which the Company considers suitable for business operations. The policies and procedures are aimed at managing and monitoring business performance.

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee, internal control department and senior management are responsible for ongoing oversight of the implementation of the risk management policies across the Company to ensure the internal control systems are effective in identifying, evaluating, managing and mitigating the risks involved in the course of business operations.

The Company has adopted and implemented risk management policies in all key aspects of the business operations such as financial reporting, information systems, regulatory compliance and human resources.

To monitor the continuous implementation of risk management policies and corporate governance measures after the Listing, the Company has adopted or will continue to adopt, among other things, the following risk management measures:

- establish the Audit Committee to review and supervise the financial reporting process and internal control systems;
- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure;
- provide regular anti-corruption and anti-bribery compliance trainings for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations; and
- arrange the Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a Hong Kong-listed company.

Financial reporting risk management

The Company has implemented a set of accounting policies for the risk management of financial reporting, such as financial reporting management policies, budget management policies, financial statement preparation policies, and finance department and employee management policies. The Company has implemented various procedures to put such accounting policies in place, and the finance department will review the management accounts in accordance with such procedures. The Company also provides trainings to personnel in the finance department on an as-needed basis focusing on accounting policies, tax management, financial reporting and other related topics.



Corporate Governance Report

Information risk management

The Company has implemented multiple measures to ensure the compliance with PRC laws and regulations relating to data privacy and security. The Company has designated personnel with over 10 years of experience in the information technology industry to take charge of data protection and to monitor the operations of the information technology infrastructure. During the year ended December 31, 2024, the Company has not experienced any material breach of information or loss of data, nor experienced any material infringement and/or unauthorized use of the intellectual property rights of the copyrighted softwares.

Operational risk management

In order to effectively manage the compliance and legal risks, the Company has adopted strict internal procedures to ensure that the business operations are in compliance with relevant rules and regulations. Under these procedures, the legal and compliance department performs the essential function of reviewing and updating the forms of contracts we enter into with the customers and suppliers. Before the Company enter into any contract or business arrangement, the legal and compliance department examines the terms of the contract and reviews all relevant documents for the business operations, including licenses and permits obtained by the counterparty to fulfill its obligations under business contracts, and all necessary relevant due diligence materials.

The Company improves the internal policies and update the internal templates for legal documents from time to time in response to any changes in laws, regulations and industry standards. In addition, the Company reviews the implementation of the risk management policies and measures from time to time to ensure that such policies and the relevant implementation are effective and adequate.

Human resources risk management

The Company has established a set of internal control policies that cover all aspects of human resource management, including recruitment, training, professional ethics and legal compliance. The Company adheres to high recruitment standards and strict procedures to ensure the quality of our new employees. The Company provides customized trainings to employees in different departments as necessary. The internal management policies incorporate guidelines on codes of conduct, professional ethics and prevention of fraud, malpractice and corruption. The Company has also established an anonymous reporting channel, through which potential violations of internal policies or illegal acts at all levels of the Group can be reported to the management in a timely manner, and appropriate measures can be taken to mitigate any damage.

Corporate governance measures

The Company has established the Audit Committee, which is mainly responsible for assisting the Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of the Group, overseeing the audit process and performing other duties and responsibilities as assigned by the Board. The Audit Committee comprises three independent non-executive Directors, of which the chairlady has appropriate professional qualifications.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2024.



During the year ended December 31, 2024, the Company has its internal audit function to conduct an internal control review on certain operational process of the Group. A report on the result of assessment and recommendations was provided to the Audit Committee. The Group will take measures to implement the recommendations on the internal control system.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls for the year ended December 31, 2024, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has in place the Whistleblowing Policy for employees of the Group and those who deal with the Group to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Group.

The Company has also in place the Anti-Corruption Policy to safeguard against any corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company and stakeholders to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal anti-corruption department, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

The Company has developed its disclosure policy which provides a general guide to the Directors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements with the support of the accounting and finance team.

The Directors have prepared the consolidated financial statements in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

The consolidated financial statements of the Group are prepared on a going concern basis, the Directors are of the view that they give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flow of the Group for the year ended December 31, 2024, and the disclosures of other information and report therein complies with relevant legal requirements.

The statement of the external auditor of the Company about his responsibilities for the audit of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.



Corporate Governance Report

AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor of the Company for the year ended December 31, 2024 in respect of audit service was RMB2,210,000 and non-audit service (including interim review) was RMB980,000.

JOINT COMPANY SECRETARIES

Mr. Li Yao and Ms. Chan Sau Ling have been appointed as the Company's joint company secretaries. Ms. Chan Sau Ling is currently a Director of Company Secretarial Services of Tricor Services Limited, an external service provider.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and Board practices and matters. Mr. Li Yao, the executive Director and joint company secretary, has been designated as the primary contact person at the Company which would work and communicate with Ms. Chan Sau Ling on the Company's corporate governance and secretarial and administrative matters.

For the year ended December 31, 2024, Mr. Li Yao and Ms. Chan Sau Ling have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening an Extraordinary General Meeting

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings may be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company and the foregoing Shareholders shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

Pursuant to Article 64 of the Articles of Association, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company can make a requisition to add resolutions to the meeting agenda.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.



Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Shop 8, Jingyuan Art Center
Guangqulu No. 3, Chaoyang District
Beijing, PRC
(For the attention of the Board of Directors/Company Secretary)

Email: yao.li@flowingcloud.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy. The policy aims to set out the provisions with the objective of ensuring that the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (including its financial performance, strategic goals and plans, material developments and governance), in order to enable Shareholders to exercise their rights in an informed manner, and to allow Shareholders to engage actively with the Company. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.



Corporate Governance Report

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Corporate Communication

“Corporate Communication” as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities or the investing public, including but not limited to the following documents of the Company: (a) the Directors’ report, annual accounts together with a copy of the auditor’s report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange’s website (<https://www.hkex.com.hk>) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to Shareholders and non-registered holders of the Company’s securities in both English and Chinese versions, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company’s securities shall have the right to choose the means of receipt of the Corporate Communication (by post or through electronic means).

Pursuant to Rule 2.07A of the Listing Rules and the Articles of Association, the Company will disseminate the future corporate communications of the Company to its shareholders electronically and only send Corporate Communications in printed form to the shareholders upon request. Details of the arrangements (i) for dissemination of Corporate Communications and (ii) for requesting printed copy of Corporate Communications are published under the section “Investor relations” in the Company’s website (<https://www.floatingcloud.com>).

(b) Announcements and Other Documents pursuant to the Listing Rules

The Company shall publish announcements (on inside information, corporate actions and transactions etc.) and other documents (e.g. Memorandum and Articles of Association) on the Stock Exchange’s website in a timely manner in accordance with the Listing Rules.

(c) Corporate Website

A dedicated Investor Relations section is available on the Company’s website (<https://www.floatingcloud.com>). Information on the Company’s website is updated on a regular basis. Press releases and any information or documents of the Company posted on the Stock Exchange’s website will also be published on the Company’s website.

(d) Shareholders’ Meetings

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its Shareholders. The Company shall provide Shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules and the Company’s Memorandum and Articles of Association. The information provided shall be reasonably necessary to enable Shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Board members, in particular, the chairman of Board committees or their delegates, and the external auditor should attend general meetings of the Company to answer Shareholders’ questions (if any).

**(e) Shareholders' Enquiries*****Enquiries about Shareholdings***

Shareholders should direct their enquiries about their shareholdings to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, via its online holding enquiry service at www.srhk.vistra.com, or send email to is-enquiries@vistra.com or call its hotline at +852 2980 1333, or go in person to its public counter at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

Enquiries about Corporate Governance or Other Matters to be put to the Board and the Company

The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send any enquiries to the Board by email: yao.li@flowingcloud.com or by post to Shop 8, Jingyuan Art Center, Guangqulu No. 3, Chaoyang District, Beijing, PRC.

(f) Other Investor Relations Communication Platforms

During the year ended December 31, 2024, an annual general meeting was held on May 28, 2024 in PRC, and the topics discussed included: the consideration of the consolidated financial statements of the Group and reports of the Directors and of the auditor for the year ended December 31, 2023; approving the re-election of Directors and approving the re-appointment of Deloitte Touche Tohmatsu as auditor.

The forthcoming annual general meeting will be held on May 28, 2025.

During the year ended December 31, 2024, the Company has amended its Memorandum and Articles of Association on May 28, 2024. Details of the amendments are set out in the circular dated April 30, 2024 to the Shareholders. An up-to-date version of the Company's Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in under the section "Directors' Report" of this annual report.

Deed of Non-competition Undertaking

Mr. Wang Lei, Wanglei Co., Ltd. and Brainstorming Cafe Limited have entered into a deed of non-competition in favour of the Company on September 8, 2022 (the "**Deed**"), details of which have been set out in the Prospectus.

The Company has received written declaration from each of Mr. Wang, Wanglei Co., Ltd. and Brainstorming Cafe Limited in respect of his/its and/or his/its close associates' compliance with the Deed during the year ended December 31, 2024. The independent non-executive Directors have also reviewed the compliance and enforcement of the Deed and confirmed that Mr. Wang, Wanglei Co., Ltd. and Brainstorming Cafe Limited have not been in breach of the Deed during the year ended December 31, 2024.



Environmental, Social and Governance (ESG) Report

ABOUT THIS REPORT

This report is the third Environmental, Social and Governance (“**ESG**”) report published by Flowing Cloud Technology Ltd and its subsidiaries (hereinafter referred to as the “**Flowing Cloud**” or the “**Group**”) to stakeholders.

REPORTING PERIOD AND BOUNDARY

This report covers Flowing Cloud’s sustainability strategy and environmental, social, and governance (ESG) performance for the period from January 1, 2024 to December 31, 2024 (hereinafter referred to as the “**Reporting Period**” or “**the Year**”), with additional related information incorporated may have occurred outside the Reporting Period. The data and information disclosed in this report are derived from official documents and statistical reports.

BASIS AND PRINCIPLES FOR PREPARATION

This report is prepared in accordance with the provisions set out in Appendix C2 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited (“**HKEx**”), namely the *Environmental, Social and Governance Reporting Code* (the “**ESG Reporting Code**”), as well as the *Sustainability Reporting Standards (“GRI Standards”) 2021*. This report follows the reporting principles of the ESG Reporting Code issued by HKEx as follows:

Materiality: The senior management identifies, evaluates, reviews, and confirms material issues for stakeholders, with a focus on reporting environmental, social, and governance (ESG) issues that impact stakeholders.

Quantitative: This report will disclose key performance indicators (KPIs) as measurable data.

Consistency: This report will use consistent disclosure methodologies to allow for comparison of KPIs.

Balance: This report will present the Group’s ESG performance in an objective manner.

FEEDBACK

This report is prepared in Simplified Chinese, Traditional Chinese and English versions. In case of any discrepancy, the Traditional Chinese version shall prevail. Stakeholders are welcome to contact the Group to provide opinions and suggestions on the ESG Report of the Group through the following means:

Tel.: 010-83050736

Email: yao.li@flowingcloud.com



ABOUT FLOWING CLOUD

i. Group overview

Flowing Cloud is a leading provider in China specialising in core technologies such as the metaverse, augmented reality/virtual reality/mixed reality (**AR & VR/MR**), artificial intelligence (**AI**), and big data. The Group has been recognised as a National High-Tech Enterprise and a Beijing Specialised and Innovative Enterprise, and it operates a Beijing Municipal Enterprise Technology Centre with over 100 independent intellectual property rights. Leveraging its strong research and development (R&D) team and deep technological expertise, Flowing Cloud has successfully created outstanding projects for renowned cultural intellectual properties (IPs), including Sanxingdui, the Old Summer Palace (Yuanmingyuan), and Dunhuang.

The Group's business spans diverse economic sectors, including consumer markets, finance, industry, cultural tourism, and education. Driven by its exceptional spirit of innovation and robust R&D capabilities, Flowing Cloud is committed to providing cutting-edge technological solutions to its partners, aiming to enhance business process efficiency, optimise cost management, and comprehensively upgrade market competitiveness.

ii. Corporate culture

Corporate culture is not only the internal values and behavioural guidelines of a company but also a crucial bridge connecting the company with the external market. In the digital economy era, corporate culture must be more open, inclusive, and innovative to adapt to the rapidly changing market environment. As a pioneer at the forefront of technology, Flowing Cloud upholds the mission of "Building Virtual Worlds, Advancing Humanity into the Metaverse Era" and is dedicated to becoming a great enterprise in the metaverse era.

During the Reporting Period, the Group officially launched Corporate Culture 2.0, redefining and reshaping its cultural identity while actively integrating ESG principles and sustainability concepts. We firmly believe that corporate development should not only focus on economic benefits but also emphasise environmental protection, social responsibility, and sound corporate governance to achieve long-term sustainable growth. This commitment aligns with the Group's dedication to embracing change, advancing green development, and fulfilling its social responsibilities.

Beyond maintaining a leading edge in technology, the Group strives to be an industry benchmark in corporate culture, organisational management, and social responsibility. We adhere to the core values of "Innovation and Change, Open Collaboration, Sincere Trust, and Self-Discipline for Growth", upholding the belief that "Success is not about one individual but about empowering many". Together with our employees, we aim to build a dynamic, innovative, socially responsible, and sustainability-driven enterprise, contributing to global sustainable development.



Environmental, Social and Governance (ESG) Report

iii. Honours of the Group in 2024

During the Year, the Group achieved steady growth and received a series of honours and recognitions across multiple fields, including intellectual property, the digital economy, and the integration of culture and technology. Below are some of the awards and recognitions the Group received for the Year:

Award time	Award & recognition
January 2024	"2023 (Industry) Leading Enterprise" Award at the 7th Boao Enterprise Forum
January 2024	Recognised as one of the TOP 300 Most Popular Listed Companies, awarded by Eastmoney (Tonghuashun)
May 2024	Named a Development Partner at the 2nd "Multiplication Catch-up & Cooperative Development" Fengtai Conference
May 2024	Appointed as a Governing Unit of the Zhongguancun Virtual Reality Industry Association
July 2024	Recognised as a Beijing Metaverse "Top Brand" Enterprise at the 4th Global Digital Economy Conference
July 2024	Awarded the "Most Investment-Worthy Award 2023" by Hong Kong's renowned financial magazine <i>China Financial Market</i>
September 2024	"Excellence Award" of Digital Human Debate Competition at the 3rd Global Digital Trade Expo
October 2024	Recognised as an Outstanding Investment and Financing Case in the Integration of Culture and Technology at the 2024 Culture and Technology Integration Ecosystem Summit
December 2024	Second Prize in the "AI + Cultural Tourism" Thematic Competition at the Mingyue Lake-π International Innovation and Entrepreneurship Competition
December 2024	Outstanding Case Award at the 2024 Metaverse Standardisation Conference
December 2024	Ranked among the Top 50 VR Enterprises at the 2024 World Display Industry Innovation Development Conference
December 2024	Recognised as a Beijing Intellectual Property Pilot Unit 2024

MANAGEMENT OF SUSTAINABLE DEVELOPMENT

i. The Board's statement

The Group firmly believes that ESG factors are core drivers of corporate sustainable development. We are committed to establishing a comprehensive ESG framework and regard it as one of our core strategies. The Board of Directors recognises that effectively implementing ESG principles is crucial for achieving sustainable development goals while also enhancing the Group's long-term value and market competitiveness. Therefore, the Board is responsible for formulating and advancing ESG strategies and holds ultimate accountability for the Group's ESG performance.

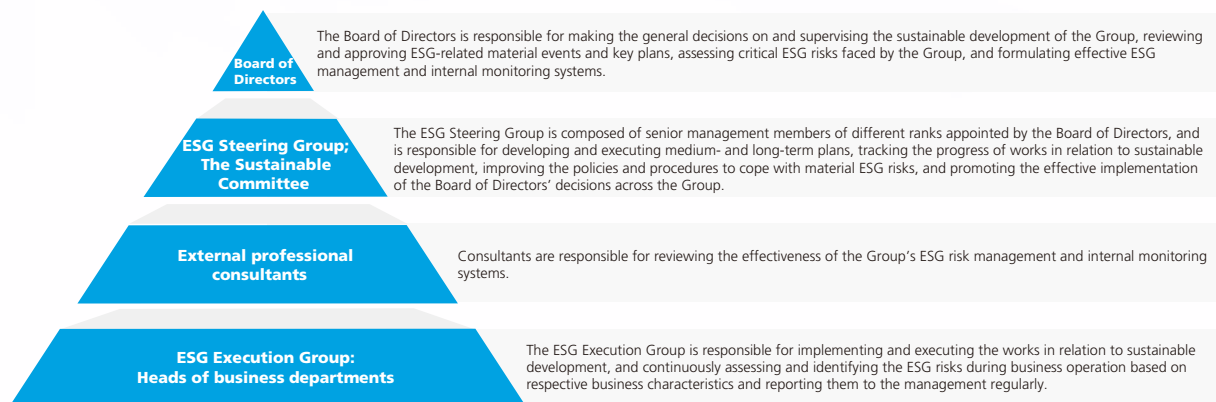
Environmental, Social and Governance (ESG) Report

To ensure the effective implementation of ESG initiatives, we have established a Sustainability Committee, which is fully responsible for overseeing and managing ESG affairs, ensuring strict compliance with all relevant regulations and industry standards. The Board also regularly reviews ESG performance and makes adjustments based on market trends and internal operations. Additionally, we actively analyse stakeholder's concerns on ESG issues, assess their materiality and priority, and strive to balance the Group's short-term and long-term objectives. For ESG issues that significantly impact the Group's long-term sustainability, the Board provides recommendations and formulates management strategies to mitigate risks and enhance competitiveness.

This report outlines the Group's ESG progress and achievements in 2024, showcasing our specific accomplishments and challenges. Looking ahead, we will continue our efforts to achieve higher ESG standards, creating greater value for society, the environment, and our shareholders.

ii. ESG management structure

To ensure that the sustainable development concept is deeply embedded in the Group's operations, we have established a top-down ESG management structure. The Board of Directors undertakes the critical role of supervision, guidance, and decision-making, while the ESG Sustainability Committee and various business divisions are responsible for driving and implementing specific ESG initiatives. Furthermore, to ensure the objectivity and effectiveness of ESG management, the Group regularly engages professional advisors to assess ESG risk management and internal control systems, thereby further strengthening and enhancing our ESG management capabilities.



ESG Management Structure and Responsibilities of Flowing Cloud



Environmental, Social and Governance (ESG) Report

iii. Stakeholder communication

To ensure the effective implementation of our sustainability strategy, the Group places great emphasis on collaboration and communication with various stakeholders. Stakeholders' trust and support serve as a vital foundation for our long-term development. The Group actively engages in ongoing and in-depth interactions with a wide range of stakeholders, including government and regulatory authorities, shareholders and investors, customers, employees, suppliers and partners, industry associations, the public, and local communities. We carefully listen to their views and recommendations on ESG issues. By collecting feedback through diverse communication channels, we gain a deeper understanding of stakeholder expectations and concerns. This enables us to refine our sustainability strategy and further advance the Group's progress on the path to sustainable development.

Stakeholders	Expectations and aspirations	Communication and responses
Government and regulatory authorities	<ul style="list-style-type: none"> • Compliant operations • Anti-corruption • Tackling climate change • Environmental protection • Corporate social responsibility 	<ul style="list-style-type: none"> • Institutional inspection • Official document correspondence • Policy implementation • Information disclosure and periodic reporting
Shareholders and investors	<ul style="list-style-type: none"> • Protection of shareholders' rights and interests • Accuracy and timeliness of information disclosure • Anti-corruption • Compliant operations • Economic performance • Protection of intellectual property rights • Technology and innovation • Talent attraction and retention 	<ul style="list-style-type: none"> • General Meeting of Shareholders • Information disclosure • Roadshows
Customers	<ul style="list-style-type: none"> • Product quality • Technology and innovation • Service quality • Protection of information security and privacy 	<ul style="list-style-type: none"> • Quality management system • Customer service system • Satisfaction surveys • Customer feedback mechanism • Information security management system
Employees	<ul style="list-style-type: none"> • Employees' rights, interests and benefits • Occupational health and safety • Employee training and development 	<ul style="list-style-type: none"> • Internal communication platform • Employee appraisal and promotion • Employee training • Employee activities • Employee satisfaction survey

Environmental, Social and Governance (ESG) Report



Stakeholders	Expectations and aspirations	Communication and responses
Suppliers and partners	<ul style="list-style-type: none"> • Supply chain management • Sustainable partnerships 	<ul style="list-style-type: none"> • Supplier management system • Supplier assessment • Supplier communication and training
Industry association	<ul style="list-style-type: none"> • Industry cooperation • Promoting industry development and innovation • Industry standards and standardisation 	<ul style="list-style-type: none"> • Industry forums • Exchange visits • Collaborative research and reports • Industry standards development and promotion
The public and community	<ul style="list-style-type: none"> • Supporting community development • Co-building a harmonious society 	<ul style="list-style-type: none"> • Public welfare actions • Volunteer services • Regular publication of sustainability reports

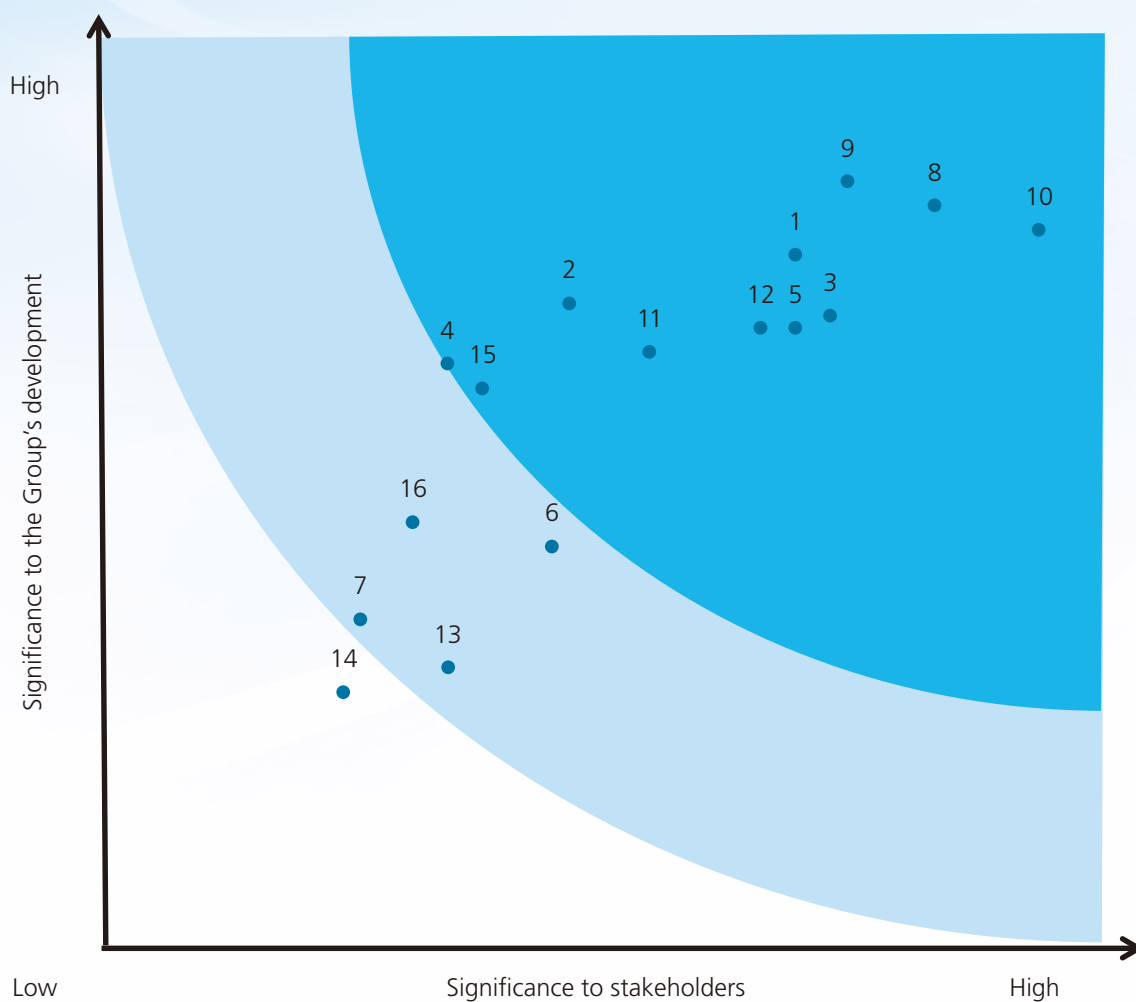
iv. Analysis of material issues

The Group has established a comprehensive ESG mechanism for identifying substantive issues and assessing their materiality to accurately understand and respond to stakeholders' key concerns. We have referenced the GRI Standards and the ESG Reporting Code issued by the HKEx, while benchmarking against industry-leading companies. Based on our actual operations, we have systematically identified 16 issues closely related to the Group's sustainable development.

We have extensively gathered insights from internal and external stakeholders and incorporated analyses based on the Materiality Map and the S&P Global Industry Materiality Matrices issued by the Sustainability Accounting Standards Board (**SASB**). Using these insights, we have structured these issues into a Materiality Matrix, providing a solid foundation for advancing the Group's future sustainability strategy.



Environmental, Social and Governance (ESG) Report



Flowing Cloud's Materiality Matrix

Flowing Cloud's Material ESG Issues List

No.	Issue	No.	Issue
1	Compliant operations	9	R&D innovation
2	Anti-corruption	10	Customer service management
3	Cybersecurity	11	Customer complaint response
4	Protection of intellectual property rights	12	Customer privacy protection
5	Employees' rights, interests and benefits	13	Social welfare
6	Occupational health and safety	14	Waste management
7	Supplier management	15	Tackling climate change
8	Product quality management	16	Green operations



LOW-CARBON OPERATION AND GREEN DEVELOPMENT

In the current global landscape where sustainable development is widely advocated, green growth and low-carbon operations have become essential directions for corporate development. The Group actively implements a series of initiatives, ranging from climate governance to resource optimisation, striving to promote environmentally friendly business operations comprehensively. By aligning with global sustainability goals, we are committed to creating a greener future.

i. Tackling climate change

As global climate change intensifies, climate factors have become critical considerations for corporate operations and long-term development. The Group recognises that climate change may pose challenges to business operations and market competitiveness. To address this, we are committed to establishing a climate governance framework, formulating climate strategies, strengthening risk management, and setting climate-related targets to drive our low-carbon transition. We believe that a systematic approach to climate action will help us navigate future challenges while creating long-term value for society and the environment.

1. Climate governance

To tackle the multiple challenges posed by global climate change, the Group has established a systematic climate governance framework. The Board of Directors provides overall leadership in climate governance and has delegated the Sustainability Committee and relevant executive departments to oversee the implementation of specific initiatives. This structure is designed to enhance the Group's climate resilience, ensuring that climate-related issues are effectively monitored and efficiently addressed.

Climate Governance Framework	
Level	Key responsibilities
Board of Directors	<ul style="list-style-type: none">• Authorise the Sustainability Committee to oversee climate-related matters.• Define the management strategies for climate risks and opportunities.• Set long-term climate action goals.• Approve greenhouse gas (GHG) reduction and resource conservation plans.
Sustainability Committee	<ul style="list-style-type: none">• Composed of senior management, responsible for guiding and promoting climate risk and opportunity management.• Identify, assess, and respond to climate-related risks and opportunities.• Develop specific climate action plans.• Establish climate-related targets and key performance indicators (KPIs).
Execution Level	<ul style="list-style-type: none">• Implement the plans and targets set by the Sustainability Committee into daily operations.• Monitor progress, collect data, and report issues.• Facilitate cross-departmental collaboration to ensure goal achievement.• Propose improvements and ensure the realisation of climate goals.



Environmental, Social and Governance (ESG) Report

2. Climate strategy

The Group actively conducts climate risk assessments and develops response plans to address climate-related risks. We have identified potential physical risks and transition risks and formulated a series of practical and effective strategies to mitigate their impact. Furthermore, we analyse the various potential impacts of climate risks under different climate scenarios. By integrating climate risk management into the Group's overall risk control process, under the guidance and goals set by the Sustainability Committee, we aim to effectively address the challenges posed by climate change.

- **Climate risks and opportunities**

The Group fully recognises the potential impact of climate change on business operations and has conducted a systematic assessment of climate risks and opportunities. We have implemented corresponding response measures to effectively mitigate climate risks while also seizing the opportunities presented by the green and low-carbon transition.

Climate Change Risks		
Category of risks	Potential impact	Strategy
Physical risks		
Acute risks	Extreme weather may cause damage to the Company's fixed assets.	Establishing a comprehensive natural disaster management, emergency response, and recovery system; equipping offices with backup power and disaster-response facilities; considering climate risks in office site selection.
Acute risks	Extreme weather conditions may increase the risk of workplace and commuting accidents for employees.	Conducting regular emergency drills to enhance the disaster awareness of all staff members and ensure that employees remain vigilant about safety issues.
Acute risks	Typhoons, floods, and other extreme weather events may disrupt daily operations, affecting business continuity.	Developing an information security emergency response plan, conducting regular backups for server information and important data, and organising emergency drills to ensure clear responsibilities, warning procedures, and preventive measures. Considering multi-location data backup to enhance business continuity.

Environmental, Social and Governance (ESG) Report



Category of risks	Climate Change Risks Potential impact	Strategy
Chronic risks	Global warming may affect the stability of office electricity, power supply, and water usage.	Making efforts to reduce electricity and water used in offices, enhance employees' awareness of water conservation and implement green office projects.
Transition risks		
Policy and legal risk	Stricter government regulations on climate change may require enhanced climate-related disclosures.	Strengthening climate risk identification capabilities, closely monitoring policy and regulatory changes, and adjusting operations accordingly to comply with new requirements. Improving disclosure standards to align with the latest regulatory expectations.
Policy and legal risk	The national "Carbon Peaking and Carbon Neutrality" policy is increasing regulatory oversight on carbon reduction and energy efficiency.	Optimising energy efficiency and considering developing green data centres.
Reputation risks	Rising public awareness of low-carbon practices is driving demand for corporate green operations.	Identifying green and low-carbon opportunities across the value chain and strengthening public engagement to enhance corporate image.
Energy price volatility risks	Climate policies are accelerating the transition in energy structures, which may lead to energy price fluctuations, affecting operating costs.	Strengthening energy procurement and risk management, gradually transitioning to renewable energy, optimising energy efficiency, and reducing overall energy use to mitigate price volatility and uncertainties.
Market risk	Growing consumer awareness of environmental protection and sustainability may lead to market share loss for companies that fail to adapt to green needs.	Enhancing corporate social responsibility (CSR) and Environmental, Social and Governance (ESG) strategies, developing innovative green products and services to improve brand competitiveness, and leveraging social media and public platforms to showcase efforts in environmental protection and sustainable development to build customer trust.



Environmental, Social and Governance (ESG) Report

Climate-Related Opportunities		
Category of opportunities	Description of opportunities	Strategy
Green products & services	As global attention to low-carbon living and sustainability grows, virtual experiences in the metaverse can reduce energy consumption from physical activities, offering low-carbon, eco-friendly virtual alternatives.	Developing energy-efficient virtual worlds and low-carbon experiences to help users reduce their carbon footprint with such virtual services, catering to market demand for green digital products and services.
Market opportunities	The expansion of virtual economies and digital goods presents new opportunities for green innovation.	Promoting green innovation within the metaverse platform by developing eco-friendly virtual goods, assets, and scenes, attracting environmentally conscious consumers.
Brand reputation	Companies that excel in green operations and sustainability will enhance their brand reputation, attracting more users and business partners.	Strengthening green marketing and transparent disclosure of achievements in carbon reduction, renewable energy adoption, and virtual sustainability innovations, fostering a responsible corporate image and increasing user stickiness.



- **Climate scenario analysis**

With growing global attention on climate change, we recognise the various impacts it may have on the Group's business. Whether from physical risks or transition risks, these changes could affect our operations, technological development, and brand image. Therefore, we have selected several key climate scenarios for analysis to anticipate potential future challenges and opportunities. This approach ensures that we can respond effectively to different climate scenarios, seize opportunities amid change, and drive corporate sustainable development.

For this climate scenario analysis, we have identified several scenarios to assess the physical and transition risks that the Group may face in the future. Physical risk scenarios help us evaluate the potential impact of extreme climate events on infrastructure and business operations. Transition risk scenarios focus on challenges and opportunities arising from policy and technological changes. Through scenario analysis, we gain deeper insights into the Group's exposure to risks under different climate trajectories, allowing us to formulate adaptive and flexible response strategies.

Physical Risk Scenarios

Scenario name	Scenario description
SSP5–8.5 (High-carbon Emission Scenario)	Assume that global carbon emissions continue to rise due to reliance on fossil fuels, leading to a temperature increase of over 4°C and frequent extreme weather events. This scenario evaluates the impact of uncontrolled climate change on the Group's physical risks.
SSP1–2.6 (Low-Carbon Sustainable Scenario)	Assume that the world takes aggressive carbon reduction measures, keeping global temperature rise within 1.5°C. This scenario analyses how the Group would operate under a low-carbon transition.

Transition Risk Scenarios

Scenario name	Scenario description
NGFS Net-Zero Emissions by 2050 Scenario	Assume that the world achieves net-zero emissions by 2050, with policies driving the development of low-carbon technologies. Under this scenario, businesses face stricter environmental regulations and increased pressure for technological transformation.
NGFS Current Policy Scenario	Assume that global climate policies remain largely unchanged, with high-carbon emissions persisting. Under this scenario, businesses face policy uncertainty and potential increases in carbon emission costs.



Environmental, Social and Governance (ESG) Report

Under the SSP5–8.5 (High-carbon Emission Scenario), extreme weather events such as floods, typhoons, and heatwaves are expected to become more frequent in the short term. These events could significantly impact the Group's operations, potentially causing equipment damage and service disruptions, ultimately affecting user experience. To mitigate these risks, we will enhance disaster preparedness, ensuring that backup systems and emergency equipment are in place to maintain service continuity even under extreme weather conditions. In the long term, as extreme climate events become more frequent, businesses will need to invest further in infrastructure upgrades, leading to additional operational costs.

Under the SSP1–2.6 (Low-carbon Sustainable Scenario), the frequency of extreme weather events would significantly decrease, contributing to the stable operation of the Group's business. This scenario would help reduce infrastructure maintenance costs associated with climate anomalies, creating a favourable environment for business growth. In the long term, as the climate stabilises, businesses would be able to allocate more resources to technological innovation and operational efficiency, further enhancing market competitiveness.

Regarding transition risks, under the NGFS Net-Zero Emissions by 2050 Scenario, governments are expected to enforce stricter carbon emission regulations, increasing pressure on businesses to undergo technological transformation. The Group may need to invest more in green technologies, leading to higher short-term costs. However, successfully transitioning to low-carbon technologies will result in lower carbon emission costs in the long run, thereby enhancing the Group's competitive advantage in the market. To ensure compliance with future regulations, we must actively plan for technology upgrades and transition strategies, ensuring that we meet new regulatory requirements while maintaining competitiveness throughout the transformation process.

Additionally, under the NGFS Current Policy Scenario, where climate policies remain largely unchanged, businesses may face sudden regulatory shifts, leading to high-cost technology transition risks. In the short term, companies that fail to adapt to green technologies in time may experience rising carbon emission costs and inefficiencies in energy use, significantly weakening market competitiveness. In the long term, policy uncertainty could impose greater financial pressure on businesses and result in missed opportunities in the low-carbon economy transition. Therefore, we must closely monitor policy developments, adjust corporate strategies accordingly, and proactively prepare for green technology adoption to seize opportunities and achieve sustainable development amid industry transformation.



3. Climate risk management

The Group fully recognises the potential challenges that climate change may pose to business development and financial stability. Therefore, we have integrated climate risk management as a critical component of our corporate risk control framework. To effectively identify and address various climate-related risks, we have established climate risk management procedures that include risk identification, quantification, and response strategy development. Additionally, we emphasise the importance of continuous monitoring and adjustment of risk addressing measures. This ensures that the Group can adapt to rapidly changing environments while maintaining robust risk management capabilities.

Step	Risk control measures
Risk list	<ul style="list-style-type: none"> Identifying climate risks and opportunities based on the <i>Task Force on Climate-related Financial Disclosures (TCFD)</i> framework. Refining risk categories to ensure comprehensive coverage of physical risks, transition risks, and potential opportunities. Conducting in-depth analysis of best industry practices to enhance the completeness of the risk list. Conducting interviews with relevant business divisions to gather expert insights and refine the risk list. Utilising data-driven insights to establish a comprehensive risk and opportunity list, serving as the foundation for subsequent evaluations.
Risk assessment	<ul style="list-style-type: none"> Based on risk identification, conducting detailed impact analysis on each identified climate risk and opportunity. Mapping out the impact pathways of risks and opportunities on the Group's business operations, clearly defining risk exposure. Assessing the direct and indirect impacts of each risk on business performance.
Risk addressing	<ul style="list-style-type: none"> Developing specific management measures for each key risk and opportunity based on risk assessment results. Strengthening risk prevention mechanisms for significant risks, enhancing response capabilities, and reducing potential losses. Regularly evaluating the effectiveness of mitigation measures during the implementation process and making adjustments as needed. Conducting periodic risk assessments and internal audits to ensure that response strategies remain aligned with the Group's development goals and external environmental changes.



Environmental, Social and Governance (ESG) Report

4. Climate indicators and objectives

To ensure the Group effectively fulfils its commitments to emission reduction and sustainable development, we have set specific climate-related targets and conduct regular tracking and monitoring. In 2023, the Group established a goal to maintain GHG emission intensity at 1.78 tCO₂e per employee over the next three years, assuming no significant changes in business structure.

As the Group's core business does not involve production activities and has no company-owned vehicles for business travel, there are no emissions related to fuel consumption from company vehicles, nor emissions from natural gas usage in cafeterias or stoves. The primary source of the Group's GHG emissions is purchased electricity.

The details of our GHG emissions for the Year are presented in the table below.

Category of GHG emissions	Unit	Discharge amount ¹ (2024)	Discharge amount (2023)
GHG emissions			
Scope 1 Direct GHG emissions	Carbon dioxide equivalent (tonnes)	0.00	0.00
Scope 2 Indirect GHG emissions from energy consumption	Carbon dioxide equivalent (tonnes)	174.71	163.36
Total GHG emissions	Carbon dioxide equivalent (tonnes)	174.71	163.36
Intensity of GHG emissions			
Per employee (Scope 1)	Carbon dioxide equivalent (tonnes)/employee	0.00	0.00
Per employee (Scope 2)	Carbon dioxide equivalent (tonnes)/employee	1.41	1.15

The year, the Group's total GHG emissions increased compared to the previous year, primarily due to a rise in electricity consumption. Despite this, the Group achieved its target of keeping GHG emission intensity at or below 1.78 tCO₂e per employee, recording an actual intensity of 1.41 tCO₂e per employee. Looking ahead, we will actively implement emission reduction measures, including optimising energy consumption structures, improving energy efficiency, and promoting the use of renewable energy, to ensure that our total GHG emissions remain within a reasonable range.

¹ The carbon emission factors are sourced from the *Notice on the Management of Greenhouse Gas Emission Reporting for the Power Generation Industry (2023–2025)* issued by the Ministry of Ecology and Environment. To ensure comparability between 2024 and 2023 GHG emissions, the 2023 emission data has been restated using the national grid average emission factor published in this notice.



ii. Green operations

The Group fully recognises the importance of sustainable development for its future and is committed to implementing environmental protection measures in its daily operations to reduce resource waste and environmental pollution. We strictly comply with the *Environmental Protection Law of the People's Republic of China*, the *Air Pollution Prevention and Control Law of the People's Republic of China*, and the *Energy Conservation Law of the People's Republic of China*, among other environmental regulations, striving to minimise any negative environmental impact. Through concrete actions such as enhancing waste management and optimising resource utilisation, the Group continuously seeks to balance environmental protection with economic benefits, working toward a more sustainable future.

1. Waste management

The Group actively promotes green operations and is committed to reducing the environmental impact of its business activities. As the Group's business does not involve production processes or company-owned vehicles, it does not generate industrial emissions or vehicle exhaust. However, we have implemented several measures to reduce indirect emissions associated with our operations. Employees are encouraged to prioritise public transportation, such as buses and subways, for business travel, and the use of electric vehicles is promoted to minimise emissions from commuting and business trips.

In terms of waste management, the Group primarily generates office waste and household waste, without producing hazardous waste. To ensure effective waste disposal, the Group has engaged qualified sanitation service providers to handle waste sorting and daily cleaning, ensuring proper disposal while actively promoting recycling and reuse. Employees are encouraged to reduce waste at the source by adopting practices such as double-sided printing and conserving office supplies, with reminder signs placed near printers to promote paper-saving awareness. The Group also advocates reducing the use of disposable products and encourages employees to participate in the "Clean Plate Campaign" to minimise food waste. In office supply procurement, the Group prioritises environmentally friendly products that meet sustainability standards to reduce the environmental impact of waste.

In addition, the Group actively promotes paperless office initiative and the adoption of electronic document management, significantly reducing paper consumption. Through regular training and awareness campaigns, the Group enhances employees' environmental consciousness and encourages them to integrate sustainable practices into their daily work.



Environmental, Social and Governance (ESG) Report

2. Use of resources

The Group adheres to the principle of resource conservation in its operations and continuously seeks more efficient solutions for energy and water resource management. We recognise that effective resource management is not only fundamental to corporate sustainable development but also contributes positively to environmental protection. To this end, the Group actively implements various conservation measures, striving to reduce resource consumption while enhancing operational efficiency.

In terms of energy management, the Group enforces strict monitoring of high-energy-consuming equipment to ensure optimal energy use at every stage. We conduct regular energy consumption data analysis and adjust usage strategies accordingly to improve energy efficiency at the source. Any abnormal or excessive consumption is promptly investigated and corrected to prevent waste. Additionally, the Group actively promotes energy-saving awareness among employees, providing training through various channels to encourage broad participation in conservation efforts. To enhance emission reduction effectiveness, we have introduced several specific initiatives, including simple yet effective practices such as “lights off when unoccupied” and installing automatic sensor switches in hallways and corridors to reduce unnecessary electricity consumption.

The energy consumption and intensity during the year are as follows:

	Unit	2024
Power consumption	MWh	306.34
Total power consumption intensity	MWh/employee	2.47
Direct energy	MWh	0.00
Indirect energy	MWh	306.34
Total energy consumption	MWh	306.34
Energy consumption intensity	MWh/employee	2.47

The Group sets its energy consumption target by using 2023 as the baseline year. Assuming there are no significant changes in the Group’s business, we aim to maintain the energy consumption intensity of 2.02 MWh/employee for the next three years. The year, due to an increase in electricity consumption compared to the previous year and a decrease in the number of employees, the Group was unable to achieve its target of maintaining energy consumption intensity at 2.02 MWh per employee. Moving forward, the Group will encourage employees to develop energy-saving habits in their daily work, optimise electricity management, and strive to meet the established energy consumption intensity target in the future.

Regarding water resource management, the Group’s water supply comes from leased office buildings connected to the municipal water system, with water usage primarily for office and daily needs, while wastewater treatment is overseen by external regulatory authorities. The Group places equal emphasis on water conservation and has implemented various measures to reduce water consumption. To prevent water wastage and enhance employee awareness of conservation, multiple water-saving reminder signs have been placed in office areas to encourage responsible water use. Additionally, to further improve water efficiency and minimise waste, the Group has installed non-contact sensor faucets at water usage points for more precise flow control.



The water consumption of the Group and its intensity during the year are as follows:

	Unit	2024
Water consumption	Tonne	1,297.00
Water consumption intensity	Tonne/employee	10.46

The Group sets its water consumption target by using 2023 as the baseline year. Assuming there are no significant changes in the Group's business, we aim to maintain the water consumption intensity of 8.47 tonnes/employee for the next three years. The year, the Group's total water consumption remained largely unchanged compared to the previous year. However, due to a decrease in the number of employees, the water consumption intensity target was not met. Moving forward, the Group will continue to strengthen water resource management, implement water-saving initiatives, and promote conservation habits among employees to gradually reduce water consumption intensity and achieve the established target.

In addition, the Group has incorporated resource conservation into performance assessments, monitoring and evaluating employees' resource usage behaviours. Energy conservation and emission reduction efforts are included in monthly or quarterly OKR evaluations at the departmental level. Cases of resource waste will be addressed based on actual circumstances, while employees who actively contribute to energy-saving and emission reduction initiatives will be rewarded with career development opportunities, such as promotions or trainings, to encourage greater engagement in sustainability goals.

PEOPLE-ORIENTED AND HARMONIOUS WORKING ENVIRONMENT

In today's highly competitive market environment, corporate growth is inseparable from the collective efforts of employees. Upholding the "people-oriented" philosophy, the Group is committed to creating a harmonious and positive work environment. Recognising that employees are the most valuable asset of the company, the Group strives to safeguard employee rights, offer a comprehensive compensation and benefits system, and provide career development opportunities along with a safe and healthy workplace. By doing so, we aim to unlock employees' potential and achieve mutual growth between the company and its workforce.

i. Protection of employees' rights and interests

The Group strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Labor Dispute Mediation and Arbitration Law of the People's Republic of China*, the *Employment Promotion Law of the People's Republic of China*, and the *Regulations on Employment Services and Employment Management*, ensuring that all recruitment, termination procedures, and labour relations adhere to legal and regulatory requirements. The Group conducts regular internal reviews of employment compliance and will immediately rectify any violations, holding responsible individuals accountable.

The Group firmly believes that diversity is key to corporate success and is committed to fostering a highly inclusive workplace that respects diverse backgrounds. We provide equal employment opportunities, ensuring that all employees — regardless of gender, age, race, religion, or disability — can compete and develop under fair conditions.

The Group implements an eight-hour workday and a five-day workweek policy, encouraging employees to complete tasks within regular working hours. In cases where overtime is necessary, prior approval from department leadership and recordkeeping by the Human Resources Department are required. The company provides compensatory leave arrangements when applicable. If any instance of forced labour is identified, it will be immediately reported to the management and terminated without delay.



Environmental, Social and Governance (ESG) Report

The Group strictly follows established recruitment procedures and verification mechanisms to thoroughly verify the age and identity of applicants. When departments submit hiring requests, the Human Resources Department ensures that age requirements are clearly defined and explicitly states in job postings that applicants must be at least 18 years old. During onboarding, identity documents are re-verified to ensure all employees meet legal age requirements. If any underage employment is discovered, the company will immediately terminate the employment, report the incident to the Human Resources Department or senior management, and conduct a thorough investigation, taking appropriate action against those responsible.

Flowing Cloud's Employee Composition and Turnover Rate²

Composition	Unit	2024	2023
Total number of employees	Person	124	142
Number of employees by gender			
— Male	Person	77	81
— Female	Person	47	61
Number of employees by rank			
Chief executive ³	Person	8	7
Senior management personnel	Person	3	5
Middle management personnel	Person	14	11
Other employees	Person	99	119
Number of employees by age			
— < 30 years old	Person	36	46
— 30 to 40 years old	Person	70	75
— 41 to 50 years old	Person	17	19
— > 50 years old	Person	1	2
Employee count by region			
Number of employees in Mainland China	Person	123	142
Number of employees overseas	Person	1	0
Employee turnover rate by gender			
— Male	%	31.54	40.30
— Female	%	29.09	31.03
Employee turnover rate by age			
< 30 years old	%	43.68	41.03
30 to 40 years old	%	27.97	36.94
41 to 50 years old	%	6.25	26.67
> 50 years old	%	0.00	0.00
Employee turnover rate by region			
Turnover rate of employees in Mainland China	%	30.42	36.65
Turnover rate of overseas employees	%	0.00	0.00

² Employee turnover rate = number of employees who left in the category / (number of employees at the beginning of the period in the category + number of new employees in the category during the period) * 100%. As the calculation method for employee turnover rate was adjusted the year, the 2023 employee turnover rate has been restated accordingly.

³ This includes four executive directors, three independent non-executive directors, and one member of senior management. For details, please refer to the sections "Corporate Information" and "Directors and Senior Management".



ii. Remuneration and benefits system

The Group enhances employee motivation through a comprehensive compensation and benefits system and a variety of employee activities, promoting physical and mental well-being while improving employee satisfaction.

1. Remuneration and benefits

The Group's compensation management system is performance-driven, designed to motivate outstanding employees and enhance the overall work enthusiasm of the workforce. The salary structure consists of base salary, position-based salary, allowances, performance bonuses, and commissions, with specific arrangements tailored to different job roles.

An employee's monthly comprehensive income primarily includes base salary, position-based salary, performance bonuses, and allowances. Allowances are granted based on job characteristics and include meal subsidies, transportation allowances, communication allowances, and attendance bonuses, which are disbursed alongside position-based salaries. Performance bonuses are awarded based on an employee's goal achievement and work performance, with quarterly performance evaluations directly influencing annual salary adjustments and promotion opportunities. High-performing employees are given priority consideration for raises and promotions. Additionally, the Group provides social insurance and housing provident fund contributions to ensure that employees' fundamental rights and benefits are well protected.

The Group has also established a comprehensive leave policy, covering annual leave, marriage and bereavement leave, maternity leave, sick leave, personal leave, and statutory holidays. To support work-life balance, the Group offers paternity leave and parental leave, and has also introduced special holiday leave for employees of ethnic minority backgrounds.

2. Employee activities

The Group is committed to creating a positive and healthy work environment by providing employees with a diverse and enriching work-life experience. We regularly organise team-building activities to enhance team cohesion, host badminton tournaments and other sports events to encourage employees to stay active and energetic, and plan festive celebrations to share important moments with employees. Additionally, the Group offers work dinners, annual health check-ups, transportation subsidies for business travel, and expatriate allowances, ensuring employees feel valued and cared for. By creating more opportunities for interaction and relaxation, we further enhance employee satisfaction and overall well-being, fostering a strong sense of belonging and happiness within the Group.



Flowing Cloud's Employee Badminton Tournament



Environmental, Social and Governance (ESG) Report



Flowing Cloud's Annual Conference



Flowing Cloud's Team-Building Activities



Flowing Cloud's Employee Birthday Party



iii. Career development and training

The Group has established two career development paths — professional and managerial — allowing employees to choose their direction based on their interests and strengths. Through fair promotion criteria and multi-dimensional periodic evaluations, we ensure that employees have equitable career advancement opportunities.

Talent development is a key priority for the Group, and we provide comprehensive training resources, including new employee training, professional training, management training, workplace skills development, and OA system online education, to support continuous learning and growth. For new employees, participation in mandatory onboarding training and successful completion of assessments is required. Instances of lateness, absenteeism, failure to meet performance standards, non-compliance with instructor guidance, or violations of corporate culture may result in training failure and unsuccessful probation completion.

Additionally, the Group is committed to fostering a learning-oriented organisational culture, encouraging employees to continuously enhance their professional skills and competencies. By offering diverse learning opportunities, we drive the professional development of our workforce, ensuring that the Group maintains a competitive edge in a rapidly evolving market environment.

Flowing Cloud's Occupational Training for Employees Percentage of Trained Employees

		2024	2023
By gender			
— Male	%	61.90	57.00
— Female	%	38.10	43.00
By rank			
— Chief executive	%	3.72	4.93
— Senior management	%	1.40	3.52
— Middle management	%	6.51	7.75
— General staff	%	88.37	83.80

Average Training Hours per Employee

		2024	2023
By gender			
— Male	Hour	4.56	0.10
— Female	Hour	3.04	0.26
By rank			
— Chief executive	Hour	8.00	0.26
— Senior management	Hour	16.00	1.62
— Middle management	Hour	19.00	0.16
— General staff	Hour	1.60	0.06



Employee Training

iv. Occupational health and safety

The Group strictly complies with the *Fire Protection Law of the People's Republic of China*, the *Regulations on Work-Related Injury Insurance*, and other relevant laws and regulations, establishing a comprehensive occupational health and safety management system to create a safe and healthy working environment for employees.

To ensure workplace safety, the Group prohibits smoking in office areas and conducts at least one company-wide fire drill annually. Additionally, the Group has formulated the *Reception Management System* to regulate visitor registration and management procedures, with a clear provision that non-working-hour access for external personnel is strictly prohibited, effectively preventing safety incidents.

The Group also prioritises employees' physical and mental well-being, arranging regular health check-ups and mental health training to enhance health awareness. The year, the Group provided traditional Chinese medicine therapy consultation services in mid-year, followed by a comprehensive employee health check-up at year-end.

Over the past three years, as well as in the current year, the Group has recorded zero employee fatalities due to work-related accidents. Additionally, no workdays have been lost due to occupational injuries, and the Group has not been subjected to any penalties for violating China's health and safety regulations.



SUPERIOR PRODUCTS DRIVEN BY INNOVATION

In today's highly competitive market, innovation has become the core driving force behind corporate development. The Group recognises that continuous improvement in product quality and service excellence is essential for standing out in the market and achieving long-term growth.

i. Enhancing product quality

The Group remains committed to a user-centric and technology-driven approach, continuously enhancing product quality to provide users with superior virtual reality experiences.

1. Strengthening R&D capabilities

Embracing an open and interconnected approach, the Group is focused on long-term innovation in areas such as AIGC, the metaverse, large-scale VR environment, digital humans, gaming, and advertising. To strengthen its R&D capabilities, the Group plans to invest hundreds of millions of RMB annually in research and development. To encourage innovation, the Group has established a comprehensive reward and incentive system, integrating innovation achievements into employee performance evaluations. Employees are actively encouraged to apply for patents, with monetary rewards granted for significant contributions. Additionally, the Group regularly hosts technology forums to analyse the principles and applications of emerging technologies, facilitating the implementation of innovative solutions.

Currently, the Group possesses multiple core technologies across AIGC, the metaverse, large-scale VR environment, digital humans, gaming, and advertising. These projects cover virtual content creation, intelligent technology applications, and virtual live streaming. The Group has also independently developed the FT Engine, which features intuitive visual editing tools that simplify 3D scene and animation creation while delivering highly realistic rendering capabilities.

In AIGC technology, the Group focuses on image processing, video processing, and AI-powered customer service, driving innovation in content generation and service experiences.

Additionally, the Group has developed advanced virtual live streaming technology, combining high-precision motion capture with real-time character mapping, greatly enhancing interactivity and realism in live broadcasts. Using multi-modal information fusion technology, virtual characters can respond dynamically to audience interactions, creating a more immersive experience.

2. Delivering innovative solutions

The Group actively expands metaverse applications across various industries, fully meeting customer demands for digitalisation and immersive experiences. We focus on pushing the boundaries of traditional technology, striving to deliver smarter and more interactive innovative solutions that drive the digital transformation of the cultural, education, and tourism sectors, fostering industry innovation and development.

The Group has successfully provided innovative solutions across multiple industries. The self-developed virtual reality project Yuanming Odyssey: Heritage Reborn utilises film-grade digital technology to recreate the grandeur of the Old Summer Palace, transcending time and space, allowing audiences to experience the passage of time and historical changes within a virtual world while gaining an in-depth understanding



Environmental, Social and Governance (ESG) Report

of its historical narratives and cultural significance through immersive interactive experiences. The Group's virtual IP "Mo Xiaoyu" won the Excellence Award of Digital Human Debate Competition at the Global Digital Trade Expo, while the ultra-realistic digital human "Chen Xiao" has pioneered new ways to promote Dunhuang's cultural heritage by introducing scenic spots and providing interactive experiences. Additionally, in collaboration with Yunnan Wildlife Park, the Group developed the "Mekong River Romance" metaverse immersive cinema project, employing AR and VR technologies to provide comprehensive technical support for the project, enhance the value of the tourism experience for visitors, showcase the unique cultural and tourism characteristics of the Lancang-Mekong region, and foster cultural exchange and tourism cooperation among the six Lancang-Mekong countries (China, Myanmar, Laos, Thailand, Cambodia, and Vietnam).

3. Strengthening quality control

The Group strictly complies with the *Product Quality Law of the People's Republic of China* and has established a comprehensive quality control system. Specific measures include defining quality objectives, formulating internal standards and regulations, conducting design-phase testing, code reviews, continuous integration, automated testing, issue tracking and management, implementing defect prevention measures, evaluating test coverage, setting quality thresholds, and conducting user testing and feedback collection to ensure that each product meets high-quality standards. The Group has also introduced advanced testing equipment and technologies to conduct multi-dimensional performance testing and optimisation, ensuring product stability and reliability.

We continuously optimise development procedures and quality control systems by leveraging a standardised, low-code, and user-friendly AR & VR SaaS platform to enhance end-user engagement. In 2024, the number of paid users for our AR & VR SaaS platform increased 103% year-over-year to 9,283, while the number of customised AR & VR SaaS projects grew 26% compared to 2022, reaching 402 projects.

ii. Optimising service quality

The Group upholds the "customer-first" philosophy and is committed to enhancing service quality to meet the diverse and evolving needs of customers. Through initiatives such as responsible marketing, improving customer experience, protecting user privacy, and refining complaint-handling mechanisms, we continuously optimise service processes, delivering more efficient and customer-centric experiences to strengthen customer trust and satisfaction.

1. Responsible marketing

The Group implements strict compliance measures in marketing management to ensure the legality and authenticity of all marketing activities. To achieve this, we have designated dedicated personnel to conduct pre-screening and real-time monitoring of marketing strategies, advertising content, and promotional activities, ensuring full compliance with relevant laws and regulations while respecting a safe guarding consumer data privacy during targeted marketing campaigns.

The Group provides regular specialised training for the marketing team, ensuring full compliance with the *Advertising Law of the People's Republic of China* and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*. Additionally, the Group strictly prohibits sales personnel from accepting or soliciting improper benefits, ensuring fair pricing for all products and services. All external promotional content must undergo an initial review by the Public Relations Management Department and a secondary review by the Public Relations Director, ensuring strict adherence to corporate approval processes.



2. Customer experience improvement

The Group is committed to building a customer-centric service portfolio, precisely addressing diverse and evolving business needs. Upholding the “customer-first” philosophy, we conduct an in-depth analysis on market trend and customer status and actively enhance service efficiency and customer experience. From product consultation and solution design to project implementation and continuous optimisation, we maintain close collaboration with customers, driving business growth while continuously refining service procedures to provide more comprehensive, efficient, and seamless service experiences.

Our digital twin factory solution integrates 3D modelling technology with real-time data monitoring, enabling clear visualisation of production procedures. This solution effectively improves production efficiency, reduces operational costs, and ensures rapid response to unexpected incidents, minimising customer losses and maintaining business stability. By addressing customers’ operational challenges in their daily operations, we significantly enhance the overall customer experience.

Additionally, the Group’s performance evaluation system prioritises customer service performance, with recognition and promotion opportunities for outstanding employees, further driving improvements in customer service quality.

3. Protection of user privacy

The Group implements strict protective measures to ensure that every customer’s personal information is safeguarded. Before collecting any customer data, we obtain prior consent and clearly inform users of how their data will be used. Currently, across our metaverse platform, AR & VR applications, SaaS platform (Wanjie Smart Marketing Platform), FTLive platform, and gaming software, we provide *Platform User Agreements* and *Privacy Policies* to inform users about the collection and protection of personal data. Additionally, during system operations, customer data undergoes anonymisation or de-identification processing to reduce the risk of data leaks. The Group also explicitly states in its *Employee Handbook* that employees must strictly protect customer information in business operations, ensuring that customer rights are not compromised.

4. Enhancement in user satisfaction

The Group places great importance on user feedback and has established an efficient complaint-handling mechanism to continuously improve customer satisfaction.

To ensure prompt and effective resolution of customer concerns, the Group has implemented standardised complaint-handling procedures. For general complaints, we commit to processing them within one business day, while more complex cases are resolved within two business days. Upon receiving a complaint, the project manager immediately consults with the department head to determine a solution and take swift action. For each complaint, the Group formulates a concrete and feasible resolution plan, providing timely updates on investigation results and corrective actions. All complaint cases serve as references for internal service improvements, helping the Group analyse past experiences and prevent recurring issues. Throughout this process, project managers, business leaders, financial and legal departments collaborate to ensure all complaints are properly handled.

Additionally, the Group regularly conducts customer satisfaction surveys to collect feedback on service quality and customer experiences. These insights serve as a key reference for improving customer service standards and response efficiency, ensuring that we continuously refine our approach and provide superior service experiences.



Environmental, Social and Governance (ESG) Report

VALUE CO-CREATION THROUGH COOPERATION

The long-term success of a business relies not only on internal operational efficiency and innovation but also on deep collaboration and coordinated development with external partners. The Group is actively working to optimise supply chain management and is committed to advancing the overall development of the industry, striving to achieve mutual success and contribute to the future growth of the sector.

i. Supply chain management

Effective supply chain management is essential for ensuring product quality and safety. To achieve this, the Group has established comprehensive supplier selection and management procedures, actively engaging with domestic and international industry partners to standardise and strengthen collaborations. We integrate sustainable development principles into supply chain management, fostering long-term strategic partnerships and mutually beneficial relationships with our business partners.

In our supply chain management approach, we are committed to embedding sustainable development concept by prioritising suppliers that provide environmentally friendly products and services. The Group has developed detailed supplier and procurement management policies, including the *Procurement Management System*, the *Supplier Management System*, and the *Management Measures for Procurement and Use of Commonly Used Intangible Assets*, which clearly define the responsibilities and key implementation points for each business unit in procurement and supplier management. We have established comprehensive supplier selection policy and procedures, outlined in the *Requirements for Qualification of Suppliers and Customers*, ensuring that supplier evaluations and standards are incorporated into the entire selection process, from information collection and preliminary screening to qualification assessment and contract signing. Additionally, all suppliers are required to sign a *Statement of Good Faith* to further mitigate procurement risks.

The Group also requires relevant departments to evaluate and provide feedback on suppliers' ESG performance, product delivery quality, and service standards. Suppliers that fail to meet the required standards will be issued corrective action requests with a specified deadline. Suppliers with continuous poor performance or significant ESG risks will have their contracts terminated, and alternative suppliers will be sought. We also monitor suppliers for ESG compliance violations, such as environmental pollution or labour rights infringements, and take strict actions against any violations.

Environmental, Social and Governance (ESG) Report



Through this series of measures, we ensure that supplier ESG performance, product quality, and service standards align strictly with the Group's sustainability requirements and business standards.

Flowing Cloud's Supplier Management Mechanism

Supplier screening procedure	Supervision and feedback
<ul style="list-style-type: none"> Information collection: Procurement personnel actively collect information on potential suppliers through internal and external channels, assessing their reputation, technical capabilities, product quality, pricing, and compliance with ethical, environmental, and safety standards. Initial screening: The <i>Requirements for Qualification of Suppliers and Customers</i> outlines the Group's qualification, capability, and ESG standards for supplier selection. Access: A comprehensive evaluation of suppliers' qualifications, capabilities, and ESG compliance is conducted before they are approved through the Group's supplier review process. Agreement conclusion: Suppliers enter into formal cooperation agreements with the Group and are required to adhere strictly to contract terms. 	<ul style="list-style-type: none"> Require suppliers to sign the <i>Statement of Good Faith</i>. Require relevant departments to evaluate and provide feedback on suppliers' ESG performance, product delivery quality, and service standards. Continuously monitor negative news related to supplier sustainability practices. If any issues arise, the management team will assess the feasibility of replacing the supplier.

During the Reporting Period, we collaborated with a total of five suppliers, all of whom complied with the Group's supplier execution practices and responsible procurement policies.

Supplier count	Unit	2024	2023
Total number of suppliers	Supplier	5	5
Number of suppliers by region	Supplier	Beijing: 3 Hong Kong: 1 Zhejiang: 1	Beijing: 4 Shenzhen: 1



Environmental, Social and Governance (ESG) Report

ii. Industry development promotion

The Group actively promotes industry development, continuously driving digital asset innovation, strengthening strategic partnerships, and participating in industry standard-setting. Through ongoing technological innovation and multi-party collaborations, the Group continues to make breakthroughs in digital technology and the metaverse, contributing to overall industry progress.

1. Driving digital asset innovation

The Group is actively expanding in the digital asset sector, continuously advancing industry innovation and progress. The “Flowing Cloud’s Metaverse 3D Corpus” was successfully listed for trading on the Shanghai Data Exchange, making it one of the first premium data assets listed on the exchange. With its comprehensive 3D corpus, the Group provides crucial 3D data support for metaverse development, fostering the continued advancement of virtual reality and artificial intelligence technologies. Through continuous technological innovation, Flowing Cloud not only contributes to the growth of the digital asset trading market but also accelerates the progress of the entire digital industry.



The Shanghai Data Exchange Has Officially Granted a Certification for the “Flowing Cloud’s Metaverse 3D Corpus”



2. Strengthening strategic partnerships

As part of our commitment to driving industry development, we actively strengthen strategic collaborations to foster an innovation ecosystem. The Group has established strategic partnerships with multiple organisations, including the Management Committee of Daxing Economic Development Zone and listed company Hengxin Oriental, injecting new momentum into metaverse virtual content creation in Daxing District. Additionally, we have signed a cooperation agreement with Zhuoshi Technology to jointly develop digital virtual humans and AI vertical models, exploring new applications of AI-powered digital humans. Furthermore, the Group has entered into a partnership with Chongqing Liangjiang Collaborative Innovation Zone Construction Investment and Development Co., Ltd., focusing on AI and cultural tourism applications, innovative consumer experiences, and immersive scene development, further accelerating industry innovation and growth.

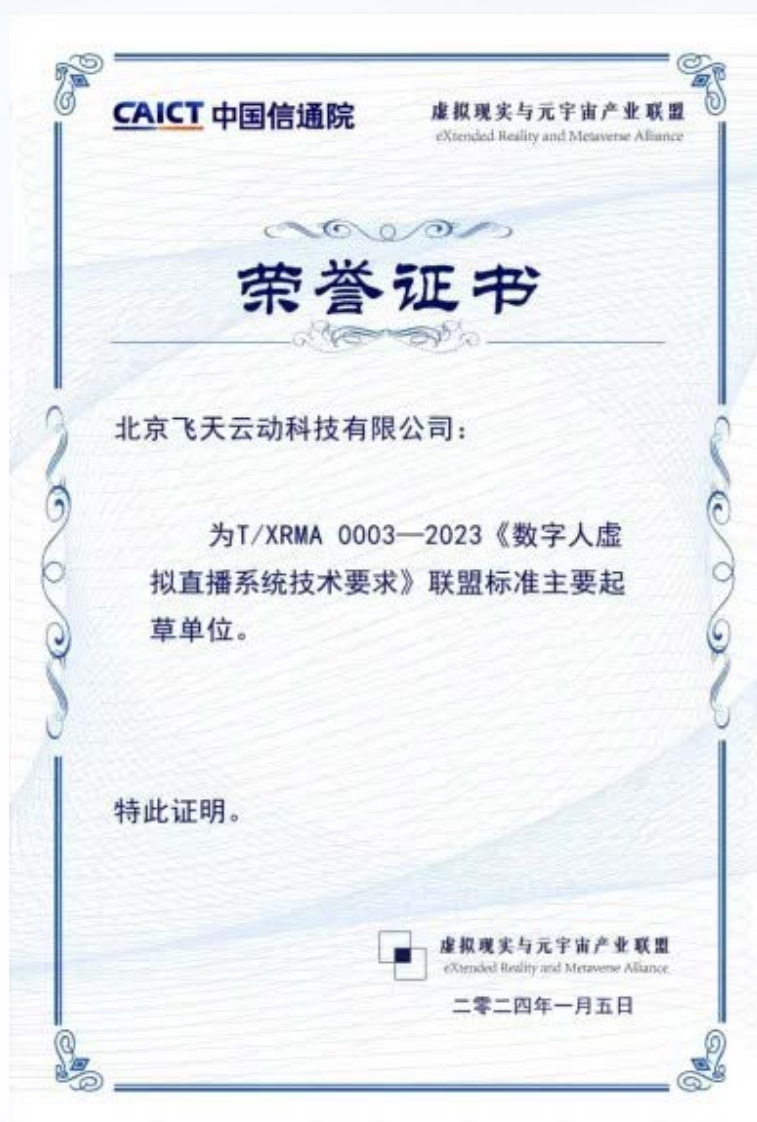


Flowing Cloud Attended the “Beijing Daxing Metaverse Virtual Creation Ecosystem Cooperation” Signing Ceremony



3. Participating in standard development

The Group is actively involved in the formulation of multiple industry standards, including the compilation and release of research reports such as the *Connecting the Metaverse: Technology and Development* and the *Spatial Computing Development Report (2024)*. Additionally, the Group has participated in the development of the *Technical Requirements for Digital Human Virtual Live Streaming Systems (alliance standard T/XRMA 0003–2023)*, jointly initiated by the China Academy of Information and Communications Technology (CAICT) and China Cultural Media Group. The Group has also contributed to discussions on the *Metaverse Reference Architecture* (national standard) and the *Industrial Metaverse Reference Architecture* (group standard), organised by the China Electronics Standardisation Institute, further supporting the construction of the metaverse ecosystem.





4. Actively engaging in the global market

We are committed to bringing our technological excellence and innovation to the global stage. The Group was invited to participate in the IFA Berlin (Internationale Funkausstellung Berlin), one of the world's most prestigious technology exhibitions, as well as the Gamescom Cologne (Cologne International Gaming Expo) in Germany. These events provided opportunities to collaborate with global industry leaders in shaping the future of the digital world and advancing AR & VR development and partnerships. Through these international engagements, the Group has further expanded its global market influence while actively contributing to global digital technology innovation and exchange.

COMPLIANT OPERATIONS AND RESPONSIBLE MANAGEMENT

The Group remains committed to the principle of compliant operations, continuously improving its governance structure and management systems to ensure that all business activities comply with relevant laws and regulations, while reinforcing corporate social responsibility. Based on this foundation, the Group has strengthened measures in anti-corruption, intellectual property protection, and information security management, ensuring that while achieving rapid growth, the company maintains a high level of transparency and compliance, further solidifying its market competitiveness and corporate reputation.

i. Corporate governance

The Group strictly adheres to the *Anti-Unfair Competition Law of the People's Republic of China* and the *Anti-Money Laundering Law of the People's Republic of China*, firmly opposing any form of unfair competition, monopoly, or money laundering to uphold a fair, free, and transparent market environment. Additionally, the Group has established the *Internal Control System*, which strictly regulates related-party transactions, ensuring that such transactions do not infringe upon the legitimate rights and interests of the Group or its shareholders, particularly minority shareholders.

In terms of risk prevention, the Group has developed a comprehensive control mechanism to ensure that internal controls cover all business processes, including sales, procurement, production, R&D, and asset management. The Group has also formulated the *Risk Management System*, supervised by the General Manager and Internal Audit Director, with department heads responsible for implementation. Annual risk identification and assessments are conducted to develop corrective action plans for identified issues, with continuous monitoring and analysis of key risk factors. As risks evolve, the Group adjusts control measures and formulates emergency response plans, ensuring stable operations while minimising potential risk events.

Furthermore, the Group places great importance on employee compliance training, aiming to enhance employees' expertise in regulatory compliance. Through various training programmes, employees are equipped with the skills to identify potential compliance risks, integrate compliance requirements into their daily work, and develop effective risk management strategies. As part of its training efforts, the Group regularly invites Legal Director Liu to conduct compliance knowledge-sharing sessions, ensuring that employees are well-prepared to manage and respond to various compliance challenges.



Environmental, Social and Governance (ESG) Report

ii. Anti-corruption

The Group strictly complies with the *Interim Provisions on Prohibition of Commercial Bribery* and other relevant laws and regulations, maintaining a zero-tolerance policy toward any form of solicitation, bribery, or corrupt behaviour. We continuously enhance our integrity management system to prevent corruption. The Group has established the *Anti-bribery, Anti-corruption, Antifraud and Whistleblowing Management System*, which is supervised by the Audit Committee of the Board of Directors and implemented by management through internal controls and corrective measures. A formal whistleblowing mechanism has been put in place, encouraging employees to report violations, ensuring strict confidentiality of whistleblowers' identities, and strictly prohibiting any form of retaliation. Employees who provide valuable leads may receive appropriate recognition or rewards.

During the Reporting Period, the Group did not identify any finalised lawsuits related to corruption and did not receive any significant legal complaints or reports of corruption, extortion, fraud, or money laundering violations.

The Group conducts annual anti-corruption training, tailored to different audiences. For Board members, training focuses on understanding laws and regulations, enhancing risk awareness, defining responsibilities, and strengthening internal controls and audits, ensuring they can identify risks and fulfil supervisory duties. For employees, training emphasises raising awareness of corruption prevention, explaining company policies, reinforcing professional ethics, and implementing internal controls, while also encouraging active participation in whistleblowing to foster a culture of integrity.

In the year, all Board members and employees successfully completed the anti-corruption training.

iii. Protection of intellectual property rights

The Group places great importance on intellectual property (IP) protection, recognising it as a key factor in maintaining competitive advantage and driving innovation. In compliance with the *Trademark Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, and the *Copyright Law of the People's Republic of China*, the Group actively strengthens IP management to ensure that all innovations receive legal protection.

Employees are required to use third-party IP resources only from legal and authorised sources. To regulate employee practices, the Group has established the *Management System for Legitimate Use of Commercial Fonts* and the *Management System for Genuine Software*, ensuring that all software and commercial fonts are legally purchased by the company. The *Employee Handbook* explicitly states that employees must use only licensed or authorised images, text, videos, and other IP materials to ensure compliance with intellectual property laws and prevent infringement.

To further enhance IP protection awareness, the Group conducts regular training sessions, sharing updated IP laws and best industry practices, reinforcing compliance awareness, and ensuring the proper use and protection of intellectual property.



iv. Cybersecurity management

The Group recognises the critical role of cybersecurity in maintaining stable operations and is committed to safeguarding sensitive business data while ensuring that internal and external information flows comply with security standards. We implement encryption protection for trade secrets and customer data, along with a series of security measures to prevent cybersecurity risks and ensure comprehensive information security protection.

All data is encrypted, ensuring system access is restricted to authenticated users only. Access records are logged and archived for monitoring and auditing, enabling full traceability of data usage at all times. The Group also performs regular system vulnerability scans and applies timely security patches to maintain system stability. Additionally, software and hardware firewalls are deployed on SaaS platform servers to defend against cyberattacks.

Employees are required to strictly adhere to information security policies and undergo regular training and audits to ensure the effectiveness of security measures. By continuously enhancing employees' cybersecurity awareness, the Group ensures that every employee follows information security protocols in daily operations, fostering a company-wide culture of cybersecurity responsibility.

GIVING BACK TO SOCIETY BY SUPPORTING WELFARE

The Group has always regarded social sustainability as an integral part of corporate responsibility. We firmly believe that business growth should not only focus on creating economic value but also on enhancing societal well-being and promoting equity, harmony, and progress within the community.

Although the Group did not directly engage in charitable donation activities the year, we remain committed to this principle. Moving forward, we will continue to fulfil our social responsibilities through concrete and meaningful initiatives, contributing to social progress and harmony, and helping society move toward a better future.



Environmental, Social and Governance (ESG) Report

APPENDICES

i. Key performance table

Key Performance Indicators	Unit	2024	2023
Environmental Emissions			
Scope 1 GHG emission	Carbon dioxide equivalent (tonne)	0.00	0.00
Scope 1 GHG emission	Carbon dioxide equivalent (tonne)	174.71	163.36
Total GHG emissions	Carbon dioxide equivalent (tonne)	174.71	163.36
GHG emission intensity (Scope 1)	Carbon dioxide equivalent (tonne)/employee	0.00	0.00
GHG emission intensity (Scope 2)	Carbon dioxide equivalent (tonne)/employee	1.41	1.15
Total hazardous waste emissions	Tonne	0.00	0.00
Hazardous waste emission intensity	Tonne/employee	0.00	0.00
Total non-hazardous waste emissions ⁴	Tonne	0.00	0.00
Non-hazardous waste emission intensity	Tonne/employee	0.00	0.00
Use of resources			
Total electricity consumption	MWh	306.34	286.45
Energy consumption intensity (electricity)	MWh/employee	2.47	2.02
Direct energy	MWh	0.00	0.00
Indirect energy	MWh	306.34	286.45
Total energy consumption	MWh	306.34	286.45
Energy consumption intensity	MWh/employee	2.47	2.02
Total water consumption	Tonne	1,297.00	1,203.00
Water use density	Tonne/employee	10.46	8.47
Total packaging material used for finished products	Tonne	0.00	0.00
Density of packaging material used for finished products	Tonne/RMB 1 million of operating revenue	0.00	0.00

4 The Group's business does not involve manufacturing, and the non-hazardous waste generated mainly consists of office waste and household waste. In the future, the Group will consider tracking and quantifying the volume of non-hazardous waste produced in office and daily operations.



Key Performance Indicators	Unit	2024	2023
Social			
Employment			
Total number of employees	Person	124	142
Number of male employees	Person	77	81
Number of female employees	Person	47	61
Chief executive	Person	8	7
Senior management personnel	Person	3	5
Middle management personnel	Person	14	11
Other employees	Person	99	119
Number of employees under age of 30	Person	36	46
Number of employees aged 30 to 40	Person	70	75
Number of employees aged 41 to 50	Person	17	19
Number of employees over age of 50	Person	1	2
Number of employees in the Chinese mainland	Person	123	142
Number of overseas employees	Person	1	0
Turnover rate of male employees	%	31.54	40.30
Turnover rate of female employees	%	29.09	31.03
Turnover rate of employees under age of 30	%	43.68	41.03
Turnover rate of employees aged 30 to 40	%	27.97	36.94
Turnover rate of employees aged 41 to 50	%	6.25	26.67
Turnover rate of employees over age of 50	%	0.00	0.00
Turnover rate of employees in the Chinese mainland	%	30.42	36.65
Turnover rate of overseas employees	%	0.00	0.00
Health and safety			
Number of work-related employee deaths in the past three years (including 2024)	Person	0	0
Rate of work-related employee deaths in the past three years (including 2024)	%	0.00	0.00
Lost days due to work injury	Day	0	0
Development and training			
Percentage of trained male employees	%	61.90	57.00
Percentage of trained female employees	%	38.10	43.00
Percentage of trained chief executives	%	3.72	4.93
Percentage of trained senior management personnel	%	1.40	3.52
Percentage of trained middle management personnel	%	6.51	7.75
Percentage of trained general staff	%	88.37	83.80
Average training hours of male employees	Hour	4.56	0.10
Average training hours of female employees	Hour	3.04	0.26
Average training hours of chief executives	Hour	8.00	0.26
Average training hours of senior management personnel	Hour	16.00	1.62
Average training hours of middle management personnel	Hour	19.00	0.16
Average training hours of general staff	Hour	1.60	0.06



Environmental, Social and Governance (ESG) Report

Key Performance Indicators	Unit	2024	2023
Supply chain management			
Total number of suppliers	Supplier	5	5
Number of suppliers by region		Beijing: 3 Zhejiang: 1	Beijing: 4 Shenzhen: 1
	Supplier	Hong Kong: 1	
Number of suppliers meeting the Group's requirements for responsible procurement		Beijing: 3 Zhejiang: 1	Beijing: 4 Shenzhen: 1
	Supplier	Hong Kong: 1	
Product responsibility			
Percentage of total products sold or shipped subject to recalls for safety and health reasons	%	0.00	0.00
Number of complaints	Time	0	0
Community investment			
Donation amount	RMB10,000	0.00	0.00
Governance			
Number of anti-corruption training for Board members	Time	1	1
Coverage of anti-corruption training for Board members	%	100.00	100.00
Number of anti-corruption training for employees	Time	1	1
Number of employees participating receiving anti-corruption training	Person-time	124	142
Number of corruption proceedings	Case	0	0
Litigation outcomes of corruption cases	—	—	—



ii. Indicator index

HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
A. Environmental		
A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	305, 306–2 Waste management Use of resources
A1.1	The types of emissions and respective emissions data.	305–1, 305–2, 305–4, 305–6, 305–7 The Group's business does not involve production and does not own any vehicles; this indicator is not applicable.
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	306–2, 306–3 The Group's business does not involve production and does not own any vehicles; this indicator is not applicable.
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	306–2, 306–3 Key Performance Table
A1.5	Description of emissions target(s) set and steps taken to achieve them.	305–5 Waste management The Group's business does not generate industrial emissions or hazardous waste and does not produce a significant amount of non-hazardous waste; therefore, no related targets have been set at this time.



Environmental, Social and Governance (ESG) Report

HKEx ESG Indicators		GRI Standards	Disclosure Section/ Interpretation
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	306–2, 306–4	Waste management The Group's business does not generate industrial emissions or hazardous waste and does not produce a significant amount of non-hazardous waste; therefore, no related targets have been set at this time.
A2: Use of resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	301, 302, 303	Use of resources The Group's business does not involve the production of raw materials.
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	302–1, 302–2, 302–3	Use of resources Key Performance Table
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	303–1, 303–3, 303–4, 303–5	Use of resources Key Performance Table
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	302–4, 302–5	Use of resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	303–3, 303–4, 303–5	Use of resources
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	301–1	The company's business does not involve product manufacturing or packaging; therefore, this indicator is not applicable.

Environmental, Social and Governance (ESG) Report



HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
A3: The environment and natural resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	301, 302, 303, 304, 305, 306 The Group's business does not have a significant impact on the environment; therefore, this indicator is not applicable.
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	303-1, 303-2, 304-2, 306-3, 306-5 The Group's business does not have a significant impact on the environment; however, resource-saving measures are still implemented to further minimise environmental impact.
B. Social		
Employment and Labour Practices		
B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	202, 401, 405, 406, 2-19 Protection of employees' rights and interests Remuneration and benefits system
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	2-7, 2-8, 405-1 Protection of employees' rights and interests
B1.2	Employee turnover rate by gender, age group and geographical region.	401-1 Protection of employees' rights and interests



Environmental, Social and Governance (ESG) Report

HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
B2: Health and safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	403 Occupational health and safety
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	403–9 Occupational health and safety
B2.2	Lost days due to work injury.	403–9 Occupational health and safety
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	403–1 Occupational health and safety
B3: Development and training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	404–2 Career development and training
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	404–1 Career development and training
B3.2	The average training hours completed per employee by gender and employee category.	404–1 Career development and training
B4: Labour standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	408, 409 Protection of employees' rights and interests
B4.1	Description of measures to review employment practices to avoid child and forced labour.	408, 409 Protection of employees' rights and interests
B4.2	Description of steps taken to eliminate such practices when discovered.	408, 409 Protection of employees' rights and interests

Environmental, Social and Governance (ESG) Report



HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
Operating Practices		
B5: Supply chain management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	204, 308, 414 Supply chain management
B5.1	Number of suppliers by geographical region.	2–6 Supply chain management
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	308–1, 308–2, 414–1, 414–2 Supply chain management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	308–2, 414–2 Supply chain management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	308–1 Supply chain management
B6: Product responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	416–1, 416–2, 417–2, 417–3, 418–1 Optimising service quality The Group provides virtual services, which do not involve product and service health or safety issues.
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	— The Group provides virtual services; therefore, this indicator is not applicable.
B6.2	Number of products and service-related complaints received and how they are dealt with.	418–1 Optimising service quality Key Performance Table
B6.3	Description of practices relating to observing and protecting intellectual property rights.	— Protection of intellectual property rights



Environmental, Social and Governance (ESG) Report

HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
B6.4	Description of quality assurance process and recall procedures.	— Enhancing product quality Optimising service quality The Group provides virtual services and does not involve product recycling. However, we place great emphasis on user feedback and have established a standardised customer complaint handling process to ensure that customer issues are addressed promptly and effectively.
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	418 Optimising service quality
B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	205–2 Corporate governance Anti-corruption
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	205–3 Anti-corruption
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	205–2, 205–3 Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff.	205–2 Anti-corruption

Environmental, Social and Governance (ESG) Report



HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
Community		
B8: Community investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	413 Giving Back to Society by Supporting Welfare
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	203–1, 413–1 Giving Back to Society by Supporting Welfare
B8.2	Resources contributed (e.g. money or time) to the focus area.	413–1 Giving Back to Society by Supporting Welfare
D. Climate-related Disclosures		
Governance	(a) Information about the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities.	2–9, 2–11, 2–12 Climate governance
	(b) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.	2–14, 2–17 Climate governance
Strategy	Climate-related risks and opportunities	201–2 Climate strategy
	Business model and value chain	2–6 Climate strategy
	Strategy and decision-making	2–22, 2–23, 2–24 Climate strategy
	Financial position, financial performance and cash flows	201–1, 203–2 Quantitative disclosure exemption for current and expected financial impact implementation
	Climate resilience	— Quantitative disclosure exemption for climate scenario analysis implementation



Environmental, Social and Governance (ESG) Report

HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
Risk management	(a) The processes and related policies the issuer uses to identify, assess, prioritise and monitor climate-related risks.	201-2 Climate risk management
	(b) the processes the issuer uses to identify, assess, prioritise and monitor climate-related risks and opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities).	201-2 Climate risk management
	(c) the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	201-2 Climate risk management
Metrics and targets	Greenhouse gas emissions	305-1, 305-2, 305-4, 305-5 Climate indicators and objectives Reasonable data exemption for Scope 3 greenhouse gas emissions measurement
	Climate-related transition risks	201-2 Implementation of reasonable data exemption
	Climate-related physical risks	201-2 Implementation of reasonable data exemption
	Climate-related opportunities	201-2 Implementation of reasonable data exemption
	Capital deployment	201-2 The Group will closely monitor climate-related capital deployment and may consider taking relevant measures in the future.

Environmental, Social and Governance (ESG) Report



HKEx ESG Indicators	GRI Standards	Disclosure Section/ Interpretation
Internal carbon prices	—	The Group will closely monitor internal carbon pricing and may consider taking relevant measures in the future.
Remuneration	2-19, 2-20, 2-21, 202	Use of resources The Group has incorporated resource conservation into performance evaluations, monitoring and assessing employee resource usage behaviour.
Industry-based metrics	—	Not applicable or no relevant data available
Climate-related targets		Climate indicators and objectives

Independent Auditor's Report



TO THE SHAREHOLDERS OF FLOWING CLOUD TECHNOLOGY LTD

(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Flowing Cloud Technology Ltd. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 130 to 183, which comprise the consolidated statement of financial position as at 31 December 2024, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)***Revenue in respect of provision of augmented reality and virtual reality marketing services**

Refer to Note 7 to the consolidated financial statements.

Revenue in respect of provision of augmented reality and virtual reality ("**AR & VR**") marketing services is recognised based on the results of the placements of services in relevant external platforms which comprises a high volume of activities such as clicking and downloading, and calculated automatically based on the algorithmic logic in the Group's business operation information system and stored in the big data platform (together with the Group's business operation system, the "**Systems**"). This recognition is significant to our audit because the revenue in respect of provision of AR & VR marketing services of RMB573,072,000 for the year ended 31 December 2024 is material to the consolidated financial statements. In addition, the recognition is dependent on the effective design and operation of the Systems.

Our audit procedures included, among others:

- Testing general information technology controls over the Systems, including access security, system change control, data centre and network operation, and data transmission monitor control between the Group's Systems, with the assistance of information technology specialists;
- Understanding, evaluating and testing the key controls relevant to our audit in relation to the occurrence of revenue recognition in respect of provision of AR & VR marketing services, including controls over confirming the transaction volume, price and amounts with the customers by agreement on the monthly settlement records;
- Reconciling the recorded revenue transactions in the Group's financial records with the recalculated amounts of revenue to be recognised from all relevant data in the Group's business operation information system and testing the automated controls over the caption of activities from relevant external platforms to verify the transaction volume used in the calculation; and
- Inspecting, on a sample basis, the recorded revenue transactions by examining the contracts with customers and the monthly settlement records with customers to verify the amounts of revenue recognised.

We consider that the Group's revenue recognised in respect of provision of AR & VR marketing services is supported by the available evidence.

Trade receivables

Refer to Note 21 to the consolidated financial statements.

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of RMB641,885,000 as at 31 December 2024 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

- Assessing the Group's procedures on granting credit limits and credit periods to customers;
- Assessing the Group's relationship and transaction history with the customers;
- Evaluating the Group's impairment assessment;

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Trade receivables *(Continued)*

Our audit procedures included, among others: *(Continued)*

- Assessing ageing of the debts;
- Assessing creditworthiness of the customers;
- Checking subsequent settlements from the customers; and
- Assessing the disclosure of the Group's exposure to credit risk in the consolidated financial statements.

We consider that the Group's impairment test for trade receivables is supported by the available evidence.

Prepayments for purchases of advertising traffic

Refer to Note 22 to the consolidated financial statements.

The Group tested the amount of prepayments for purchases of advertising traffic for impairment. This impairment test is significant to our audit because the balance of prepayments for purchases of advertising traffic of RMB742,383,000 as at 31 December 2024 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on assumptions and estimates.

Our audit procedures included, among others:

- Assessing the Group's relationship and transaction history with the suppliers;
- Evaluating the Group's impairment assessment; and
- Checking subsequent usage of prepayments for purchases of advertising traffic.

We consider that the Group's impairment test for prepayments for purchases of advertising traffic is supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the HKICPA's website at:

<https://www.hkicpa.org.hk/en/Standards-setting/Standards/Our-views/auditre>

This description forms part of our auditor's report.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Audit Engagement Director

Practising Certificate Number P07374

Hong Kong, 31 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Revenue	7	995,347	1,244,723
Cost of revenue		(795,311)	(824,006)
Gross profit		200,036	420,717
Other income		597	6,530
Other gains/(losses), net	8	2,099	(505)
Distribution and selling expenses		(88,150)	(19,309)
Administrative expenses		(51,290)	(49,577)
Research and development expenses		(84,294)	(51,181)
Impairment losses of trade receivables		(17,433)	(30,176)
Finance costs	9	(6,411)	(4,828)
(Loss)/profit before tax		(44,846)	271,671
Income tax credit/(expense)	10	1,143	(7,736)
(Loss)/profit for the year	11	(43,703)	263,935
Other comprehensive expense after tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss of equity investments fair value through other comprehensive income		(37,574)	(41,393)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(384)	(1,169)
Other comprehensive expense for the year, net of tax		(37,958)	(42,562)
Total comprehensive (expense)/income for the year		(81,661)	221,373
(Loss)/profit for the year attributable to:			
— Owners of the Company		(43,702)	263,938
— Non-controlling interests		(1)	(3)
		(43,703)	263,935

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Total comprehensive (expense)/income for the year attributable to:			
— Owners of the Company		(81,660)	221,376
— Non-controlling interests		(1)	(3)
		(81,661)	221,373
		RMB cents	RMB cents
(Loss)/earnings per share			
— Basic and diluted	14	(2.42)	14.58

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Non-current assets			
Equipment	15	5,222	8,756
Right-of-use assets	16	1,963	4,002
Intangible assets	17	99,676	94,995
Equity investments at fair value through other comprehensive income	19	84,882	112,456
Deferred tax assets	20	10,512	8,412
		202,255	228,621
Current assets			
Trade receivables	21	641,885	561,514
Contract costs		1,157	111
Prepayments	22	755,418	593,970
Deposits and other receivables	23	4,698	4,270
Current tax assets		2,674	—
Restricted bank deposits		—	120
Bank and cash balances	24	162,422	332,668
		1,568,254	1,492,653
Current liabilities			
Trade and bills payables	25	190,821	69,732
Contract liabilities	26	29,059	13,061
Other payables and accruals	27	62,739	78,344
Borrowings	29	88,000	95,000
Lease liabilities	30	1,693	2,495
Current tax liabilities		1,195	9,510
		373,507	268,142
Net current assets		1,194,747	1,224,511
Total assets less current liabilities		1,397,002	1,453,132
Non-current liabilities			
Amount due to controlling shareholders	28	14,000	—
Lease liabilities	30	—	900
		14,000	900
NET ASSETS		1,383,002	1,452,232

Consolidated Statement of Financial Position

At 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
Capital and reserves			
Share capital	31	128	128
Reserves	33	1,380,145	1,449,374
Equity attributable to owners of the Company		1,380,273	1,449,502
Non-controlling interests		2,729	2,730
TOTAL EQUITY		1,383,002	1,452,232

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2025 and signed on its behalf by:

WANG Lei
Director

LI Yao
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Company												Total equity
	Share capital	Share premium	Treasury shares	Capital reserve	Other reserve	Translation reserve	Share-based	FVTOCI reserve	Statutory		Non-controlling interests		
							payments		reserve	Retained			
							reserves		funds	profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	128	521,249	—	174,174	34,520	—	—	20,872	27,925	443,804	1,222,672	2,733	1,225,405
Total comprehensive (expense)/income for the year	—	—	—	—	—	(1,169)	—	(41,393)	—	263,938	221,376	(3)	221,373
Repurchase of shares	—	—	(4,575)	—	—	—	—	—	—	—	(4,575)	—	(4,575)
Transaction costs attributable to repurchase of shares	—	—	(7)	—	—	—	—	—	—	—	(7)	—	(7)
Share-based payments	—	—	—	—	—	—	10,036	—	—	—	10,036	—	10,036
Appropriation of statutory reserve funds	—	—	—	—	—	—	—	—	25,835	(25,835)	—	—	—
Changes in equity for the year	—	—	(4,582)	—	—	(1,169)	10,036	(41,393)	25,835	238,103	226,830	(3)	226,827
At 31 December 2023 and 1 January 2024	128	521,249	(4,582)	174,174	34,520	(1,169)	10,036	(20,521)	53,760	681,907	1,449,502	2,730	1,452,232
Total comprehensive expense for the year	—	—	—	—	—	(384)	—	(37,574)	—	(43,702)	(81,660)	(1)	(81,661)
Repurchase of shares	—	—	(628)	—	—	—	—	—	—	—	(628)	—	(628)
Transaction costs attributable to repurchase of shares	—	—	(1)	—	—	—	—	—	—	—	(1)	—	(1)
Share-based payments	—	—	—	—	—	—	13,060	—	—	—	13,060	—	13,060
Forfeit of share options	—	—	—	—	—	—	(1,915)	—	—	1,915	—	—	—
Changes in equity for the year	—	—	(629)	—	—	(384)	11,145	(37,574)	—	(41,787)	(69,229)	(1)	(69,230)
At 31 December 2024	128	521,249	(5,211)	174,174	34,520	(1,553)	21,181	(58,095)	53,760	640,120	1,380,273	2,729	1,383,002

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(44,846)	271,671
Adjustments for:		
Finance costs	6,411	4,828
Interest revenue	(88)	(2,505)
Dividends from equity investments at fair value through other comprehensive income	(281)	(1,448)
Depreciation of equipment	3,984	2,753
Depreciation of right-of-use assets	5,161	4,498
Amortisation of intangible assets	33,872	28,519
Equity-settled share-based payments	13,060	10,036
Impairment losses of trade receivables	17,433	30,176
Loss on disposal of equipment	24	—
Loss on lease termination	29	—
Foreign exchange gain	(910)	(449)
Operating profit before changes in working capital	33,849	348,079
Change in trade and other receivables	(257,405)	(333,825)
Change in contract costs	(1,046)	1,601
Change in trade and other payables	103,057	(169)
Change in contract liabilities	15,945	(54,653)
Cash used in operating activities	(105,600)	(38,967)
Income tax paid	(12,002)	(13,525)
Net cash used in operating activities	(117,602)	(52,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease/(increase) in restricted bank deposits	120	(120)
Interest received	88	2,505
Dividends received from equity investments at fair value through other comprehensive income	281	1,448
Purchase of equipment	(663)	(9,203)
Purchase of intangible assets	(38,219)	(50,224)
Purchase of equity investments at fair value through other comprehensive income	(10,000)	—
Proceeds from disposal of equipment	189	—
Proceeds from disposal of equity investments at fair value through other comprehensive income	—	36,677
Net cash used in investing activities	(48,204)	(18,917)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(117,000)	(90,000)
Borrowings raised	110,000	105,000
Repayment of lease liabilities	(4,853)	(5,076)
Interest paid	(6,411)	(4,828)
Increase in amount due to controlling shareholders	14,000	—
Share issue expenses paid	—	(56)
Repurchase of shares	(628)	(4,575)
Transaction costs attributable to repurchase of shares	(1)	(7)
Net cash (used in)/generated from financing activities	(4,893)	458
Net decrease in cash and cash equivalents	(170,699)	(70,951)
Effect of foreign exchange rate changes	453	(882)
Cash and cash equivalents at 1 January	332,668	404,501
Cash and cash equivalents at 31 December represented by bank and cash balances	162,422	332,668

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

1. GENERAL INFORMATION

Flowing Cloud Technology Ltd. (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 principal activities of the subsidiaries of the Company is provision of augmented reality and virtual reality (“**AR & VR**”) marketing services, AR & VR content, integrated marketing services and relevant services, which is also set out in note 18 to the consolidated financial statements.

In the opinion of the directors of the Company, as at 31 December 2024, Brainstorming Cafe Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate parent.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company.

2. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

In the current year, the Company and its subsidiaries (collectively referred to as the “**Group**”) has adopted all the new and revised IFRS Accounting Standards issued by the International Accounting Standards Board (the “**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRS Accounting Standards comprise International Financial Reporting Standards (“**IFRS**”); International Accounting Standards; and Interpretations. 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 year 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

2. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS (Continued)

Contractual Arrangements

The Group conducts its business in the PRC through Beijing Ophyer Technology Shares Co., Ltd. (“**Ophyer Technology**”) and its subsidiaries, which were established in the PRC (collectively, the “**Consolidated Affiliated Entities**”) due to regulatory restrictions on foreign ownership in the Internet cultural business industry in the PRC. Ophyer Technology was owned by Mr. Wang Lei and Mr. Li Yanhao and other shareholders (collectively referred to as “**Ophyer Shareholders**”). Beijing Flowing Cloud Technology Co., Ltd., a wholly-owned subsidiary of the Company established in the PRC (“**Beijing Flowing Cloud**”), entered into contractual arrangements with Ophyer Technology and Ophyer Shareholders on 16 December 2021, and Beijing Flowing Cloud entered into contractual arrangements with the Consolidated Affiliated Entities on 6 May 2022 (collectively referred to as the “**Contractual Arrangements**”). Pursuant to the Contractual Arrangements, Beijing Flowing Cloud is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Beijing Flowing Cloud;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Beijing Flowing Cloud may exercise such options at any time until it has acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, pledge or dispose of any assets, or make any distributions to their equity holders without prior consent of Beijing Flowing Cloud; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders as collateral security for payments of the Consolidated Affiliated Entities due to Beijing Flowing Cloud and to secure performance of the Consolidated Affiliated Entities’ obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities, has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities have been included in the Group’s consolidated financial statements.

3. MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the IASB, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention, as modified by investments which are carried at their fair values.

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these consolidated financial statements, are disclosed in note 4 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Consolidation *(Continued)*

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Group recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Foreign currency

In preparing the financial statements of individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. MATERIAL ACCOUNTING POLICIES (Continued)

Equipment

Equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful life of furniture, fixtures and equipment is 3 years.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal useful lives of office buildings are 2 to 3 years.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group's incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below United States dollars ("US\$") 5,000.

Employee benefits

The employees of the Group are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Share-based payment

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives of 3 to 5 years. The estimated useful life and amortisation method are reviewed at the end of the reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve, and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets at amortised cost (including trade receivables, deposits and other receivables, restricted bank deposits and bank and cash balances), which are subject to impairment assessment under IFRS 9 Financial Instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

(i) Significant increase in credit risk *(Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets *(Continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration the Group's internal credit ratings and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. Specifically:

- For financial assets measured at amortised cost, exchange differences are recognised in profit or loss in the “other gains/(losses), net” line item as part of the net foreign exchange gains/(losses);
- For equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the FVTOCI reserve.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. MATERIAL ACCOUNTING POLICIES *(Continued)*

Financial liabilities and equity *(Continued)*

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

4. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of affiliated entities

Beijing Flowing Cloud Technology Co., Limited, a wholly-owned subsidiary of the Company incorporated in the PRC, entered into contractual arrangements with Beijing Ophyer Technology Shares Co., Limited and the shareholders of Beijing Ophyer Technology Shares Co., Limited such as Mr. Wang Lei and Mr. Li Yanhao on 16 December 2021, and Beijing Flowing Cloud Technology Co., Limited entered into contractual arrangements with Beijing Ophyer Technology Shares Co., Limited and its subsidiaries (the "**Consolidated Affiliated Entities**") on 6 May 2022 (collectively referred to as the "**Contractual Arrangements**").

The Group obtained control of the Consolidated Affiliated Entities by entering into the Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The directors of the Company, based on the advice of its legal adviser, consider that the Contractual Arrangements are in compliance with the relevant PRC laws and are legally enforceable. Therefore, the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Agreements and accordingly, the Group has consolidated the Consolidated Affiliated Entities.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

The Group recognises lifetime ECL for trade receivables, using collective assessment based on the Group's internal credit ratings except that those with significant doubt on collection of receivables or credit-impaired which are assessed individually. The debtors with significant doubt on collection of receivables or credit-impaired are assessed individually by reference to ageing, past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. For trade receivables assessed collectively, the estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At the end of the reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates. Details of the ECL on the Group's trade receivables are disclosed in note 5(c) to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Price risk

The Group's equity investments at fair value through other comprehensive income are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors of the Group manage this exposure by maintaining a portfolio of investments with different risk profiles.

As at 31 December 2024, if the fair value of equity investments at fair value through other comprehensive income increase/decrease by 5 per cent ("‰"), FVTOCI reserve would have been RMB4,244,000 (2023: RMB5,623,000) higher/lower, arising as a result of the fair value gain/loss of the equity investments at fair value through other comprehensive income.

(c) Credit risk

The carrying amount of trade receivables, deposits and other receivables, restricted bank deposits and bank and cash balances included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has concentration of credit risk as 6.66% (2023: 9.4%) of trade receivables were due from the Group's largest debtor and 26.99% (2023: 31.9%) of trade receivables were due from the Group's five largest debtors.

The Group mainly conducted transactions with customers with good quality and long term relationship, when accepting new customers, the Group considers the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from trade receivables, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

5. FINANCIAL RISK MANAGEMENT *(Continued)***(c) Credit risk** *(Continued)*

The Group reassesses lifetime ECL for trade receivables arising from contracts with customers to ensure that adequate impairment losses are made. The ECL on these assets are individually assessed for debtors with significant doubt on collection of receivables or credit-impaired and collectively assessed based on internal credit ratings for the remaining balances. As part of the Group's credit risk management, the Group uses internal credit ratings to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping and assessment are regularly reviewed by management to ensure relevant information about specific debtors is updated.

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables for debtors with significant doubt on collection of receivables or credit-impaired, the Group determines the expected credit losses on these items grouped by internal credit ratings.

The Group's internal credit risk grading assessment for trade receivables comprises the following categories:

- Low risk (Lifetime ECL — not credit-impaired and assessed collectively): The counterparty has a low risk of default and does not have material past-due amounts.
- Watch list (Lifetime ECL — not credit-impaired and assessed collectively): Debtors repays after due dates but usually settle in full without negative external information.
- Doubtful (Lifetime ECL — not credit-impaired and assessed individually): There is significant doubt on collection of receivables through information developed internally or external resources.
- Credit-impaired (Lifetime ECL — credit-impaired and assessed individually): There is evidence indicating the asset is credit-impaired.
- Write-off (Amount is written off): There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The following table provides information about the exposure to credit risk for trade receivables which are based on internal credit ratings within lifetime ECL.

	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
At 31 December 2024			
Trade receivables			
— Low risk	1.88%	138,838	2,604
— Watch list	5.34%	330,314	17,633
— Doubtful	15.00%	227,023	34,053
— Credit-impaired	100.00%	4,392	4,392
		700,567	58,682
At 31 December 2023			
Trade receivables			
— Low risk	1.29%	260,907	3,361
— Watch list	7.77%	244,248	18,981
— Doubtful	15.73%	93,393	14,692
— Credit-impaired	100.00%	4,192	4,192
		602,740	41,226

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The following table shows the movements in lifetime ECL that have been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) RMB'000	Lifetime ECL (credit- impaired) RMB'000	Total RMB'000
At 1 January 2023	9,469	1,581	11,050
Changes due to financial assets recognised at 1 January 2023			
— Transfer	(246)	246	—
— Impairment losses reversed	(9,009)	—	(9,009)
— Impairment losses recognised	2,694	2,365	5,059
New financial assets originated	34,126	—	34,126
At 31 December 2023 and 1 January 2024	37,034	4,192	41,226
Changes due to financial assets recognised at 1 January 2024			
— Transfer	(200)	200	—
— Impairment losses reversed	(7,645)	—	(7,645)
— Impairment losses recognised	14,919	—	14,919
New financial assets originated	10,159	—	10,159
Exchange differences	23	—	23
At 31 December 2024	54,290	4,392	58,682

For deposits and other receivables, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

The following table provides information about the exposure to credit risk for deposits and other receivables which are subject to ECL assessment.

	Average loss rate 2024	Gross carrying amount 2024 RMB'000	Average loss rate 2023	Gross carrying amount 2023 RMB'000
Deposits and other receivables	2.59%	2,281	5.39%	1,094

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit risk (Continued)

The following table shows the reconciliation of loss allowance that has been recognised for deposits and other receivables.

	12m ECL RMB'000
At 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	59

The credit risk on restricted bank deposits and bank and cash balances are limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	Less than 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000
At 31 December 2024		
Trade and bills payables	190,821	—
Other payables and accruals	7,649	—
Amount due to controlling shareholders	—	14,000
Borrowings	88,862	—
Lease liabilities	1,704	—
	289,036	14,000
At 31 December 2023		
Trade and bills payables	69,732	—
Other payables and accruals	16,925	—
Borrowings	96,702	—
Lease liabilities	2,598	932
	185,957	932

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

5. FINANCIAL RISK MANAGEMENT (Continued)

(e) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

(f) Categories of financial instruments at 31 December

	2024 RMB'000	2023 RMB'000
Financial assets:		
Equity investments at fair value through other comprehensive income	84,882	112,456
Financial assets at amortised cost (including cash and cash equivalents)	806,529	895,337
Financial liabilities:		
Financial liabilities at amortised cost	302,163	185,052

(g) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

6. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2024:

Description	Fair value measurements using:		Total RMB'000
	Level 1 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:			
Equity investments at fair value through other comprehensive income			
At 31 December 2024			
— Equity securities listed in Hong Kong	74,882	—	74,882
— Private equity funds	—	10,000	10,000
Total recurring fair value measurements	74,882	10,000	84,882
At 31 December 2023			
— Equity securities listed in Hong Kong	112,456	—	112,456
Total recurring fair value measurements	112,456	—	112,456

(b) Reconciliation of assets measured at fair value based on level 3:

	Equity investments at fair value through other comprehensive income RMB'000
At 1 January 2023, 31 December 2023 and 1 January 2024	—
Additions	10,000
At 31 December 2024	10,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. FAIR VALUE MEASUREMENTS (Continued)

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 December 2024:

The Group's investment manager is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. Investment manager reports directly to the board of directors for these fair value measurements. Discussions of valuation processes and results are held between investment manager and the board of directors at least twice a year.

For level 3 fair value measurements, the finance department of the Group manages the valuation exercise of level 3 financial instruments for financial reporting purposes. The finance department of the Group manages the valuation exercise of the investments on a case-by-case basis. At least twice every year, the finance department of the Group would use valuation techniques to determine the fair value of the Group's level 3 financial instruments.

Level 3 fair value measurement

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs
Private equity funds	Latest transaction price	N/A	N/A	N/A

7. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2024 RMB'000	2023 RMB'000
Major services		
Provision of AR & VR marketing services	573,072	845,124
Delivery of AR & VR content	211,286	334,026
Provision of integrated marketing services	179,477	—
Provision of AR & VR Software as a Service ("SaaS") services	22,171	57,556
Others	9,341	8,017
	995,347	1,244,723
Geographical markets		
Mainland, the PRC	850,077	1,145,156
Hong Kong	145,270	99,567
	995,347	1,244,723
Timing of revenue recognition		
At a point in time	977,922	1,222,461
Over time	17,425	22,262
	995,347	1,244,723

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Performance obligations in contracts with customers

AR & VR marketing services

The Group develops AR & VR interactive content to provide service solutions to customers including the design and placement of advertisements based on such AR & VR content. The Group provides customers with one-stop AR & VR marketing services, including formulating AR & VR service plans, designing AR & VR interactive content, distributing AR & VR interactive content, and collecting, monitoring and optimising marketing data and feedback, in order to realise the customers' targets such as enhancing brand exposure and improving brand awareness.

The Group recognises revenue at a point in time when specific services are provided based on the results of the placement of services in relevant platforms which are confirmed with the customers monthly.

AR & VR content

Utilising the self-developed AR & VR development engines, delivery of AR & VR content offers customised content according to the needs of customers. The Group provides AR & VR content to customers and bring the end users diversified and immersive experiences in a virtual world.

Revenue is recognised at a point in time when control over the customised content has been transferred to the customer.

Integrated marketing services

The Group provides service solutions to customers including placement of dynamic advertisements on certain social media platforms such as Douyin.

Revenue is recognised at a point in time when specific services are provided based on the results of the placement of services in social media platforms which are confirmed with the social media platforms monthly.

AR & VR SaaS services

Leveraging the experiences the Group accumulated in provision of AR & VR marketing services and delivery of AR & VR content, the Group provides standardised solutions on the AR & VR SaaS platform. The AR & VR SaaS platform enables customers to generate, publish and utilise AR & VR content.

The Group charges customers for developing customised SaaS content. Revenue from developing customised content is recognised at a point in time when control over the customised content has been transferred to the customer.

Other SaaS services are provided on a subscription basis, and a monthly or annual subscription fee is charged to customers. Revenue generated from subscription fees is recognised over the subscription period on a straight-line basis.

Others

The Group generates revenues primarily from promotion services, technical services, and short drama operation. The Group recognises revenue at a point in time when specific services are provided or the customised product is delivered to the customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

7. REVENUE AND SEGMENT INFORMATION *(Continued)*

Segment information

For management purposes, the Group does not organise 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:

	2024 RMB'000	2023 RMB'000
Mainland, the PRC	93,922	90,755
Hong Kong	12,939	16,998
	106,861	107,753

Information about major customers

During the year ended 31 December 2024, no (2023: no) single customer contributed over 10% of the total revenue of the Group.

8. OTHER GAINS/(LOSSES), NET

	2024 RMB'000	2023 RMB'000
Foreign exchange gain	910	449
Loss on disposal of equipment	(24)	—
Loss on lease termination	(29)	—
Others	1,242	(954)
	2,099	(505)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

9. FINANCE COSTS

	2024 RMB'000	2023 RMB'000
Interest on:		
— Borrowings	6,361	4,669
— Lease liabilities	50	159
	6,411	4,828

10. INCOME TAX (CREDIT)/EXPENSE

	2024 RMB'000	2023 RMB'000
Current tax		
— PRC Enterprise Income Tax	658	8,802
— Hong Kong	74	3,793
— Under provision in prior years	225	1,621
Total current tax	957	14,216
Deferred tax (Note 20)	(2,100)	(6,480)
Total income tax (credit)/expense	(1,143)	7,736

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% (2023: 25%) for the year ended 31 December 2024.

Certain subsidiaries incorporated in PRC have been approved as small low-profit enterprises. These subsidiaries are subject to a preferential income tax rate of 5% (2023: 5%) for the year ended 31 December 2024.

Beijing Flowing Cloud Technology Co., Limited obtained the Software Enterprise Qualification during the year ended 31 December 2022 and fulfilled the requirements for applying tax incentives for software enterprises for the years ended 31 December 2024 and 2023. Therefore, Beijing Flowing Cloud Technology Co., Limited was entitled 50% tax reduction for the year ended 31 December 2024 and tax exemption for the year ended 31 December 2023.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first Hong Kong dollars (“HK\$”) 2,000,000 of assessable profits of the qualifying group entity will be taxed at 8.25%, and assessable profits above HK\$2,000,000 will be taxed at 16.5%. The assessable profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2,000,000.

Under the current laws of the Cayman Islands, the Group is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

10. INCOME TAX (CREDIT)/EXPENSE (Continued)

The reconciliation between the income tax (credit)/expense and the product of (loss)/profit before tax multiplied by PRC Enterprise Income Tax rate is as follows:

	2024 RMB'000	2023 RMB'000
(Loss)/profit before tax	(44,846)	271,671
Tax at PRC Enterprise Income Tax rate of 25% (2023: 25%)	(11,212)	67,918
Tax effect of expenses that are not deductible	3,866	5,588
Effect of research and development expenses that are additionally deducted	(13,819)	(10,755)
Effect on concessionary tax rate	8,676	(56,115)
Tax effect of deductible temporary difference and tax losses not recognised	11,422	1,999
Effect of different tax rate of subsidiaries operating in other jurisdiction	(301)	(2,031)
Effect of changes in tax rate applicable to deferred tax assets	—	(489)
Under provision in prior years	225	1,621
Income tax (credit)/expense	(1,143)	7,736

11. (LOSS)/PROFIT FOR THE YEAR

The Group's (loss)/profit for the year is stated after charging the following:

	2024 RMB'000	2023 RMB'000
Depreciation of equipment	3,984	2,753
Depreciation of right-of-use assets	5,161	4,498
Amortisation of intangible assets (included in cost of revenue and research and development expenses)	33,872	28,519
Auditor's remuneration	3,190	4,230
Staff costs including directors' emoluments		
— Salaries and other benefits	25,593	23,547
— Discretionary bonus	11,630	9,651
— Equity-settled share-based payments	13,060	10,036
— Retirement benefits scheme contributions	4,148	3,657
	54,431	46,891

The Group had no forfeited contributions which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available which may be used by the Group to reduce the contribution payable in future years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS

The emoluments of each director and chief executive, disclosed pursuant to the applicable Listing Rules, were as follows:

Name of directors	Notes	Fee RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Equity-settled share-based payments RMB'000	Retirement benefits scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2024							
Executive directors:							
Wang Lei (<i>Chief executive officer</i>)		—	798	228	644	68	1,738
Li Yanhao	(i)	—	483	96	644	68	1,291
Xu Bing		—	510	285	644	68	1,507
Li Yao		—	511	212	644	68	1,435
Independent non-executive directors:							
Wang Beili	(ii)	72	—	—	—	—	72
Jiang Yi		72	—	—	—	—	72
Tan Deqing		72	—	—	—	—	72
Total		216	2,302	821	2,576	272	6,187
Year ended 31 December 2023							
Executive directors:							
Wang Lei (<i>Chief executive officer</i>)		—	687	576	394	65	1,722
Li Yanhao	(i)	—	453	260	394	65	1,172
Xu Bing		—	335	247	394	63	1,039
Li Yao		—	334	197	394	63	988
Independent non-executive directors:							
Wang Beili	(ii)	72	—	—	—	—	72
Jiang Yi		72	—	—	—	—	72
Tan Deqing		72	—	—	—	—	72
Total		216	1,809	1,280	1,576	256	5,137

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIRECTORS', CHIEF EXECUTIVE'S AND FIVE HIGHEST PAID EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of each director and chief executive, disclosed pursuant to the applicable Listing Rules, were as follows: *(Continued)*

Notes:

- (i) Resigned as executive director of the Company on 3 November 2024.
- (ii) Resigned as independent non-executive director of the Company on 3 March 2025.

There was no (2023: no) arrangement under which a director waived or agreed to waive any emoluments during the year ended 31 December 2024.

The five highest paid employees of the Group during the year included 2 directors (2023: 1 director) whose emoluments are reflected in the analysis presented above. The emoluments of the remaining 3 (2023: 4) individuals are set out below:

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	917	940
Discretionary bonus	310	492
Equity-settled share-based payments	9,675	7,752
Retirement benefits scheme contributions	142	137
	11,044	9,321

The emoluments fell within the following band:

	Number of individuals	
	2024	2023
HK\$2,000,001 to HK\$2,500,000	—	3
HK\$3,000,001 to HK\$3,500,000	1	—
HK\$3,500,001 to HK\$4,000,000	1	1
HK\$5,000,001 to HK\$5,500,000	1	—

During the year ended 31 December 2024, no (2023: no) emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. DIVIDEND

No (2023: no) dividend was paid or declared by the Company for the year ended 31 December 2024.

14. (LOSS)/EARNINGS PER SHARE

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

	2024 RMB'000	2023 RMB'000
(Loss)/earnings		
(Loss)/earnings for the purpose of calculating basic and diluted (loss)/earnings per share	(43,702)	263,938
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share	1,806,682	1,809,866

Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2024 and 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

15. EQUIPMENT

	Furniture, fixtures and equipment RMB'000
Cost	
At 1 January 2023	4,204
Additions	9,381
At 31 December 2023 and 1 January 2024	13,585
Additions	663
Disposals	(273)
At 31 December 2024	13,975
Accumulated depreciation	
At 1 January 2023	2,076
Charge for the year	2,753
At 31 December 2023 and 1 January 2024	4,829
Charge for the year	3,984
Disposals	(60)
At 31 December 2024	8,753
Carrying amount	
At 31 December 2024	5,222
At 31 December 2023	8,756

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

16. RIGHT-OF-USE ASSETS

Office buildings		
RMB'000		
Cost		
At 1 January 2023	11,244	
Additions	2,583	
At 31 December 2023 and 1 January 2024	13,827	
Additions	3,639	
Early termination	(844)	
Expiry	(8,280)	
At 31 December 2024	8,342	
Accumulated depreciation		
At 1 January 2023	5,327	
Charge for the year	4,498	
At 31 December 2023 and 1 January 2024	9,825	
Charge for the year	5,161	
Early termination	(327)	
Expiry	(8,280)	
At 31 December 2024	6,379	
Carrying amount		
At 31 December 2024	1,963	
At 31 December 2023	4,002	
	2024	2023
	RMB'000	RMB'000
Expenses related to short-term leases	309	453
Total cash outflow for leases	5,212	5,688

The Group does not have the option to purchase the leased properties at the end of the lease term. The lease contracts do not impose any covenants, but the leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

17. INTANGIBLE ASSETS

	Software RMB'000	Intellectual property RMB'000 (Note)	Total RMB'000
Cost			
At 1 January 2023	8,412	68,271	76,683
Additions	47,300	28,302	75,602
Expiry of authorisation	—	(15,236)	(15,236)
At 31 December 2023 and 1 January 2024	55,712	81,337	137,049
Additions	28,301	10,028	38,329
Exchange differences	317	—	317
At 31 December 2024	84,330	91,365	175,695
Accumulated amortisation			
At 1 January 2023	2,136	26,613	28,749
Charge for the year	8,984	19,535	28,519
Expiry of authorisation	—	(15,236)	(15,236)
Exchange differences	22	—	22
At 31 December 2023 and 1 January 2024	11,142	30,912	42,054
Charge for the year	17,519	16,353	33,872
Exchange differences	93	—	93
At 31 December 2024	28,754	47,265	76,019
Carrying amounts			
At 31 December 2024	55,576	44,100	99,676
At 31 December 2023	44,570	50,425	94,995

Note: Intellectual properties refer to the Group's adaptation right for production of AR & VR SaaS pattern plates, AR & VR content and games which are based on certain fictions, animation images and games acquired from the owners of these intellectual properties.

All intangible assets were acquired from independent third parties and have finite useful lives or authorisation periods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

18. SUBSIDIARIES

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operation	Issued and paid up/registered capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Directly held:				
FTYD Limited	BVI	US\$50,000	100% (2023: 100%)	Investment holding
Indirectly held:				
Flowing Cloud Technology (HK) Limited	Hong Kong	HK\$550,000,000	100% (2023: 100%)	AR & VR marketing services
Anji Flowing Cloud Technology Co., Limited (Notes (i) and (ii))	PRC	RMB200,000,000	100% (2023: 100%)	Agency of AR & VR marketing services
Beijing Flowing Cloud Technology Co., Limited (Note (i))	PRC	RMB200,000,000	100% (2023: 100%)	AR & VR content, AR & VR SaaS and others
Beijing Flowing Cloud Digital Technology Co., Limited (Note (i))	PRC	RMB50,000,000	100% (2023: 100%)	Not yet commence business
Nanjing Flowing Cloud Digital Technology Co., Limited (Note (i))	PRC	RMB20,000,000	100% (2023: 100%)	Not yet commence business
Shanghai Flowing Cloud Digital Technology Co., Limited (Note (i))	PRC	RMB1,000,000	100% (2023: 100%)	Not yet commence business
Anji Yundong Future Vocational Skills Training School Co, Limited (Note (i))	PRC	RMB2,000,000	100% (2023: 100%)	Not yet commence business
Consolidated Affiliated Entities:				
Beijing Ophyer Technology Shares Co., Limited (Note (i))	PRC	RMB11,572,845	100% (2023: 100%)	AR & VR marketing services, AR & VR content, AR & VR SaaS and others
Beijing Hupo Jinyuan Media Co., Limited (Note (i))	PRC	RMB10,000,000	100% (2023: 100%)	Others
Zhongrunxing (Beijing) Culture Media Co., Limited (Note (i))	PRC	RMB3,000,000	100% (2023: 100%)	Others
Beijing Xingshi Hudong Media Technology Co., Limited (Note (i))	PRC	RMB10,000,000	70% (2023: 70%)	Others
Shenzhen Huachuang Yunjing Technology Co., Limited (Note (i))	PRC	RMB40,000,000	100% (2023: 100%)	Others
Hainan Lingshui Feitian Yundong Limited Partnership (Note (i))	PRC	RMB20,000,000	51% (2023: 0%)	Others
Zhongrunxing (Hainan Lingshui) Culture Media Co., Limited (Note (i))	PRC	RMB1,000,000	100% (2023: 0%)	Others
Tianjin Janeplay Network Technology Co., Limited (Note (i))	PRC	RMB1,000,000	100% (2023: 0%)	Others

Notes:

- (i) The English name of the subsidiaries of the Company referred herein represent the management's best efforts in translating the Chinese name of this company as no English name has been registered.
- (ii) Anji Flowing Cloud Technology Co., Limited is wholly-owned foreign enterprise established in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

19. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2024 RMB'000	2023 RMB'000
Equity securities listed in Hong Kong	74,882	112,456
Private equity funds	10,000	—
	84,882	112,456

The above investments are held for long-term strategic purposes. Designation of these investments as equity investments at fair value through other comprehensive income can avoid the volatility of the fair value changes of these investments to the profit or loss.

20. DEFERRED TAX

The following are the major deferred tax assets recognised by the Group.

	Tax losses RMB'000	ECL provisions RMB'000	Total RMB'000
At 1 January 2023	133	1,799	1,932
(Charge)/credit to profit or loss	(133)	6,613	6,480
At 31 December 2023 and 1 January 2024	—	8,412	8,412
Credit to profit or loss	—	2,100	2,100
At 31 December 2024	—	10,512	10,512

At the end of the reporting period, the Group has unused tax losses of RMB86,048,000 (2023: RMB17,571,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The unrecognised tax losses will expire in 2025 to 2029 (2023: 2024 to 2028).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

21. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	700,567	602,740
Less: provision for loss allowance	(58,682)	(41,226)
Carrying amount	641,885	561,514

The credit terms range from 3 to 6 months. The ageing analysis of trade receivables, based on billing date, and net of provision for loss allowance is as follows:

	2024 RMB'000	2023 RMB'000
Within 6 months	282,108	374,830
Over 6 months but within 1 year	220,084	171,893
Over 1 year	139,693	14,791
	641,885	561,514

Details of impairment assessment of trade receivables are set out in note 5(c) to the consolidated financial statements.

22. PREPAYMENTS

	2024 RMB'000	2023 RMB'000
Prepayments for purchases of advertising traffic	742,383	570,803
Prepayments for outsourcing service	9,007	14,753
Prepayments for intangible assets	1,689	1,799
Others	2,339	6,615
	755,418	593,970

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

23. DEPOSITS AND OTHER RECEIVABLES

	2024 RMB'000	2023 RMB'000
Other receivables	813	334
Less: provision for loss allowance	(59)	(59)
	754	275
Rental and other deposits	1,468	760
Other tax recoverable	2,476	—
Others	—	3,235
	4,698	4,270

Details of impairment assessment of deposits and other receivables are set out in note 5(c) to the consolidated financial statements.

24. BANK AND CASH BALANCES

As at 31 December 2024, the bank and cash balances of the Group denominated in RMB amounted to RMB160,686,000 (2023: RMB309,834,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations.

25. TRADE AND BILLS PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	170,821	69,732
Bills payables	20,000	—
	190,821	69,732
The ageing analysis of trade payables, based on date of billing documents, is as follows:		
Within 6 months	100,448	36,585
Over 6 months but within 1 year	28,834	7,659
Over 1 year but within 2 years	22,887	6,648
Over 2 years	18,652	18,840
	170,821	69,732

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

26. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Provision of AR & VR marketing services	—	7,083
Delivery of AR & VR content	7,974	5,500
Provision of AR & VR SaaS services	7	88
Provision of integrated marketing services	18,237	—
Others	2,841	390
Total contract liabilities	29,059	13,061
Contract receivables (included in trade receivables)	641,885	561,514

As at 1 January 2023, contract liabilities and contract receivables (included in trade receivables) amounted to RMB67,714,000 and RMB375,518,000 respectively.

Transaction prices allocated to performance obligations unsatisfied at the end of the reporting period and expected to be recognised as revenue in the year ended 31 December:

— 2025	29,059	—
— 2024	N/A	13,061

Revenue recognised in the year that was included in contract liabilities at the beginning of the year	13,061	67,494
---	--------	--------

During the year ended 31 December 2024, there was no (2023: no) revenue recognised from perform obligations that were satisfied in prior years.

Significant changes in contract liabilities during the year:

Increase due to operations in the year	29,059	13,061
Transfer of contract liabilities to revenue	(13,061)	(67,714)

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

27. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Employee compensation payable	5,001	6,170
Other tax payables	55,090	61,419
Payables for procurement of long-term assets	—	8,677
Others	2,648	2,078
	62,739	78,344

28. AMOUNT DUE TO CONTROLLING SHAREHOLDERS

The amount is unsecured, interest-free and repayable on 30 November 2026.

29. BORROWINGS

	2024 RMB'000	2023 RMB'000
Bank borrowings	73,000	95,000
Other borrowings	15,000	—
	88,000	95,000

Borrowings are unsecured and repayable within one year.

The range of interest rates as at 31 December 2024 were 0.00%–5.80% (2023: 2.80%–5.80%) per annum ("p.a.").

As at 31 December 2024, borrowings amounted to RMB15,000,000 (2023: RMB25,000,000) were guaranteed by third-party financial guarantee companies.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

30. LEASE LIABILITIES

	Lease payments	
	2024	2023
	RMB'000	RMB'000
Within one year	1,704	2,598
Over one year but within two years	—	932
	1,704	3,530
Less: Future finance charge	(11)	(135)
Present value of lease liabilities	1,693	3,395

As at 31 December 2024, the weighted average incremental borrowing rates is 4.60% (2023: 4.62%) p.a.. Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

31. SHARE CAPITAL

Ordinary shares of US\$0.00001 (2023: US\$0.00001) each

	Number of	Nominal value of	Equivalent
	ordinary shares	ordinary shares	nominal value of
	'000	US\$'000	ordinary shares
			RMB'000
Authorised:			
At 1 January 2023,			
31 December 2023,			
1 January 2024 and			
31 December 2024	5,000,000	50	319
Issued and fully paid:			
At 1 January 2023,			
31 December 2023,			
1 January 2024 and			
31 December 2024	1,810,000	18	128

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

31. SHARE CAPITAL (Continued)

The Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares '000	Price per share		Aggregated consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
November 2023	1,104	1.90	1.78	2,033
December 2023	1,568	1.94	1.89	2,993
June 2024	1,182	0.62	0.52	689

As at 31 December 2024, the above ordinary shares repurchased were not cancelled and were recognised in treasury shares.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes lease liabilities and borrowings, net of bank and cash balances and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with the capital. Based on recommendations of the management, the Group will balance its overall capital structure through raising of new capital, share repurchase, issue of new debt or repayment of existing debts.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 RMB'000	2023 RMB'000
Non-current assets		
Investments in subsidiaries	347,265	323,317
Equity investments at fair value through other comprehensive income	74,882	112,456
	422,147	435,773
Current assets		
Deposits and other receivables	681	107
Amounts due from subsidiaries	52,103	65,242
Bank and cash balances	206	741
	52,990	66,090
Current liabilities		
Other payables and accruals	8,626	8,549
Net current assets	44,364	57,541
NET ASSETS	466,511	493,314
Capital and reserves		
Share capital	128	128
Reserves	466,383	493,186
TOTAL EQUITY	466,511	493,314

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. RESERVES

(a) The Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

(b) The Company

	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Share- based payments reserve RMB'000	FVTOCI reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	521,249	—	27,480	2,448	—	20,872	(38,599)	533,450
Total comprehensive expense for the year	—	—	—	—	—	(41,393)	(4,325)	(45,718)
Repurchase of shares	—	(4,575)	—	—	—	—	—	(4,575)
Transaction costs attributable to repurchase of shares	—	(7)	—	—	—	—	—	(7)
Share-based payments	—	—	—	—	10,036	—	—	10,036
At 31 December 2023 and 1 January 2024	521,249	(4,582)	27,480	2,448	10,036	(20,521)	(42,924)	493,186
Total comprehensive expense for the year	—	—	—	—	—	(37,574)	(1,660)	(39,234)
Repurchase of shares	—	(628)	—	—	—	—	—	(628)
Transaction costs attributable to repurchase of shares	—	(1)	—	—	—	—	—	(1)
Share-based payments	—	—	—	—	13,060	—	—	13,060
Forfeit of share options	—	—	—	—	(1,915)	—	1,915	—
At 31 December 2024	521,249	(5,211)	27,480	2,448	21,181	(58,095)	(42,669)	466,383

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

33. RESERVES (Continued)

(c) Nature and purpose of reserves

Share premium

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

Capital reserve

Capital reserve represents capital reserve of Beijing Ophyer Technology Shares Co., Limited and amount recognised upon the termination of the preferred rights of shares of Beijing Ophyer Technology Shares Co., Limited and conversion of preferred shares of the Company before the Listing.

Other reserve

Other reserve mainly represented the adjustments arising from the modification, and subsequent termination of preferred rights of shares of Beijing Ophyer Technology Shares Co., Limited before the Listing, and adjustment arising from the reorganisation of the Group.

Translation reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies in note 3 to the consolidated financial statements.

Share-based payments reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

FVTOCI reserve

FVTOCI reserve comprises the cumulative net change in the fair value of equity investments at fair value through other comprehensive income held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3 to the consolidated financial statements.

33. RESERVES (Continued)

(c) Nature and purpose of reserves (Continued)

Statutory reserve funds

Pursuant to the relevant PRC rules and regulations, the Company's subsidiaries (including Consolidated Affiliated Entities) established in the PRC are required to transfer no less than 10% of its profits after taxation, after offsetting any prior years' loss as determined under the Company Law of the PRC, to the statutory reserve funds until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders of these PRC subsidiaries (including Consolidated Affiliated Entities).

34. SHARE-BASED PAYMENTS

A share option scheme was adopted pursuant to a resolution passed on 8 September 2022 for the primary purpose of providing incentives to the directors and eligible employees of the Group. On 14 July 2023, the Company granted a total of 72,497,000 share options to eligible grantees, subject to acceptance of the grantees, to subscribe for a total of 72,497,000 ordinary shares of the Company of US\$0.00001 each under the Scheme.

The options shall lapse at the expiry of five years from the date of grant (the "**Expected Life**"). The options shall be vested in three tranches: (a) 30% shall be vested on the first anniversary of the date of grant and be exercisable at any time during the period from the first anniversary of the date of grant to the end of the Expected Life ("**Tranch A**"); (b) 30% shall be vested on the second anniversary of the date of grant and be exercisable at any time during the period from the second anniversary of the date of grant to the end of the Expected Life ("**Tranch B**"); and (c) 40% shall be vested on the third anniversary of the date of grant and be exercisable at any time during the period from the third anniversary of the date of grant to the end of the Expected Life ("**Tranch C**").

Exercise price of the options granted is HK\$1.78 per share, which was determined by the directors of the Company, being the higher of (i) the closing price of HK\$1.78 per share as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of HK\$1.734 per share as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share, which is US\$0.00001.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

34. SHARE-BASED PAYMENTS (Continued)

Details of specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period
Tranch A	14 July 2023	14 July 2023–13 July 2024	14 July 2024–13 July 2028
Tranch B	14 July 2023	14 July 2023–13 July 2025	14 July 2025–13 July 2028
Tranch C	14 July 2023	14 July 2023–13 July 2026	14 July 2026–13 July 2028

The following table discloses movement of the share options outstanding during the year:

	Number of share options	
	2024 '000	2023 '000
Outstanding at the beginning of the year	61,665	—
Granted	—	72,497
Lapsed	(14,438)	(10,832)
Outstanding at the end of the year	47,227	61,665
Exercisable at the end of the year	14,168	—

The estimated fair value of the options granted on 14 July 2023 are from HK\$0.69 to HK\$0.91.

These fair values were calculated using the Binomial model. The inputs into the model were as follows:

Exercise price	HK\$1.78
Expected volatility	54.64%
Expected life	5 years
Risk-free rate	3.43%
Expected dividend yield	0.00%

Expected volatility was determined by using the historical share price movement of the comparable listed companies over the period close to the Expected Life.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

35. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Amount due to controlling shareholders RMB'000	Borrowings RMB'000	Lease liabilities RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2023	—	80,000	5,888	85,888
Changes in cash flows	—	10,331	(5,235)	5,096
Non-cash changes				
— Additions	—	—	2,583	2,583
— Interest charged	—	4,669	159	4,828
At 31 December 2023 and 1 January 2024	—	95,000	3,395	98,395
Changes in cash flows	14,000	(13,361)	(4,903)	(4,264)
Non-cash changes				
— Additions	—	—	3,639	3,639
— Early termination	—	—	(488)	(488)
— Interest charged	—	6,361	50	6,411
At 31 December 2024	14,000	88,000	1,693	103,693

36. CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities (2023: nil).

37. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	2024 RMB'000	2023 RMB'000
Salaries and other benefits	4,609	3,546
Discretionary bonus	2,079	2,423
Equity-settled share-based payments	9,593	5,938
Retirement benefits scheme contributions	602	515
	16,883	12,422

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 31 March 2025.



Definitions

"advertising customer(s)"	advertising customers include advertisers and their agents
"AGM"	the annual general meeting of the Company
"AI"	artificial intelligence
"AIGC"	AI generated content
"Anji Flowing Cloud"	Anji Flowing Cloud Technology Co., Ltd.* (安吉飛天雲動科技有限公司), a limited company established under the laws of the PRC on October 31, 2022 and an indirect wholly-owned subsidiary of the Company
"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
"Articles of Association"	the amended and restated articles of association of the Company
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"B-end"	business-end
"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 under the laws of the PRC on November 17, 2021 and an indirect wholly-owned subsidiary of the Company
"Beijing Xingshi"	Beijing Xingshi Hudong Media Technology Co., Ltd.* (北京星矢互動傳媒科技有限公司), a limited liability company established under the laws of the PRC on April 10, 2020 and one of the Consolidated Affiliated Entities
"Board"	the board of Directors of the Company
"C-end"	customer-end
"Catalog"	the Catalog of Industries Encouraged for Foreign Investment (2020 version) jointly promulgated by the MOFCOM and the NDRC on December 27, 2020 and became effective on January 27, 2021, as amended, supplemented or otherwise modified from time to time
"Chairman"	the chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this annual report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules



"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: 06610)
"Consolidated Affiliated Entities "	the entities we control through the Contractual Arrangements, namely Ophyer Technology, Hupo Jinyuan, Zhongrunxing, Shenzhen Huachuang and Beijing Xingshi, the details of which are set out in the section headed "Continuing Connected Transaction" in this annual report
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders, the details of which are set out in the section headed "Continuing Connected Transaction" in this annual report
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and, unless the context requires otherwise, refers to Mr. Wang, Wanglei Co., Ltd., Cyber Warrior Holdings Limited and Brainstorming Cafe Limited
"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
"ESG"	Environmental, Social and Governance
"FVTOCI"	fair value through other comprehensive income
"Group", "Flowing Cloud", "our", "we" or "us"	the Company, its subsidiaries and the Consolidated Affiliated Entities at the relevant time
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Companies Ordinance"	Chapter 622 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"Hong Kong dollars" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hupo Jinyuan"	Beijing Hupo Jinyuan Media Co., Ltd.* (北京琥珀金源傳媒有限公司) (formerly known as Beijing Hupo Jinyuan Technology Co., Ltd.* (北京琥珀金源科技有限公司)), a limited liability company established under the laws of the PRC on March 29, 2011 and one of the Consolidated Affiliated Entities
"IFRS"	International Financial Reporting Standards
"IP"	intellectual property
"Listing"	listing of the Shares on the Main Board of the Stock Exchange



Definitions

"Listing Date"	October 18, 2022, being the date from which the Shares were listed 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
"MCN"	multi-channel network
"Memorandum and Articles of Association"	the amended and restated Memorandum and Articles of Association
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry of the PRC (中華人民共和國信息產業部))
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MR"	mixed reality, a blend of physical world and digital world
"Mr. Wang"	Mr. Wang Lei (汪磊), a Controlling Shareholder, an executive Director, the chairman of the Board and the chief executive officer of the Company
"NDRC"	National Development and Reform Commission (國家發展和改革委員會)
"Negative List"	the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 version), most recently jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and became effective on January 1, 2022, as amended, supplemented or otherwise modified from time to time
"Nomination Committee"	the nomination committee of the Board
"Ophyer HK"	Flowing Cloud Technology (HK) Limited (飛天雲動(香港)科技有限公司), a company incorporated in Hong Kong with limited liability on August 10, 2021, an indirect wholly-owned subsidiary of the Company
"Ophyer Technology"	Beijing Ophyer Technology Shares Co., Ltd.* (北京掌中飛天科技股份有限公司) (formerly known as Beijing Hengchuang Zhaoye Technology Co., Ltd.* (北京恒創兆業科技股份有限公司) and Beijing Ophyer Technology Co., Ltd.* (北京掌中飛天科技有限公司)), a limited liability company established under the laws of the PRC on March 19, 2008 and one of the Consolidated Affiliated Entities
"PGC"	professionally generated content



"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
"Registered Shareholders"	direct shareholders of Ophyer Technology, namely Mr. Wang, Mr. Li Yanhao, Ms. Peng Si (彭思), Ms. Li Shu Lan (李淑蘭), Ms. Song Lifang (宋麗芳), Mr. Wang Chongling (王崇嶺), Ms. Yi Huimin (益惠敏), Ms. Li Xiujie (李秀傑), Mr. Liang Hui (梁輝), Shanghai Wangyue (as defined in the Prospectus), Xi'an Zhiyao (as defined in the Prospectus), Xi'an Biyue (as defined in the Prospectus), Grand Canal (Nanjing) (as defined in the Prospectus), Ningbo Midu (as defined in the Prospectus), Tongchuang Weiye (as defined in the Prospectus), SAIF Dynamiques (as defined in the Prospectus), Hefei Shuimu (as defined in the Prospectus), Shaanxi Big Data (as defined in the Prospectus), Guochuang Feitian (as defined in the Prospectus), Kaiyuan Future (as defined in the Prospectus), Tianjin Xinghuo (as defined in the Prospectus), Zhongtong Xinyuan (as defined in the Prospectus), Nanchang Xiaolan (as defined in the Prospectus), Shenzhen Chestnut (as defined in the Prospectus), Shenzhen Linghang (as defined in the Prospectus), Jinan Taiyue (as defined in the Prospectus), Hainan Yilin (as defined in the Prospectus) and Shanghai Zheji (as defined in the Prospectus)
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the one-year period from January 1, 2024 to December 31, 2024
"SaaS"	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
"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)
"Shenzhen Huachuang"	Shenzhen Huachuang Yunjing Technology Co., Ltd.* (深圳市華創雲景科技有限公司), a limited liability company established under the laws of the PRC on January 12, 2021 and one of the Consolidated Affiliated Entities
"Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules



Definitions

"VATS"	value-added telecommunication services
"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
"Wang Family Trust"	the trust established by Mr. Wang as the settlor and protector, with Vistra Trust (Singapore) Pte. Limited as the trustee
"XR"	extended reality, a combined term for AR, VR and MR
"Zhongrunxing"	Zhongrunxing (Beijing) Culture Media Co., Ltd.* (中潤星(北京)文化傳媒有限公司), a limited liability company established under the laws of the PRC on November 13, 2017 and one of the Consolidated Affiliated Entities
"%"	percent

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this annual report are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

The English names of the PRC entities mentioned in this annual report which are marked with "*" are translated, or transliterated from the Chinese name and are for identification purposes only.