



飞天云动
FLOWING CLOUD

Flowing Cloud Technology Ltd
飛天雲動科技有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6610



INTERIM REPORT

2025

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Lei (*Chairman and Chief Executive Officer*)
Ms. Xu Bing
Mr. Li Yao

Independent Non-executive Directors

Mr. Jiang Yi
Ms. Chen Yuelin
(*appointed with effect from March 3, 2025*)
Mr. Li Shaojie
(*appointed with effect from June 3, 2025*)
Mr. Tan Deqing (*resigned with effect from June 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*)
(*ceased with effect from March 3, 2025*)
Mr. Jiang Yi
Mr. Li Shaojie (*appointed with effect from June 3, 2025*)
Mr. Tan Deqing (*ceased with effect from June 3, 2025*)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

INVESTMENT COMMITTEE

Mr. Wang Lei (*Chairman*)
Ms. Xu Bing
Mr. Li Yao
Mr. Li Shaojie

AUDITOR

ZHONGHUI ANDA CPA Limited

Certified Public Accountants
Registered Public Interest Equity Auditor
23/F, Tower 2, Enterprise Square Five
38 Wang Chiu Road, Kowloon Bay
Kowloon, 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

Shop 8, Jingyuan Art Center
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Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

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

Management Discussion and Analysis

BUSINESS REVIEW

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

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

I. Technology-driven innovation to strengthen the digital infrastructure

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

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

Management Discussion and Analysis

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

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

III. Honors to show user recognition and industry status

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

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



AR&VR marketing services

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

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

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

AR&VR content

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

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

Management Discussion and Analysis

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

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

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

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



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

Management Discussion and Analysis

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

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

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



Future Outlook

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

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

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

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

AR&VR marketing services

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

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

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

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

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

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

AR&VR content

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

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 periods indicated:

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

Integrated Marketing

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

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

AR&VR SaaS

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

Others

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

Cost of Revenue

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

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

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

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

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

Management Discussion and Analysis

AR&VR marketing services and integrated marketing services

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

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

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

AR&VR content

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

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

Management Discussion and Analysis

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

Gross Profit and Gross Profit Margin

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

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

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

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

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

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

Management Discussion and Analysis

Other Income

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

Impairment Losses of Trade Receivables

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

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

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

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

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

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

Distribution and Selling Expenses

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

Administrative Expenses

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

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

Research and Development Expenses

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

Finance Costs

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

Income Tax Credit/(Expense)

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

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

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

Trade Receivables

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

Management Discussion and Analysis

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

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

Prepayments

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

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

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

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

Trade payables

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

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

Borrowings

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

Contingent Liabilities

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

Liquidity and Capital Resources

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

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

Capital Expenditures

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

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

Charge of Assets

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

Gearing Ratio

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

Foreign Exchange Risk Management

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

Financial Instrument

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

Management Discussion and Analysis

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

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

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

Other Information

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Mr. Jiang Yi has been an executive partner of Ganzhou Hengye Shuke Digital Economic Technology Firm (Limited Partnership)* (贛州恒業數科數字經濟技術合夥企業(有限合夥)) since 2022, an executive partner of Huaian Juxing Hengzhong Digital Intelligence Technology Firm (Limited Partnership)* (淮安聚行恒眾數字智能科技合夥企業(有限合夥)) since 2023, and an executive partner of Hengye Intelligence Technology Investment (Hainan) Firm (Limited Partnership)* (恒業智能科技投資(海南)合夥企業(有限合夥)) since 2024. He resigned from his position as an 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) in 2024.

Save as disclosed above, there were no other 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 13.51B(1) of the Listing Rules since the date of 2024 annual report of the Company.

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

USE OF PROCEEDS FROM LISTING

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

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

Intended application	Amount of net proceeds (HK\$ million)	Percentage of total net proceeds	Net proceeds brought forward for the Reporting Period (HK\$ million)	Utilized net proceeds for the Reporting Period (HK\$ million)	Unutilized net proceeds as of June 30, 2025 (HK\$ million)	Expected timetable for the use of unutilized net proceeds
To enhance our R&D capabilities and improve our services and products:						
(1) to develop and optimize our algorithms and data analysis capabilities;	53.2	10.0%	—	—	—	—
(2) to upgrade and iterate our AR&VR development engines;	42.6	8.0%	—	—	—	—
(3) to improve our operation capabilities;	37.2	7.0%	—	—	—	—
(4) to develop of our AR&VR content business;	37.2	7.0%	—	—	—	—
(5) to develop our AR&VR SaaS business; and	26.6	5.0%	—	—	—	—
(6) to procure IPs in support of the growth of our AR&VR content business and AR&VR SaaS business.	16.0	3.0%	—	—	—	—

Intended application	Amount of net proceeds (HK\$ million)	Percentage of total net proceeds	Net proceeds brought forward for the Reporting Period (HK\$ million)	Utilized net proceeds for the Reporting Period (HK\$ million)	Unutilized net proceeds as of June 30, 2025 (HK\$ million)	Expected timetable for the use of unutilized net proceeds
To enhance our sales and marketing function:						
(1) to strengthen our brand image through marketing effort;	53.2	10.0%	—	—	—	—
(2) to enhance our brand awareness through online channels; and	26.6	5.0%	—	—	—	—
(3) to strengthen and optimize our sales and marketing network.	53.2	10.0%	—	—	—	—
For selected mergers, acquisitions, and strategic investments	79.8	15.0%	69.8	—	69.8	By the end of 2025
For the development of our Feitian Metaverse platform	53.1	10.0%	—	—	—	—
For our working capital and general corporate purposes	53.2	10.0%	—	—	—	—
Total	531.9	100.0%	69.8	—	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.

USE OF PROCEEDS FROM PLACING

On April 30, 2025 (after trading hours), the Company entered into a placing agreement (the **"Placing Agreement"**) with CNI Securities Group Limited (the **"Placing Agent"**), pursuant to which the Company appointed the Placing Agent as its agent to procure not less than six placees (who and whose ultimate beneficial owners shall be independent of and not connected with the Company and its connected persons) (the **"Placees"**) to subscribe for up to 361,000,000 Shares (the **"Placing Share(s)"**) at a price of HK\$0.201 per Placing Share on a best effort basis pursuant to the terms and conditions set out in the Placing Agreement (the **"Placing"**). The Placees are individual(s), corporations(s) and/or institutional or other professional investor(s). The Placing Shares were allotted and issued under the general mandate granted to the Directors pursuant to a resolution passed by the Shareholders at the annual general meeting of the Company convened and held on May 28, 2024 to allot and issue up to 362,000,000 new Shares. The price of HK\$0.201 per Placing Share (exclusive of

Other Information

any brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy) was determined on an arm's length basis between the Company and the Placing Agent with reference to, among other things, the prevailing market price of the Shares and the liquidity of the Shares on the Stock Exchange. The Placing Price represents: (a) a discount of approximately 19.60% to the closing price of HK\$0.250 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (b) a discount of approximately 17.96% to the average closing price of HK\$0.245 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement. The net price per Placing Share is approximately HK\$0.20. Please refer to the announcements of the Company dated April 30, 2025 and May 19, 2025 for more details (collectively, the "**Announcements**").

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

The completion of the Placing took place on May 19, 2025. An aggregate of 361,000,000 Placing Shares (with an aggregate nominal value of US\$3,610) have been placed to not less than six Placees at the price of HK\$0.201 per Placing Share. The gross proceeds from the Placing amounted to approximately HK\$72.56 million, and the net proceeds from the Placing (after deducting the placing commission payable to the Placing Agent and other expenses incurred in the Placing) amounted to approximately HK\$71.62 million. The table below sets forth the intended application of the net proceeds and actual usage as of June 30, 2025:

Intended application	Amount of net proceeds (HK\$ million)	Percentage of total net proceeds	Utilized net proceed as of June 30, 2025 (HK\$ million)	Unutilized net proceeds as of June 30, 2025 (HK\$ million)	Expected timetable for the use of unutilized net proceeds
To enhance the R&D capabilities and improving services and products	42.97	60.0%	19.29	23.68	By the end of 2025
To enhance sales and marketing function	21.49	30.0%	10.50	10.99	By the end of 2025
For our general working capital purposes	7.16	10.0%	3.50	3.66	By the end of 2025
Total	71.62	100.0%	33.29	38.33	

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

INTERIM DIVIDEND

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

POST-IPO SHARE OPTION SCHEME

We have adopted the Post-IPO Share Option Scheme on September 8, 2022. The total number of Shares which remains available for issue under the Post-IPO Share Option Scheme was 181,000,000 Shares, being approximately 8.4% of the total number of Shares in issue (excluding treasury shares) as at the date of this interim report. The number of options available for grant under the Post-IPO Share Option Scheme was 108,503,000 Shares and 108,503,000 Shares (representing approximately 5.0% of the total number of Shares in issue (excluding treasury shares) as of June 30, 2025 and the date of this interim report) at the beginning and the end of the six months ended June 30, 2025, respectively.

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		Outstanding as of January 1,		Date of grant	Granted	Exercised	Cancelled	Lapsed	Outstanding as of
		2025							June 30,
Post-IPO Share Option Scheme									
Directors									
Mr. Wang Lei	Note 1	1,800,000		July 14, 2023	—	—	—	—	1,800,000
Ms. Xu Bing		1,800,000		July 14, 2023	—	—	—	—	1,800,000
Mr. Li Yao		1,800,000		July 14, 2023	—	—	—	—	1,800,000
Employee participants in aggregate									
Employees	Note 1	41,827,000		July 14, 2023	—	—	—	17,459,000	24,368,000
Total		47,227,000			—	—	—	17,459,000	29,768,000

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.

- (2) The number of Shares that may be issued in respect of options granted under all schemes of the Company during the six months ended June 30, 2025 divided by the weighted average number of Shares in issue (excluding treasury shares) for the period was 1.37%.

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

As of June 30, 2025, 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⁾	671,621,900	30.97	Long position
Ms. Xu Bing	Beneficial owner ⁽²⁾	1,800,000	0.08	Long Position
Mr. Li Yao	Beneficial owner ⁽²⁾	1,800,000	0.08	Long Position

Notes:

- (1) Mr. Wang is interested in 669,821,900 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 30% by Wanglei Co., Ltd. ("**Wang BVI**") and 70% by Cyber Warrior Holdings Limited ("**Cyber Warrior**"). Wang BVI is wholly owned by Mr. Wang. Cyber Warrior is wholly owned by Moomoo Trustee (Singapore) Pte. Ltd., the trustee of a discretionary trust established for estate planning purposes by Mr. Wang as the settlor and protector and Wang BVI as the beneficiary.

As of June 30, 2025, Mr. Wang 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.

- (2) As of June 30, 2025, 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.
- (3) The percentage of shareholding was calculated based on the total number of Shares in issue (including treasury shares) as of June 30, 2025, which was 2,168,328,000 Shares.

Interests in Shares of Associated Corporations

Name of Director	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 of June 30, 2025, 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 interim 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.

Other Information

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

As of June 30, 2025, 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⁾	669,821,900	30.89	Long position
Moomoo Trustee (Singapore) Pte. Ltd.	Trustee ⁽²⁾	669,821,900	30.89	Long position
Cyber Warrior Holdings Limited	Interest in controlled corporation ⁽²⁾	669,821,900	30.89	Long position
Ms. Zhang Zimo	Interest of spouse ⁽³⁾	671,621,900	30.97	Long position
Brainstorming Cafe Limited	Beneficial owner	669,821,900	30.89	Long position

Notes:

- (1) Mr. Wang is interested in 669,821,900 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 30% by Wanglei Co., Ltd. ("**Wang BVI**") and 70% by Cyber Warrior Holdings Limited ("**Cyber Warrior**"). Wang BVI is wholly owned by Mr. Wang. Cyber Warrior is wholly owned by Moomoo Trustee (Singapore) Pte. Ltd., the trustee of a discretionary trust established for estate planning purposes by Mr. Wang as the settlor and protector and Wang BVI as the beneficiary.

As of June 30, 2025, Mr. Wang 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.

- (2) Cyber Warrior is wholly owned by Moomoo Trustee (Singapore) Pte. Ltd., 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 Wang BVI. 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.
- (4) The percentage of shareholding was calculated based on the total number of Shares in issue (including treasury shares) as of June 30, 2025, which was 2,168,328,000 Shares.

Save as disclosed above, as of June 30, 2025, 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.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

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

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

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On September 9, 2025 (after trading hours), the Company entered into a placing agreement with CNI Securities Group Limited (the **"Placing Agent"**), pursuant to which the Company appointed the Placing Agent as its agent to procure not less than six placees (who and whose ultimate beneficial owners shall be independent of and not connected with the Company and its connected persons) (the **"Placees"**) to subscribe for up to 433,429,200 Shares (the **"Placing Share(s)"**) at a price of HK\$0.174 per Placing Share on a best effort basis pursuant to the terms and conditions set out in the placing agreement. The Placees are individual(s), corporations(s) and/or institutional or other professional investor(s). The Placing Shares will be allotted and issued by the Company to the Placee(s) under the General Mandate, pursuant to which the Directors are authorized to allot, issue and otherwise deal with up to 433,429,200 Shares, representing 20% of the total number of issued Shares (excluding treasury Shares) as at the annual general meeting of the Company held on 28 May 2025 approving, among other matters, the granting of the General Mandate. Please refer to the announcement of the Company dated September 9, 2025 for further details.

Save as disclosed above, there is no other subsequent event after the Reporting Period which has a material impact on the Group.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS AND SIMILAR RIGHTS

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

AUDIT COMMITTEE

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

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

Other Information

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

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

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

Independent Review Report



TO THE BOARD OF DIRECTORS OF FLOWING CLOUD TECHNOLOGY LTD

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 32 to 47 which comprises the condensed consolidated statement of financial position of Flowing Cloud Technology Ltd (the “**Company**”) and its subsidiaries as at 30 June 2025 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the interim financial information. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Yeung Hong Chun

Practising Certificate Number P07374

Hong Kong, 29 August 2025

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2025

	Notes	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue	5	381,313	448,013
Cost of revenue		(300,660)	(322,774)
Gross profit		80,653	125,239
Other income		46	110
Other (losses)/gains, net	6	(548)	1,809
(Impairment losses)/reversal of impairment loss of trade receivables		(85,064)	620
Distribution and selling expenses		(67,862)	(8,701)
Administrative expenses		(14,960)	(27,725)
Research and development expenses		(46,116)	(14,350)
Finance costs		(2,061)	(2,567)
(Loss)/profit before tax		(135,912)	74,435
Income tax credit/(expense)	7	12,415	(10,962)
(Loss)/profit for the period	8	(123,497)	63,473
Other comprehensive (expense)/income after tax:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on equity investments at fair value through other comprehensive income		(6,245)	(18,784)
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(450)	365
Other comprehensive expense for the period, net of tax		(6,695)	(18,419)
Total comprehensive (expense)/income for the period		(130,192)	45,054
(Loss)/profit for the period attributable to:			
— Owners of the Company		(123,508)	63,473
— Non-controlling interests		11	—
		(123,497)	63,473
Total comprehensive (expense)/income for the period attributable to:			
— Owners of the Company		(130,203)	45,054
— Non-controlling interests		11	—
		(130,192)	45,054
Basic and diluted (loss)/earnings per share (RMB cents)	10	(6.53)	3.51

Condensed Consolidated Statement of Financial Position

At 30 June 2025

	Notes	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Non-current assets			
Equipment		3,283	5,222
Right-of-use assets		2,211	1,963
Intangible assets	11	122,723	99,676
Equity investments at fair value through other comprehensive income		68,637	74,882
Investments at fair value through profit or loss		10,000	10,000
Deferred tax assets		24,072	10,512
		230,926	202,255
Current assets			
Trade receivables	12	781,056	641,885
Contract costs		1,090	1,157
Prepayments	13	721,032	755,418
Deposits and other receivables		3,917	4,698
Current tax assets		2,191	2,674
Bank and cash balances		20,995	162,422
		1,530,281	1,568,254
Current liabilities			
Trade and bills payables	14	255,072	190,821
Contract liabilities		9,193	29,059
Other payables and accruals		49,144	62,739
Borrowings	15	95,500	88,000
Lease liabilities		1,141	1,693
Current tax liabilities		6,865	1,195
		416,915	373,507
Net current assets		1,113,366	1,194,747
Total assets less current liabilities		1,344,292	1,397,002
Non-current liabilities			
Amount due to controlling shareholders	16	21,700	14,000
NET ASSETS		1,322,592	1,383,002

Condensed Consolidated Statement of Financial Position

At 30 June 2025

	Note	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Capital and reserves			
Share capital	17	154	128
Reserves		1,319,059	1,380,145
Equity attributable to owners of the Company		1,319,213	1,380,273
Non-controlling interests		3,379	2,729
TOTAL EQUITY		1,322,592	1,383,002

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025

	(Unaudited)												
	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Share-based	FVTOCI reserve RMB'000	Statutory	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
							payments reserve RMB'000		reserve funds RMB'000				
At 1 January 2025 (Audited)	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
Total comprehensive (expense)/income for the period	—	—	—	—	—	(450)	—	(6,245)	—	(123,508)	(130,203)	11	(130,192)
Issue of shares	26	66,836	—	—	—	—	—	—	—	—	66,862	—	66,862
Share-based payments	—	—	—	—	—	—	2,670	—	—	—	2,670	—	2,670
Forfeit of share options	—	—	—	—	—	—	(8,180)	—	—	8,180	—	—	—
Capital injection from non-controlling shareholder	—	—	—	—	—	—	—	—	—	(389)	(389)	639	250
Cancellation of shares	—	(4,582)	4,582	—	—	—	—	—	—	—	—	—	—
At 30 June 2025	154	583,503	(629)	174,174	34,520	(2,003)	15,671	(64,340)	53,760	524,403	1,319,213	3,379	1,322,592
At 1 January 2024 (Audited)	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 income/(expense) for the period	—	—	—	—	—	365	—	(18,784)	—	63,473	45,054	—	45,054
Share-based payments	—	—	—	—	—	—	6,832	—	—	—	6,832	—	6,832
Repurchase of shares	—	—	(628)	—	—	—	—	—	—	—	(628)	—	(628)
Transaction costs attributable to repurchase of shares	—	—	(1)	—	—	—	—	—	—	—	(1)	—	(1)
At 30 June 2024	128	521,249	(5,211)	174,174	34,520	(804)	16,868	(39,305)	53,760	745,380	1,500,759	2,730	1,503,489

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025

	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Net cash used in operating activities	(172,788)	(216,899)
Purchase of equipment	(99)	(1,883)
Purchase of intangible assets	(45,109)	—
Interest received	6	54
Net cash used in investing activities	(45,202)	(1,829)
New borrowings raised	100,500	85,000
Repayment of borrowings	(93,000)	(65,000)
Repayment of lease liabilities	(2,683)	(2,412)
Increase in amount due to controlling shareholders	7,700	6,000
Interest paid	(2,061)	(2,567)
Proceeds from issue of shares	66,862	—
Capital injection from non-controlling shareholder	250	—
Payment on repurchase of shares	—	(628)
Transaction costs attributable to repurchase of shares	—	(1)
Net cash generated from financing activities	77,568	20,392
Net decrease in cash and cash equivalents	(140,422)	(198,336)
Cash and cash equivalents at the beginning of the period	162,422	332,668
Effect of foreign exchange rate changes	(1,005)	641
Cash and cash equivalents at the end of the period represented by bank and cash balances	20,995	134,973

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

1. GENERAL INFORMATION

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

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

The immediate holding company of the Company is Brainstorming Cafe Limited, which was incorporated in the British Virgin Islands.

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

2. BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED IFRS ACCOUNTING STANDARDS

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

4. FAIR VALUE MEASUREMENT

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.

(a) Disclosures of level in fair value hierarchy at 30 June 2025:

Description	Fair value measurements using:		Total RMB'000
	Level 1 RMB'000	Level 3 RMB'000	
Recurring fair value measurements:			
At 30 June 2025 (Unaudited)			
Equity investments at fair value through other comprehensive income			
— Equity securities listed in Hong Kong	68,637	—	68,637
Investments at fair value through profit or loss			
— Private equity funds	—	10,000	10,000
Total recurring fair value measurements	68,637	10,000	78,637
At 31 December 2024 (audited)			
Equity investments at fair value through other comprehensive income			
— Equity securities listed in Hong Kong	74,882	—	74,882
Investments at fair value through profit or loss			
— Private equity funds	—	10,000	10,000
Total recurring fair value measurements	74,882	10,000	84,882

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

4. FAIR VALUE MEASUREMENT *(Continued)*

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

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Investments at fair value through profit or loss At the beginning and end of the period	10,000	—

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2025:

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

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

Segment information

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

5. REVENUE AND SEGMENT INFORMATION (Continued)

Segment information (Continued)

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

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

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Foreign exchange (loss)/gain	(549)	612
Others	1	1,197
	(548)	1,809

7. INCOME TAX (CREDIT)/EXPENSE

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

Beijing Flowing Cloud Technology Co., Limited obtained the Software Enterprise Qualification during the year ended 31 December 2022. As at 30 June 2025 and 30 June 2024, the management assessed and concluded that, Beijing Flowing Cloud Technology Co., Limited could continuously fulfil the requirements for qualifying tax incentives for software enterprises for the year ended 31 December 2024 and the year ending 31 December 2025. Therefore, Beijing Flowing Cloud Technology Co., Limited is considered to enjoy 50% reduction for the six months ended 30 June 2025 and 2024.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

8. (LOSS)/PROFIT FOR THE PERIOD

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

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

9. DIVIDENDS

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

10. (LOSS)/EARNINGS PER SHARE

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

11. INTANGIBLE ASSETS

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

12. TRADE RECEIVABLES

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Trade receivables	924,802	700,567
Less: provision for loss allowance	(143,746)	(58,682)
	781,056	641,885

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

13. PREPAYMENTS

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

14. TRADE AND BILLS PAYABLES

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

15. BORROWINGS

	At 30 June 2025 RMB'000 (Unaudited)	At 31 December 2024 RMB'000 (Audited)
Bank borrowings	90,500	73,000
Other borrowings	5,000	15,000
	95,500	88,000

Borrowings are unsecured and repayable within one year.

The range of interest rates as at 30 June 2025 were 2.40%–4.42% (31 December 2024: 0.00%–5.80%) per annum.

As at 30 June 2025, borrowings amounted to RMB10,000,000 (31 December 2024: RMB15,000,000) were guaranteed by third-party financial guarantee companies.

16. AMOUNT DUE TO CONTROLLING SHAREHOLDERS

The amount is unsecured, interest-free and repayable on 31 December 2027.

17. SHARE CAPITAL

Ordinary shares of US\$0.00001 each

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

17. 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 30 June 2025, 1,182,000 (31 December 2024: 3,854,000) repurchased shares were not cancelled and were recognised in treasury shares, remaining 2,672,000 (31 December 2024: nil) repurchased shares were cancelled during the six months ended 30 June 2025.

18. SHARE-BASED PAYMENTS

The following table discloses movement of the share options outstanding during the period:

	Number of share options Six months ended 30 June	
	2025 '000	2024 '000
Outstanding at the beginning of the period	47,227	61,665
Lapsed	(17,459)	(13,884)
Outstanding at the end of the period	29,768	47,781
Exercisable at the end of the period	8,930	—

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Salaries and other benefits	1,933	3,020
Retirement benefits scheme contributions	250	305
Discretionary bonus	699	812
Equity-settled share-based payments	1,483	4,585
	4,365	8,722

20. COMPARATIVE FIGURES

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

Definitions

"advertising customer(s)"	advertising customers include advertisers and their agents
"AFRC"	Accounting and Financial Reporting Council of Hong Kong
"AI"	artificial intelligence
"AR"	augmented reality, an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information
"Audit Committee"	the audit committee of the Board
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Beijing Flowing Cloud"	Beijing Flowing Cloud Technology Co., Ltd.* (北京飛天雲動科技有限公司), a limited company established in the PRC on November 17, 2021 and an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors of the Company
"Chairman"	the chairman of the Board
"China" or "the PRC"	the People's Republic of China excluding, for the purposes of this interim report, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Company"	Flowing Cloud Technology Ltd, an exempted company incorporated in the Cayman Islands with limited liability on June 24, 2021, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6610)
"Consolidated Affiliated Entities"	the entities the Group controls through the Contractual Arrangements
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders (as defined in the Prospectus), the details of which are set out in the section headed "Contractual Arrangements" in the Prospectus
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Director(s)"	the director(s) of the Company or any one of them
"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 dollars" or "HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"IP"	intellectual property
"Listing"	listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"MR"	mixed reality, a blend of physical world and digital world
"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
"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
"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 (李艷浩), 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 Xiuji (李秀傑), Mr. Liang Hui (梁暉), 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)

Definitions

"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the six months period from January 1, 2025 to June 30, 2025
"SaaS"	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
"Share(s)"	ordinary share(s) with nominal value of US\$0.00001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"United States dollars" or "US\$"	United States dollars, the lawful currency of the United States
"VR"	virtual reality, the computer generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way
"XR"	extended reality, a combined term for AR, VR and MR
"%"	percent

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this interim 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 interim report which are marked with "*" are translated, or transliterated from the Chinese name and are for identification purposes only.