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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 6610)**

## INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2026

The Board hereby announces the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2026 (the "**Reporting Period**") together with the comparative unaudited figures for the corresponding period in 2025 as follows:

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

## FINANCIAL HIGHLIGHTS

| | **For the six months ended June 30** | | |
|---|---|---|---|
| | **2026** | 2025 | Change |
| | ***RMB'000*** | *RMB'000* | |
| | **(Unaudited)** | (Unaudited) | |
| **Revenue** | **223,575** | 381,313 | -41.4% |
| **Gross profit** | **48,359** | 80,653 | -40.0% |
| **Loss before tax** | **(13,880)** | (135,912) | -89.8% |
| **Loss for the period** | **(16,666)** | (123,497) | -86.5% |
| **Total comprehensive expense for the period** | **(19,663)** | (130,192) | -84.9% |
| **Basic loss per share *(RMB)*** | **(0.12)** | (1.31) | -90.8% |

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2026*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2026** | 2025 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Revenue** | *4* | **223,575** | 381,313 |
| Cost of revenue | | **(175,216)** | (300,660) |
| **Gross profit** | | **48,359** | 80,653 |
| Other income | | **32** | 46 |
| Other losses, net | | **(1,586)** | (548) |
| Impairment losses of trade receivables | | **(15,515)** | (85,064) |
| Distribution and selling expenses | | **(4,068)** | (67,862) |
| Administrative expenses | | **(16,379)** | (14,960) |
| Research and development expenses | | **(22,937)** | (46,116) |
| Finance costs | | **(1,786)** | (2,061) |
| **Loss before tax** | | **(13,880)** | (135,912) |
| Income tax (expense)/credit | *5* | **(2,786)** | 12,415 |
| **Loss for the period** | *6* | **(16,666)** | (123,497) |
| **Other comprehensive expense after tax:** | | | |
| *Item that will not be reclassified to profit or loss:* | | | |
| Fair value loss on equity investments at fair value through other comprehensive income | | **(1,914)** | (6,245) |
| *Item that may be reclassified to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(1,083)** | (450) |
| **Other comprehensive expense for the period, net of tax** | | **(2,997)** | (6,695) |
| **Total comprehensive expense for the period** | | **(19,663)** | (130,192) |

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2026** | 2025 |
| | *Note* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **(Loss)/profit for the period attributable to:** | | | |
| — Owners of the Company | | **(14,972)** | (123,508) |
| — Non-controlling interests | | **(1,694)** | 11 |
| | | **(16,666)** | (123,497) |
| **Total comprehensive (expense)/income for the period attributable to:** | | | |
| — Owners of the Company | | **(17,969)** | (130,203) |
| — Non-controlling interests | | **(1,694)** | 11 |
| | | **(19,663)** | (130,192) |
| | | | (Restated) |
| Basic and diluted loss per share *(RMB)* | *8* | **(0.12)** | (1.31) |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 June 2026*

| | Notes | 30 June 2026 RMB'000 (Unaudited) | 31 December 2025 RMB'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Equipment | | **744** | 1,833 |
| Right-of-use assets | | **3,607** | 4,666 |
| Intangible assets | *9* | **105,637** | 108,758 |
| Equity investments at fair value through other comprehensive income | | **—** | 16,414 |
| Investments at fair value through profit or loss | | **9,867** | 9,867 |
| Deferred tax assets | | **10,512** | 10,512 |
| | | **130,367** | 152,050 |
| **Current assets** | | | |
| Trade receivables | *10* | **600,293** | 695,041 |
| Contract costs | | **773** | 781 |
| Prepayments | *11* | **761,167** | 635,011 |
| Deposits and other receivables | | **24,053** | 25,425 |
| Current tax assets | | **4,013** | 4,013 |
| Bank and cash balances | | **13,151** | 62,020 |
| | | **1,403,450** | 1,422,291 |
| **Current liabilities** | | | |
| Trade payables | *12* | **212,605** | 263,465 |
| Contract liabilities | | **23,778** | 7,316 |
| Other payables and accruals | | **63,734** | 70,665 |
| Borrowings | | **101,000** | 113,000 |
| Lease liabilities | | **2,473** | 2,043 |
| Current tax liabilities | | **6,906** | 411 |
| | | **410,496** | 456,900 |
| **Net current assets** | | **992,954** | 965,391 |

| | Note | **30 June 2026** | 31 December 2025 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Audited) |
| **Total assets less current liabilities** | | **1,123,321** | 1,117,441 |
| **Non-current liabilities** | | | |
| Amount due to controlling shareholders | | **15,786** | 6,790 |
| Lease liabilities | | **1,168** | 2,046 |
| | | **16,954** | 8,836 |
| **NET ASSETS** | | **1,106,367** | 1,108,605 |
| **Capital and reserves** | | | |
| Share capital | *13* | **185** | 185 |
| Reserves | | **1,103,769** | 1,103,978 |
| Equity attributable to owners of the Company | | **1,103,954** | 1,104,163 |
| Non-controlling interests | | **2,413** | 4,442 |
| **TOTAL EQUITY** | | **1,106,367** | 1,108,605 |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are primarily engaged in the provision of augmented reality and virtual reality ("**AR & VR**") marketing services, AR & VR & AI content, integrated marketing services, platform services, live promotion services, technology development and operation & maintenance services and relevant services.

## 2. BASIS OF PREPARATION

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

These condensed consolidated financial statements should be read in conjunction with the 2025 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 2025.

## 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 2026. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current period and prior years.

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

## 4. REVENUE AND SEGMENT INFORMATION

**Disaggregation of revenue from contracts with customers:**

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| AR&VR marketing service business | **148,769** | 214,652 |
| AR&VR&AI content business | **53,152** | 119,922 |
| Technology development and operation & maintenance services | **8,491** | — |
| Live promotion services | **6,321** | 3,416 |
| Integrated marketing services | **3,877** | 16,827 |
| Platform services | **1,187** | 14,174 |
| Others | **1,778** | 12,322 |
| | **223,575** | 381,313 |
| Timing of revenue recognition | | |
| At a point in time | **223,575** | 375,092 |
| Over time | **—** | 6,221 |
| | **223,575** | 381,313 |
| Geographical market | | |
| Chinese Mainland | **169,927** | 310,918 |
| Hong Kong | **53,648** | 70,395 |
| | **223,575** | 381,313 |

**Segment information**

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

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

| | **At 30 June 2026** *RMB'000* **(Unaudited)** | At 31 December 2025 *RMB'000* (Audited) |
|---|---|---|
| Chinese Mainland | **103,858** | 106,822 |
| Hong Kong | **6,130** | 8,435 |
| | **109,988** | 115,257 |

## 5. INCOME TAX EXPENSE/(CREDIT)

| | **Six months ended 30 June** | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current income tax | **2,786** | 1,145 |
| Deferred tax | **—** | (13,560) |
| | **2,786** | (12,415) |

## 6. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation of equipment | **1,356** | 2,039 |
| Depreciation of right-of-use assets | **1,393** | 2,371 |
| Amortization of intangible assets (included in cost of revenue, research and development expenses) | **31,775** | 23,603 |

## 7. DIVIDENDS

No dividends were paid or proposed during the six months ended 30 June 2026 (six months ended 30 June 2025: nil).

## 8. LOSS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Loss | | |
| Loss for the purpose of calculating basic and diluted loss per share | **(14,972)** | (123,508) |
| | **'000** | '000 |
| | | (Restated) |
| Number of shares | | |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share after adjusting the share consolidated effect on 5 December 2025 | **130,029** | 94,595 |

The effects of all potential shares are anti-dilutive for the six months ended 30 June 2026 and 2025.

## 9. INTANGIBLE ASSETS

During the six months ended 30 June 2026, the Group acquired software of RMB28,891,000.

## 10. TRADE RECEIVABLES

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

| | **At 30 June** | At 31 December |
|---|---|---|
| | **2026** | 2025 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 6 months | **174,670** | 323,886 |
| Over 6 months but within 1 year | **194,250** | 187,736 |
| Over 1 year but within 2 years | **179,862** | 163,774 |
| Over 2 years | **51,511** | 19,645 |
| | **600,293** | 695,041 |

## 11. PREPAYMENTS

| | **At 30 June 2026** | At 31 December 2025 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Prepayments for purchases of advertising traffic | **746,809** | 629,754 |
| Prepayments for outsourcing service | **13,451** | 4,201 |
| Prepayments for intangible assets | **102** | 102 |
| Others | **805** | 954 |
| | **761,167** | 635,011 |

## 12. TRADE PAYABLES

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

| | **At 30 June 2026** | At 31 December 2025 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 6 months | **104,956** | 187,536 |
| Over 6 months but within 1 year | **75,808** | 42,746 |
| Over 1 year but within 2 years | **4,050** | 5,345 |
| Over 2 years but within 3 years | **1,271** | 9,425 |
| Over 3 years | **26,520** | 18,413 |
| | **212,605** | 263,465 |

## 13. SHARE CAPITAL

**Ordinary shares of US$0.00020 each**

| | Notes | Number of ordinary shares *'000* | Nominal value of ordinary shares *US$'000* | Equivalent nominal value of ordinary shares *RMB'000* |
|---|---|---|---|---|
| Authorised: | | | | |
| At 1 January 2025 | | 5,000,000 | 50 | 319 |
| Share consolidation | *(a)* | (4,750,000) | — | — |
| **At 31 December 2025, 1 January 2026 and 30 June 2026** | | **250,000** | **50** | **319** |
| Issued and fully paid: | | | | |
| At 1 January 2025 | | 1,810,000 | 18 | 128 |
| Issues of shares | *(b)* | 361,000 | 4 | 26 |
| Issues of shares | *(c)* | 433,429 | 4 | 31 |
| Cancellation of shares | | (2,672) | — | — |
| Share consolidation | *(a)* | (2,471,669) | — | — |
| **At 31 December 2025, 1 January 2026 and 30 June 2026** | | **130,088** | **26** | **185** |

*Notes:*

(a) On 5 December 2025, every 20 ordinary shares of US$0.00001 each in the issued and unissued share capital of the Company were consolidated into one consolidated ordinary share of US$0.00020 each in the issued and unissued share capital of the Company.

(b) 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 HK$71,620,000 (equivalent to RMB66,862,000), after deducting share issue expenses of RMB674,000.

(c) On 30 September 2025, the Company issued 433,429,200 ordinary new shares at a subscription price of HK$0.174 per share for a total cash consideration of HK$74,531,000 (equivalent to RMB68,264,000), after deducting share issue expenses of RMB690,000.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

During the Reporting Period, the Augmented Reality and Virtual Reality ("**AR&VR**") market in China will have become a vital part of the country's broader technology ecosystem, demonstrating rapid growth and intense competition. This expansion is driven by advancements in hardware, software, and content development, along with substantial government support. The AR&VR sectors are increasingly integrated across industries such as entertainment, education, healthcare, retail, and manufacturing.

The competitive landscape in China's AR&VR sector includes both established technology giants and innovative startups. Companies are making significant investments in AR&VR technologies, leveraging their existing ecosystems to develop immersive platforms and applications. However, despite its remarkable growth, the AR&VR market faces several challenges. Key obstacles include high production costs, limited consumer adoption due to affordability concerns, and a lack of compelling content. Moreover, global competition and export restrictions on advanced technologies, such as high-performance chips, may impede market expansion.

For the Reporting Period, the principal activities of the Group mainly include engaging in (i) provision of AR&VR marketing services; (ii) AR, VR & artificial intelligence (AI) content; (iii) integrated marketing; (iv) platform services; (v) live promotion services; and (vi) Technology Development and Operation & Maintenance Services.

### AR&VR Marketing Services

AR&VR marketing services constituted the Group's primary source of revenue for the Reporting Period. By establishing strategic partnerships with media platforms and their representatives, the Group focused on delivering AR&VR marketing solution services to its advertising customers.

### AR, VR & AI Content

The Group primarily leverages its self-developed AR&VR development engine to create customized solutions tailored to the specific needs of customers across various sectors, including culture and tourism, education, internet and gaming. This innovative approach facilitates a diverse and immersive virtual experience for end users. During the Reporting Period, the Group further enhanced its offerings with its AI software platform, such platform offers clients a comprehensive suite of services, including AI-generated text, visual and image capabilities, and video content production.

The above services enable users to effectively create high-quality, professional-grade content with simple, clear instructions, all while remaining cost-effective.

**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 are designed to enhance customers' visibility, enhance fan engagement, and drive traffic to their videos and live streams by activating platform promotional campaigns.

**Platform Services**

The Group offers two main types of platform services for telecom operators: (i) the data processing gateway services; and (ii) product promotion services. The data processing gateway services include an API gateway that enables communication between telecom operators and end users. This gateway prioritizes the security of communications and the privacy of personal information. Furthermore, the Group offers product promotion services to telecom operators by formulating strategic marketing plans and delivering customised advertisements to users across various social media platforms. This approach is designed to improve the visibility and market reach of telecom operators' products.

**Live Promotion Services**

During the Reporting Period, the Group utilises its self-developed live streaming control and management system as a fundamental technological foundation to offer cost-effective broadcasting services for its digital humans broadcasters. This strategic approach helps reduce industry entry barriers and expands opportunities for streamers. By focusing on multi-channel network (MCN) entertainment streaming operations, the Group improves its cash flow through live-streaming rewards while also developing virtual intellectual property (IP) accounts to explore various commercialization paths. This initiative marks a significant shift from virtual entertainment to scalable digital workforce solutions, with the aim of establishing a comprehensive commercial service system centered around 3D digital humans.

**Technology Development and Operation & Maintenance Services**

Newly developed during the Reporting Period, the Group has created an AI application solution based on its independently developed platform (the "**Platform**"). Specific services include customer needs analysis and scenario design, AI agent planning and configuration, prompt and dialogue strategy design, speech recognition and speech synthesis, digital human avatar and content creation, business process orchestration, robot and other terminal access, API interface adaptation, human-machine collaboration and human-to-human transition mechanism construction, content publishing, data dashboards, operational analysis, version upgrades, and continuous maintenance. This service can be applied to scenarios such as top-tier spaces, cultural and tourism scenic spots, exhibition halls, commercial complexes, event venues, customer service, and sales consulting, helping customers transform their existing event operations, guided tours, customer service, marketing conversion, and on-site management processes into configurable, executable, replicable, and sustainably optimizable AI applications. Through the Platform, AI can extend from the digital space to the real physical space, assuming actual business roles on different terminals, improving customers' service efficiency, interactive experience, operational capabilities, and business conversion results.

## OUTLOOK

As we look towards the second half of 2026, the Group remains committed to becoming a leading provider of AI and Extend Reality (XR) digital solutions and content in China:

### (I) Advancing Technological Synergy

The Group is dedicated to increasing its research and development investment in the convergence of AI and XR technologies. A key focus will be improving the efficiency of AIGC (Artificial Intelligence-Generated Content) in 3D content creation. Our goal is to optimize production costs and promote the large-scale commercialisation of digital humans and digital assets, with the broadening of the service scope by means of the Platform.

### (II) Cultivating Long-term Value

Guided by its commitment to technological innovation and user satisfaction, the Group aims to bridge the gap between spatial computing and the real economy. Through this deep integration, we aspire to provide sustainable returns for our shareholders while delivering transformative digital value to society. The Board is confident that the Group's strong technical foundation, extensive industry expertise, and clearly defined strategic roadmap position us well to effectively leverage the rapid expansion of the digital economy and unlock broader growth opportunities.

## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group primarily generated revenue from the provision of AR & VR marketing services and the sales of AR, VR & AI content, which accounted for slightly more than 90% of the revenue generated during the Reporting Period.

For the six months ended June 30, 2026, the Group recognized total revenue of approximately RMB223.6 million, which represents a decrease of approximately 41.4% from approximately RMB381.3 million for the six months ended June 30, 2025. This decline was primarily driven by a reduction in revenue from AR&VR marketing services, AR, VR & AI content and integrated marketing.

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,** | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| AR & VR marketing service business | **148,769** | **66.5** | 214,652 | 56.3 |
| AR, VR & AI content business | **53,152** | **23.8** | 119,922 | 31.5 |
| Technology development, operations and maintenance services | **8,491** | **3.8** | — | — |
| Live promotion services | **6,321** | **2.8** | 3,416 | 0.9 |
| Integrated marketing services | **3,877** | **1.8** | 16,827 | 4.4 |
| Platform services | **1,187** | **0.5** | 14,174 | 3.7 |
| Others*(Note)* | **1,778** | **0.8** | 12,322 | 3.2 |
| | **223,575** | **100.0** | 381,313 | 100.0 |

*Note:* Other businesses mainly comprise live streaming services, virtual products businesses.

***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, 2026, the revenue generated from AR&VR marketing services was approximately RMB148.8 million, representing a decrease of approximately 30.7% from approximately RMB214.7 million for the six months ended June 30, 2025. This decline is mainly due 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,** | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| Gaming | **73,793** | **49.6** | 28,736 | 13.4 |
| Entertainment | **30,461** | **20.5** | 72,654 | 33.8 |
| Internet | **12,932** | **8.7** | 26,312 | 12.3 |
| E-commerce | **6,315** | **4.2** | 22,659 | 10.6 |
| Culture and tourism | **—** | **—** | 22,412 | 10.4 |
| Others | **25,268** | **17.0** | 41,879 | 19.5 |
| **Total** | **148,769** | **100.0** | 214,652 | 100.0 |

During the Reporting Period, the revenue generated from AR&VR marketing services primarily originated from advertising customers in various sectors, including gaming, entertainment, internet, e-commerce. As indicated in the table above, while the increase in revenue from the gaming industry compared with 2025, revenue from the entertainment, internet, and e-commerce industries decreased, resulting in an overall decline in revenue from AR&VR marketing services.

***AR, VR & AI content***

The Group generates revenue from the AR, VR & AI content business primarily through offering customized content to customers. For the six months ended on June 30, 2026, revenue from the AR, VR & AI content business reached approximately RMB53.2 million, representing a decrease of approximately 55.6% from approximately RMB119.9 million for the same period in 2025. The decline can be primarily attributed to a decrease in the number of AR, VR & AI content projects, resulting in an overall reduction in revenue from this sector.

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

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| Entertainment | **18,096** | **34.0** | 18,846 | 15.7 |
| Gaming | **—** | **—** | 74,745 | 62.3 |
| Education | **—** | **—** | 21,183 | 17.7 |
| Others | **35,056** | **66.0** | 5,148 | 4.3 |
| **Total** | **53,152** | **100.0** | 119,922 | 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 on June 30, 2026, revenue from its integrated marketing services reached approximately RMB3.9 million, representing a decrease of approximately 77.0% from approximately RMB16.8 million for the same period in 2025. This decrease can be primarily attributed to the contraction of businesses under the original business model, coupled with the growth in newly-added traditional marketing and promotion services.

***Platform Services***

The Group offers two main types of platform services for telecom operators: (i) the data processing gateway services; and (ii) product promotion services. The data processing gateway services include an API gateway that enables communication between telecom operators and end users, with prioritization given to security of communications and the privacy of personal information. Furthermore, the Group offers product promotion services to telecom operators by formulating strategic marketing plans and delivering customized advertisements to users across various social media platforms, designed to improve the visibility and market reach of telecom operators' products.

For the six months ended on June 30, 2026, revenue from its platform services reached approximately RMB1.2 million, representing a decrease of approximately 91.6% from approximately RMB14.2 million for the same period in 2025. This decrease can be primarily attributed to the industry regulatory rectification, which imposed higher standards on service providers in terms of information security, user privacy and promotional content. In order to comply with the new regulations, the Group proactively suspended and rectified its existing businesses, resulting in a temporary contraction in the scale of services available for commercial operation during the reporting period.

***Live Promotion Services***

During the Reporting Period, the Group utilises its self-developed live streaming control and management system as a fundamental technological foundation to offer cost-effective broadcasting services for its digital humans broadcasters and such approach reduces industry entry barriers and expands opportunities for streamers. By focusing on multi-channel network (MCN) entertainment streaming operations, the Group improves its cash flow through live-streaming rewards while also developing virtual intellectual property (IP) accounts to explore various commercialization paths.

For the six months ended on June 30, 2026, revenue from its live promotion services reached approximately RMB6.3 million, representing an increase of approximately 85.0% from approximately RMB3.4 million for the same period in 2025. Such increase in revenue can be primarily attributed to organic business expansion and increased customer demand. During the reporting period, the Company's digital human live-streaming promotion service business operated in a generally stable manner. With the continuous development of related businesses, the Company progressively accumulated project experience and customer resources, and its service capabilities and business undertaking capacity improved accordingly. Meanwhile, certain existing customers continued their cooperation and generated additional business demand, resulting in a year-on-year increase in business scale for the first half of 2026 compared with the same period in 2025.

***Technology Development and Operation & Maintenance Services***

Newly developed during the Reporting Period, the Group has created an AI application solution based on the Platform. Specific services include customer needs analysis and scenario design, AI agent planning and configuration, prompt and dialogue strategy design, speech recognition and speech synthesis, digital human avatar and content creation, business process orchestration, robot and other terminal access, API interface adaptation, human-machine collaboration and human-to-human transition mechanism construction, content publishing, data dashboards, operational analysis, version upgrades, and continuous maintenance. This service can be applied to scenarios such as top-tier spaces, cultural and tourism scenic spots, exhibition halls, commercial complexes, event venues, customer service, and sales consulting, helping customers transform their existing event operations, guided tours, customer service, marketing conversion, and on-site management processes into configurable, executable, replicable, and sustainably optimizable AI applications.

For the six months ended on June 30, 2026, revenue from its technology development and operation & maintenance services reached approximately RMB8.5 million.

***Others***

During the Reporting Period, revenue was generated from other businesses through live streaming services, virtual products businesses. For the six months ended June 30, 2026, revenue from other businesses amounted to approximately RMB1.8 million, representing a decrease of approximately 85.6% compared to RMB12.3 million for the same period in 2025. The decrease was due to the strategic adjustment of the Group's business structure, which actively contracted or discontinued some non-core businesses, including SAAS platform services. Despite the addition of live streaming services and virtual products businesses, these businesses were still in the early stage of development and failed to fill the gap in the decline of the original businesses, resulting in a significant decrease in the overall revenue from other businesses.

**Cost of Revenue**

The Group's cost of revenue consists of three main components (i) traffic acquisition costs, which refer to the expenses incurred for acquiring advertising traffic from media platforms or their agents, specifically related to the Group's AR & VR marketing services; (ii) subcontracting and development costs, which includes expenses for third-party service providers involved in designing and developing artistic elements, such as animations, special effects, and illustrations, used in the Group's AR, VR & AI interactive content. 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 & AI content offerings.

For the six months ended June 30, 2026, the Group's cost of revenue amounted to approximately RMB175.2 million, representing a decrease of approximately 41.7% as compared to approximately RMB300.7 million for the same period in 2025. The decline can be attributed primarily to the reduction in the cost of revenue of AR & VR marketing service business and AR, VR & AI content business, which fell in line with the decline in relevant revenue; meanwhile, the scale-down of business such as marketing business re-alignment led to a corresponding reduction in costs.

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, | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| AR & VR marketing service business | **129,284** | **73.8** | 185,620 | 61.7 |
| AR, VR & AI content business | **27,216** | **15.5** | 74,715 | 25.0 |
| Technology development and operation & maintenance services | **7,642** | **4.4** | — | — |
| Live promotion services | **5,613** | **3.2** | 2,294 | 0.7 |
| Integrated marketing services | **3,800** | **2.3** | 16,151 | 5.4 |
| Platform services | **754** | **0.4** | 13,408 | 4.5 |
| Others*(Note)* | **907** | **0.4** | 8,472 | 2.7 |
| | **175,216** | **100.0** | 300,660 | 100.0 |

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

***AR&VR marketing services***

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

| | For the six months ended June 30, | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| Gaming | **63,956** | **49.5** | 24,497 | 13.2 |
| Entertainment | **26,472** | **20.5** | 62,912 | 33.9 |
| Internet | **11,269** | **8.7** | 22,794 | 12.3 |
| E-commerce | **5,551** | **4.3** | 19,806 | 10.7 |
| Culture and tourism | **—** | **—** | 19,403 | 10.4 |
| Others | **22,036** | **17.0** | 36,208 | 19.5 |
| **Total** | **129,284** | **100.0** | 185,620 | 100.0 |

For the six months ended June 30, 2026, the Group's cost of revenue incurred by the AR&VR marketing services amounted to approximately RMB129.3 million, representing a decrease of approximately 30.3% as compared to approximately RMB185.6 million for the same period in 2025, primarily due to the reduction in advertising budgets by advertising customers amid the weak macro economy during the Reporting Period, resulting in a decrease in revenue from the Group's AR and VR marketing services, and a corresponding decrease in traffic acquisition costs.

***AR, VR & AI content***

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

| | **For the six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| | **(Unaudited)** | | (Unaudited) | |
| Entertainment | **19,553** | **71.8** | 15,641 | 20.9 |
| Gaming | **—** | **—** | 42,199 | 56.5 |
| Education | **—** | **—** | 12,340 | 16.5 |
| Others | **7,663** | **28.2** | 4,535 | 6.1 |
| **Total** | **27,216** | **100.0** | 74,715 | 100.0 |

For the six months ended June 30, 2026, the Group's cost of revenue incurred by the AR, VR & AI content services amounted to approximately RMB27.2 million, representing a decrease of approximately 63.6% as compared to approximately RMB74.7 million for the same period in 2025. The decrease in cost can be attributed primarily to the fluctuations in the cost of revenue from AR, VR & AI content services vary across industries during the Reporting Period, primarily due to the changes in each industry's overall revenue.

**Gross Profit and Gross Profit Margin**

For the six months ended June 30, 2026, the Group reported a gross profit of approximately RMB48.4 million, representing a decrease of approximately 40.0% compared to approximately RMB80.7 million for the same period in 2025. This decline in gross profit can be primarily attributed to the substantial reduction in revenue scale of core businesses, among which the gross profit margin of AR, VR and AI content businesses increased, but the overall revenue decreased significantly; Revenue from AR, VR marketing services declined due to weak macroeconomic conditions and tightening advertising customers' budgets.

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,** | | | |
|---|---|---|---|---|
| | **2026** | | 2025 | |
| | ***RMB'000*** **(Unaudited)** | ***Gross Profit Margin %*** | *RMB'000* (Unaudited) | *Gross Profit Margin %* |
| AR & VR marketing service business | **19,485** | **13.1** | 29,032 | 13.5 |
| AR, VR & AI content business | **25,936** | **48.8** | 45,207 | 37.7 |
| Technology development and operation & maintenance services | **849** | **10.0** | — | — |
| Live promotion services | **708** | **11.2** | 1,122 | 32.8 |
| Integrated marketing services | **78** | **2.0** | 676 | 4.0 |
| Platform services | **433** | **36.5** | 766 | 5.4 |
| Others*(Note)* | **870** | **48.9** | 3,850 | 31.2 |
| | **48,359** | **21.6** | 80,653 | 21.2 |

*Note:* Other businesses mainly comprise live streaming services, virtual products businesses.

**Other Income**

For the six months ended June 30, 2026, the Group's other income was approximately RMB32,000, which included tax refund and interest income from bank deposits. This amount represents a decrease of approximately 29.8% compared to approximately RMB46,000 for the same period in 2025. The decline in other income is primarily due to decrease in other tax refund.

**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, 2026, the carrying amount of trade receivables was RMB600.3 million, after accounting for an allowance for credit losses of RMB100.8 million. This represents a decrease of approximately RMB73.9 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 RMB174.7 million carried forward as of December 31, 2025. The decrease in the ECL allowance is mainly due to the write-off of the confirmed irrecoverable accounts receivable of the Company in the first half of 2026.

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

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

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

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

**Distribution and Selling Expenses**

During the six months ended June 30, 2026, the Group experienced a decrease in distribution and selling expenses, which totaled approximately RMB4.1 million, representing a decrease of approximately 94.0% compared to the RMB67.9 million recognized in the same period of 2025. The decrease in expenses is primarily due to the decrease in sales and marketing expenses.

**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, 2026, the Group's administrative expenses increased by approximately 9.5%, falling from approximately RMB15.0 million in the same period in 2025 to approximately RMB16.4 million. This growth can be attributed to the increase in business entertainment expenses.

**Research and Development Expenses**

For the six months ended June 30, 2026, the Group reported research and development expenses of approximately RMB22.9 million, representing a decrease of approximately 50.3% as compared to approximately RMB46.1 million spent during the same period in 2025. The primary reason for this decrease can be attributed to the Group's decrease in staff costs of R&D personnel. The Group did not capitalize any research and development expenses during the six months ended June 30, 2026.

**Finance Costs**

During the six months ended June 30, 2026, finance costs amounted to approximately RMB1.8 million, which represents a decrease of approximately 13.3% compared to approximately RMB2.1 million for the same period in 2025. This reduction is primarily due to decreased interest expenses from reduced borrowings.

**Income Tax (Expense)/Credit**

The Group's income tax position has increased, shifting from a credit of approximately RMB12.4 million for the six months ended June 30, 2025, to an expense of approximately RMB2.8 million for the six months ended June 30, 2026, primarily resulting from the Group's non-recognition of deferred tax benefits.

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

As a result of the foregoing, the Group incurred a loss of approximately RMB16.7 million for the six months ended June 30, 2026. This represents a reduction in loss of approximately RMB106.83 million in comparison to a loss of approximately RMB123.5 million for the corresponding period in 2025.

The net profit margin for the Group increased from approximately -32.4% in the first half of 2025 to -7.5% in the first half of 2026. This increase can be primarily attributed to the write-off of receivables confirmed as irrecoverable under impairment losses on trade receivables, together with decreases in sales and marketing expenses and staff costs for R&D personnel.

**Trade Receivables**

Trade receivables of the Group mainly relate to the amounts due from its customers who purchased AR&VR marketing services, AR, VR&AI content and integrated marketing, marketing promotion, platform services, technology development and operation and maintenance services, as well as other services or products.

The Group's trade receivables decreased from approximately RMB695.0 million as of December 31, 2025 to approximately RMB600.3 million as of June 30, 2026. This decline can be primarily attributed to the improvement in customer payment collection for AR&VR marketing services and AR, VR&AI content business. As of the date of this announcement, approximately RMB454.3 million, representing 52.2% of the Group's trade receivables as of December 31, 2025, has been settled.

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

**Prepayments**

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

The Group's prepayment increased from approximately RMB635.0 million as of December 31, 2025, to approximately RMB761.2 million as of June 30, 2026. This increase can be primarily attributed to the use of part of the prepayments to purchase advertising traffic to support the Group's AR and VR marketing services.

Prepayments made for the acquisition of advertising traffic to media platforms, as well as prepayments for subcontracting services, are generally refundable upon negotiation. 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, 2026, no impairment has been recognized on the total amount of these prepayments.

**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 decreased from approximately RMB263.5 million as of December 31, 2025, to approximately RMB212.6 million as of June 30, 2026. This decrease is primarily due to shorter payment cycles resulting from tighter credit policies adopted by the Group's suppliers.

**Borrowings**

The borrowings of the Group mainly comprise short-term borrowings from commercial banks in the PRC denominated in Renminbi. The borrowings decreased from RMB113.0 million as of December 31, 2025 to RMB101.0 million as of June 30, 2026, in line with the business development.

**Contingent Liabilities**

As of June 30, 2026, the Group did not have any material contingent liabilities (2025: nil).

**Liquidity and Capital Resources**

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

As of June 30, 2026, the Group had cash and bank balances of RMB13.15 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 RMB29.2 million, which principally consist of expenditures on intangible assets and equipment.

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

## Charge of Assets

As of June 30, 2026, the Group had no charge of assets (2025: nil).

## 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, 2026, 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, 2026. 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, 2026 (2025: nil).

## 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

*Equity Investment in Yichen and Disposal*

On February 5, 2026, the Company disposed on the open market a total of 22,995,000 H shares of Yichen, representing approximately 10.24% of the total issued H 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 listed on the main board of the Stock Exchange (stock code 1596) at an aggregate consideration of approximately HK$13.97 million (exclusive of transaction costs) (the "**Disposal**"). The average selling price (excluding transaction costs) for the Disposal is approximately HK$0.6077 per H share aforementioned.

For details of the Disposal, please refer to the Company's announcement dated February 5, 2026.

On March 18, 2026, the Company disposed on the open market a total of 2,600,000 H shares of Yichen, at an aggregate consideration of approximately HK$2.38 million (exclusive of transaction costs) (the "**Further Disposal**"). The average selling price (excluding transaction costs) for the Further Disposal is approximately HK$0.9150 per H share aforementioned. Upon completion of the Further Disposal, the Group no longer holds any shares in Yichen.

***Deemed Disposal of equity interests in a subsidiary***

References are made to the announcements of the Company dated 26 May 2026 and 15 July 2026 (collectively, the "**Subscription Announcement(s)**"). Capitalised terms under this sub-paragraph shall have the same meanings as those defined in the Subscription Announcements.

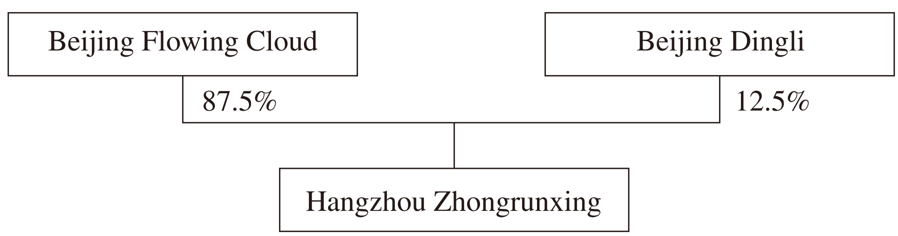
On 31 October 2025, Hangzhou Zhongrunxing entered into the Investment Agreement with Beijing Flowing Cloud, Beijing Dingli, and Lingshui Equity Fund. In accordance with the Investment Agreement, Lingshui Equity Fund will invest a total of RMB10,000,000, which includes a subscription to Hangzhou Zhongrunxing's newly increased registered capital of RMB250,000, and the remaining RMB9,750,000 will be allocated to Hangzhou Zhongrunxing's capital reserve (the "**Previous Subscription**").

Later, on 5 November 2025, Hangzhou Zhongrunxing entered into the Subscription Agreement with Anhui Tongchuang, Mr. Wang Lei, Beijing Flowing Cloud, and Beijing Dingli. According to the Subscription Agreement, Hangzhou Zhongrunxing will increase its registered capital from RMB3,000,000 to RMB3,750,000, with the final amount of the capital increase to be adjusted based on the total financing received. Furthermore, Anhui Tongchuang agreed to subscribe to Hangzhou Zhongrunxing's newly increased registered capital of RMB375,000. The total Subscription Amount is RMB15,000,000, with the remaining RMB14,625,000 to be allocated to Hangzhou Zhongrunxing's capital reserve (the "**Subscription**").

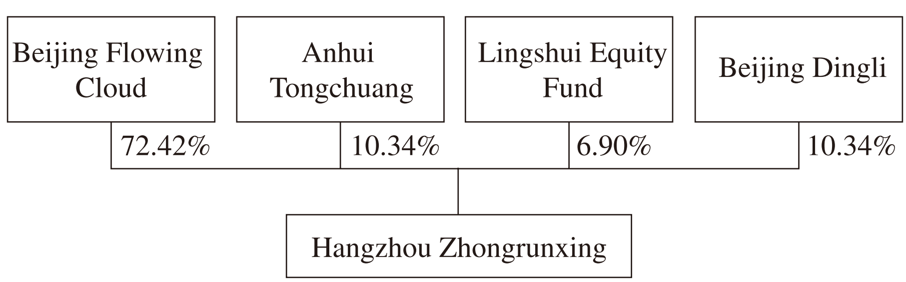
Amongst the above parties, Beijing Flowing Cloud is a company established under the laws of the PRC with limited liability. As of the date of this announcement, Beijing Flowing Cloud is wholly-owned by the Company. Beijing Dingli is a limited liability partnership established under the laws of the PRC. In this partnership, Mr. Wang Lei (汪磊), an executive Director, holds 90% beneficial interest, while Mr. Wang Peishan (汪培山) holds the remaining 10%.

Completion of the Subscription took place on 30 March 2026. The Previous Subscription, in view of the Announcement dated 15 July 2026, subject to the registration to complete the repurchase and cancellation process in connection with Beijing Zhongrunxing is anticipated to be finalised at around September 2026.

Prior to the completion of both the Previous Subscription and the Subscription, the shareholding structure of Hangzhou Zhongrunxing was as follows:




Upon the completion of both the Previous Subscription and the Subscription, the shareholding structure of Hangzhou Zhongrunxing will be as follows:




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

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

## EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2026, the Group had 82 full-time employees (as of June 30, 2025: 103), all of them are located in Chinese Mainland and Hong Kong.

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, 2026:

| 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, 2026 *(HK$ million)* | Expected timetable for the use of unutilized net proceeds |
|---|---|---|---|---|---|---|
| **To enhance our R&D capabilities and improve our services and products:** | | | | | | |
| (1) to develop and optimize our algorithms and data analysis capabilities; | 53.2 | 10.0% | 0.0 | — | 0.0 | — |
| (2) to upgrade and iterate our AR&VR development engines; | 42.6 | 8.0% | 0.0 | — | 0.0 | — |
| (3) to improve our operation capabilities; | 37.2 | 7.0% | 0.0 | — | 0.0 | — |
| (4) to develop of our AR&VR content business; | 37.2 | 7.0% | 0.0 | — | 0.0 | — |
| (5) to develop our AR&VR SaaS business; and | 26.6 | 5.0% | 0.0 | — | 0.0 | — |
| (6) to procure IPs in support of the growth of our AR&VR content business and AR&VR SaaS business. | 16.0 | 3.0% | 0.0 | — | 0.0 | — |
| **To enhance our sales and marketing function:** | | | | | | |
| (1) to strengthen our brand image through marketing effort; | 53.2 | 10.0% | 0.0 | — | 0.0 | — |
| (2) to enhance our brand awareness through online channels; and | 26.6 | 5.0% | 0.0 | — | 0.0 | — |
| (3) to strengthen and optimize our sales and marketing network. | 53.2 | 10.0% | 0.0 | — | 0.0 | — |
| **For selected mergers, acquisitions, and strategic investments** | 79.8 | 15.0% | 0.0 | — | 0.0 | — |
| **For the development of our Feitian Metaverse platform** | 53.1 | 10.0% | 0.0 | — | 0.0 | — |
| **For our working capital and general corporate purposes** | 53.2 | 10.0% | 0.0 | — | 0.0 | — |
| **Total** | 531.9 | 100.0% | 0.0 | — | 0.0 | |

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2026.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE PRACTICES

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

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

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

## AUDIT COMMITTEE

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

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

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

## PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During the six months ended June 30, 2026, 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).

During the six months ended June 30, 2026 and as at the date of this announcement, the Company has 59,100 treasury shares. 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

With reference to the announcements of the Company dated July 15, 2026, July 28, 2026 and July 29, 2026, the Company proposes to increase the authorised share capital of the Company from US$50,000 divided into 250,000,000 Shares of US$0.0002 each to US$400,000 divided into 2,000,000,000 Shares of US$0.0002 each by the creation of an additional 1,750,000,000 unissued Shares of US$0.0002 each (the "**Increase in Authorised Share Capital**"). Subject to the passing of an ordinary resolution by the Shareholders at the extraordinary general meeting of the Company (the "**EGM**") to be convened to consider and, if thought fit, approve the Increase in Authorised Share Capital and the Rights Issue (as defined hereinbelow) and the transactions contemplated thereunder to approve the Increase in Authorised Share Capital, the Increase in Authorised Share Capital will become effective upon passing of such ordinary resolution on the date of the EGM.

Moreover, the Company proposes to issue the Rights Shares on the basis of four (4) Rights Shares for every one (1) Share held by the qualifying shareholders (the "**Rights Issue**") on the date by reference to which entitlements of the Shareholders to participate in the Rights Issue will be determined (the "**Record Date**"), at the subscription price of HK$0.6 per Rights Share, to raise gross proceeds of approximately HK$312.1 million before deducting the costs and expenses by way of issuing up to 520,115,040 Rights Shares (assuming no change in the total issued share capital of the Company on or before the Record Date).

For details of the Rights Issue and the Increase in Authorised Share Capital, please refer to the announcements of the Company dated July 15, 2026, July 28, 2026, July 29, 2026, August 21, 2026 and August 25, 2026.

Save as disclosed in this announcement, no events have taken place subsequent to June 30, 2026 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that need to be disclosed.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

## DEFINITIONS

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| "advertising customer(s)" | advertising customers include advertisers and their agents |
| "AI" | artificial intelligence |
| "AR" | augmented reality, an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information |
| "Audit Committee" | the audit committee of the Board |
| "associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Beijing Flowing Cloud" | Beijing Flowing Cloud Technology Co., Ltd.* (北京飛天雲動科技有限公司), a limited company established in the PRC on November 17, 2021 and an indirect wholly-owned subsidiary of the Company |
| "Board" | the board of Directors of the Company |
| "Chairman" | the chairman of the Board |
| "China" or "the PRC" | the People's Republic of China excluding, for the purposes of this announcement, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "Company" | Flowing Cloud Technology Ltd, an exempted company incorporated in the Cayman Islands with limited liability on June 24, 2021, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 6610) |
| "Consolidated Affiliated Entities" | the entities the Group controls through the Contractual Arrangements |
| "Consolidated Share(s)" | ordinary share(s) of par value of US$0.0002 each in the share capital of the Company immediately after the share consolidation on December 5, 2025 |

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| "Contractual Arrangements" | the series of contractual arrangements entered into by, among others, Beijing Flowing Cloud, the Consolidated Affiliated Entities and the Registered Shareholders (as defined in the Prospectus), the details of which are set out in the section headed "Contractual Arrangements" in the Prospectus |
| "Corporate Governance Code" | the Corporate Governance Code as set out in Appendix C1 to the Listing Rules |
| "Director(s)" | the director(s) of the Company or any one of them |
| "Group", "Flowing Cloud", "our", "we" or "us" | the Company, its subsidiaries and the Consolidated Affiliated Entities at the relevant time |
| "Hong Kong dollars" or "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IFRS" | IFRS Accounting Standards |
| "IP" | intellectual property |
| "Listing" | listing of the Shares on the Main Board of the Stock Exchange |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time) |
| "Main Board" | the Main Board of the Stock Exchange |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules |
| "MR" | mixed reality, a blend of physical world and digital world |
| "Post-IPO Share Option Scheme" | the post-IPO share option scheme conditionally adopted by the Company on September 8, 2022 |

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| "Prospectus" | the prospectus issued by the Company dated September 29, 2022 |
| "R&D" | research and development |
| "Renminbi" or "RMB" | Renminbi Yuan, the lawful currency of China |
| "Reporting Period" | the six-month period from January 1, 2026 to June 30, 2026 |
| "SaaS" | software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "Share(s)" | ordinary share(s) with nominal value of US$0.0002 (US$0.00001 before the share consolidation on December 5, 2025) each in the share capital of the Company |
| "Shareholder(s)" | holder(s) of Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary" or "subsidiaries" | has the meaning ascribed thereto under the Listing Rules |
| "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "United States dollars" or "US$" | United States dollars, the lawful currency of the United States |

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| "VR" | virtual reality, the computer generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way |
| "XR" | extended reality, a combined term for AR, VR and MR |
| "%" | percent |

* *For identification purpose only*

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

Hong Kong, August 31, 2026

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