



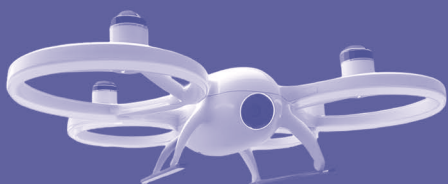
INTERIM REPORT 2026

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





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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
Mr. Li Shaojie
Ms. Li Yue
(*appointed with effect from February 9, 2026*)
Ms. Chen Yuelin
(*resigned with effect from February 9, 2026*)

JOINT COMPANY SECRETARIES

Mr. Li Yao
Mr. Yau Tsz Lun
(*appointed with effect from April 21, 2026*)
Ms. Chan Sau Ling
(*resigned with effect from April 21, 2026*)

AUDIT COMMITTEE

Ms. Li Yue (*Chairlady*)
(*appointed with effect from February 9, 2026*)
Mr. Li Shaojie
Mr. Jiang Yi
Ms. Chen Yuelin
(*resigned with effect from February 9, 2026*)

REMUNERATION COMMITTEE

Mr. Li Shaojie (*Chairman*)
Mr. Wang Lei
Ms. Li Yue (*appointed with effect from February 9, 2026*)
Ms. Chen Yuelin
(*resigned with effect from February 9, 2026*)

NOMINATION COMMITTEE

Mr. Li Shaojie (*Chairman*)
Mr. Jiang Yi
Ms. Li Yue (*appointed with effect from February 9, 2026*)
Ms. Chen Yuelin
(*resigned with effect from February 9, 2026*)

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
Mr. Yau Tsz Lun
(*appointed with effect from April 21, 2026*)
Ms. Chan Sau Ling
(*resigned with effect from April 21, 2026*)

REGISTERED OFFICE

89 Nexus Way
Camana Bay
Grand Cayman
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Cayman Islands

CORPORATE HEADQUARTERS

Shop 8, Jingyuan Art Center
Guangqulu No. 3
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Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1917, 19/F
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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

Patrick Mak & Tse
Rooms 901–905, 9th Floor
Wing On Centre
111 Connaught Road Central, Hong Kong

PRINCIPAL BANKERS

Beijing Rural Commercial Bank Co., Ltd.
Taoranting Branch
1st Floor, Tower E, Fuli Morgan Center
6 Tai Ping Street
Xicheng District
Beijing
PRC

Bank of Nanjing Co.
Beijing Branch
Yongxing Garden Hotel
101 Fucheng Road
Haidian District
Beijing
PRC

STOCK CODE

6610

COMPANY WEBSITE

www.floatingcloud.com

Financial Highlights

	For the 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%

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 and 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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

Management Discussion and Analysis

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 other 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 allowance for credit losses 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, 2026, 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 Group 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 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, 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%, rising 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.

Management Discussion and Analysis

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 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 interim report, 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 interim report, the Group 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.

Management Discussion and Analysis

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.

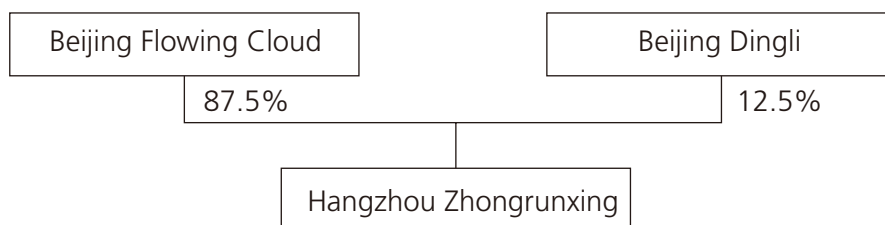
On 31 October 2025, Hangzhou Zhongrunxing entered into the Investment Agreement with Beijing Flowing Cloud, Beijing Dingli, and Lingshui Equity Fund. In accordance with the Investment Agreement, Lingshui Equity Fund will invest a total of RMB10,000,000, which includes a subscription to Hangzhou Zhongrunxing’s 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 interim report, 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%.

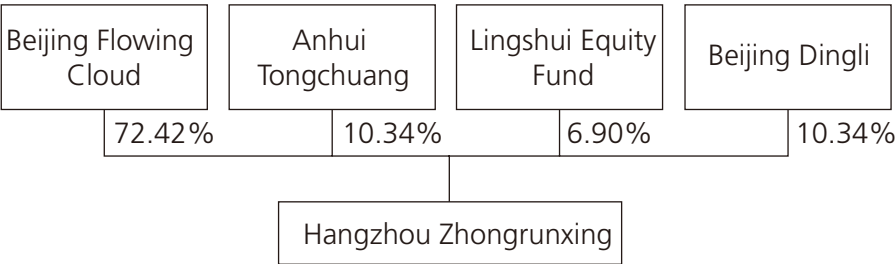
Completion of the Subscription took place on 30 March 2026. The Previous Subscription, in view of the Announcement dated 15 July 2026, subject to the registration to complete the repurchase and cancellation process in connection with Beijing Zhongrunxing is anticipated to be finalised at around September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

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



Management Discussion and Analysis

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 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.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

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 2025 annual report of the Company.

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.

Other Information

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	—

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 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.

Other Information

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 9,050,000 Shares, being approximately 7.0% 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 7,578,500 Shares and 7,583,500 Shares (representing approximately 5.8% of the total number of Shares in issue (excluding treasury shares) as of June 30, 2026 and the date of this interim report) at the beginning and the end of the six months ended June 30, 2026, 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,		Granted	Exercised	Cancelled	Lapsed	Outstanding as of
		2026	Date of grant					June 30,
Post-IPO Share Option Scheme								
Directors								
Mr. Wang Lei	Note 1	90,000	July 14, 2023	—	—	—	—	90,000
Ms. Xu Bing		90,000	July 14, 2023	—	—	—	—	90,000
Mr. Li Yao		90,000	July 14, 2023	—	—	—	—	90,000
Employee participants in aggregate								
Employees	Note 1	1,201,500	July 14, 2023	—	—	—	(5,000)	1,196,500
Total		1,471,500		—	—	—	(5,000)	1,466,500

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. Upon the share consolidation effecting since 5 December 2025, the adjusted exercise price per Share has become HK\$35.60.

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, 2026 divided by the weighted average number of Shares in issue (excluding treasury shares) for the period was 1.13%.

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, 2026, 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⁾	90,000	0.07	Long position
	Interest in controlled corporation ⁽¹⁾	33,491,095	25.74	Long position
Ms. Xu Bing	Beneficial owner ⁽²⁾	90,000	0.07	Long position
Mr. Li Yao	Beneficial owner ⁽²⁾	90,000	0.07	Long position

Notes:

- (1) Mr. Wang is interested in 33,491,095 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 30.00% by Wanglei Co., Ltd. ("**Wang BVI**") and 70.00% 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, 2026, Mr. Wang was interested in 90,000 underlying Shares which comprised 90,000 share options granted to him pursuant to the Post-IPO Share Option Scheme.

- (2) As of June 30, 2026, each of Ms. Xu Bing and Mr. Li Yao was interested in 90,000 underlying Shares which comprised 90,000 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, 2026, which was 130,087,860 Shares.

Other Information

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	53.96

Note:

- (1) Mr. Wang, one of the Registered Shareholders, holds 53.96% 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, 2026, 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.

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

As of June 30, 2026, 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⁾	33,491,095	25.74	Long position
Moomoo Trustee (Singapore) Pte. Ltd.	Trustee ⁽²⁾	33,491,095	25.74	Long position
Cyber Warrior Holdings Limited	Interest in controlled corporation ⁽²⁾	33,491,095	25.74	Long position
Ms. Zhang Zimo	Interest of spouse ⁽³⁾	33,581,095	25.81	Long position
Brainstorming Cafe Limited	Beneficial owner	33,491,095	25.74	Long position

Notes:

- (1) Mr. Wang is interested in 33,491,095 Shares through Brainstorming Cafe Limited ("**Brainstorming Cafe**"). Brainstorming Cafe is owned as to 30.00% by Wanglei Co., Ltd. ("**Wang BVI**") and 70.00% 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.
- (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) As of June 30, 2026, on top of Mr. Wang's interests in 33,491,095 Shares stipulated above, Mr. Wang was interested in 90,000 underlying Shares which comprised 90,000 share options granted to him pursuant to the Post-IPO Share Option Scheme. 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, 2026, which was 130,087,860 Shares.

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

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 (<https://www.hkexnews.hk>) and the Company (<https://www.floatingcloud.com>).

As of the date of this interim report, 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 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 LIMITED

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 31 to 45 which comprises the condensed consolidated statement of financial position of Flowing Cloud Technology Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2026 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, 31 August 2026

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2026

	Notes	Six months ended 30 June	
		2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue	5	223,575	381,313
Cost of revenue		(175,216)	(300,660)
Gross profit		48,359	80,653
Other income		32	46
Other losses, net	6	(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	7	(2,786)	12,415
Loss for the period	8	(16,666)	(123,497)
Other comprehensive expense 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		(1,914)	(6,245)
<i>Item that may be reclassified to profit or loss:</i>			
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)
(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)
Basic and diluted loss per share (RMB)	10	(0.12)	(Restated) (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	11	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	12	600,293	695,041
Contract costs		773	781
Prepayments	13	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	14	212,605	263,465
Contract liabilities		23,778	7,316
Other payables and accruals		63,734	70,665
Borrowings	15	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
Total assets less current liabilities		1,123,321	1,117,441
Non-current liabilities			
Amount due to controlling shareholders	16	15,786	6,790
Lease liabilities		1,168	2,046
		16,954	8,836
NET ASSETS		1,106,367	1,108,605

Condensed Consolidated Statement of Financial Position

At 30 June 2026

	Note	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Capital and reserves			
Share capital	17	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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2026

	(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				
							reserve		funds				
At 1 January 2026 (Audited)	185	651,736	(629)	174,174	34,520	(2,169)	18,068	(106,725)	53,760	281,243	1,104,163	4,442	1,108,605
Total comprehensive expense for the period	—	—	—	—	—	(1,083)	—	(1,914)	—	(14,972)	(17,969)	(1,694)	(19,663)
Deemed partly disposal of a shareholding of a subsidiary	—	—	—	—	—	—	—	—	—	15,335	15,335	(335)	15,000
Share-based payments	—	—	—	—	—	—	2,425	—	—	—	2,425	—	2,425
Reclassification of FVTOCI reserve and retained earnings	—	—	—	—	—	—	—	108,639	—	(108,639)	—	—	—
At 30 June 2026	185	651,736	(629)	174,174	34,520	(3,252)	20,493	—	53,760	172,967	1,103,954	2,413	1,106,367
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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(42,590)	(172,788)
Purchase of equipment	(267)	(99)
Purchase of intangible assets	(28,891)	(45,109)
Proceeds from disposal of equity instruments at FVTOCI	14,500	—
Interest received	4	6
Net cash used in investing activities	(14,654)	(45,202)
New borrowings raised	13,000	100,500
Deemed partly disposal of a shareholding of a subsidiary	15,000	—
Repayment of borrowings	(25,000)	(93,000)
Repayment of lease liabilities	(1,415)	(2,683)
Increase in amount due to controlling shareholders	8,996	7,700
Interest paid	(1,786)	(2,061)
Proceeds from issue of shares	—	66,862
Capital injection from non-controlling shareholder	—	250
Net cash generated from financing activities	8,795	77,568
Net decrease in cash and cash equivalents	(48,449)	(140,422)
Cash and cash equivalents at the beginning of the period	62,020	162,422
Effect of foreign exchange rate changes	(420)	(1,005)
Cash and cash equivalents at the end of the period represented by bank and cash balances	13,151	20,995

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

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 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, augmented reality, virtual reality and artificial intelligence (“**AR, VR & AI**”) content, integrated marketing services, platform services, live promotion services, technology development and operation and maintenance services 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 (the “**IASB**”) 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 issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2026. IFRS Accounting Standards comprise International Financial Reporting Standards; International Accounting Standards; and Interpretations. The adoption of these new and revised IFRS Accounting Standards did not result in significant changes to the Group’s accounting policies, presentation of the Group’s consolidated financial statements and amounts reported for the current 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 2026

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 2026:

Description	Fair value measurements using:		Total
	Level 1 RMB'000	Level 3 RMB'000	RMB'000
Recurring fair value measurements:			
At 30 June 2026 (Unaudited)			
Investments at fair value through profit or loss			
— Private equity funds	—	9,867	9,867
Total recurring fair value measurements	—	9,867	9,867
At 31 December 2025 (Audited)			
Equity investments at fair value through other comprehensive income			
— Equity securities listed in Hong Kong	16,414	—	16,414
Investments at fair value through profit or loss			
— Private equity funds	—	9,867	9,867
Total recurring fair value measurements	16,414	9,867	26,281

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

4. FAIR VALUE MEASUREMENT *(Continued)*

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

	Six months ended 30 June	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Investments at fair value through profit or loss		
At the beginning and end of the period	9,867	10,000

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June 2026:

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	Share of net assets	N/A	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

5. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers:

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (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 organise into business units based on their services and only has one reportable operating segment. The chief operating decision maker monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resources allocation and performance assessment. In this regard, no segment information is presented.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

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:

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

6. OTHER LOSSES, NET

	Six months ended 30 June 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Foreign exchange loss	(1,415)	(549)
Others	(171)	1
	(1,586)	(548)

7. INCOME TAX EXPENSE/(CREDIT)

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

Beijing Flowing Cloud Technology Co., Limited obtained the Software Enterprise Qualification during the year ended 31 December 2022. As at 30 June 2026 and 30 June 2025, 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 2025 and the year ending 31 December 2026. Therefore, Beijing Flowing Cloud Technology Co., Limited is considered to enjoy 50% reduction for the six months ended 30 June 2026 and 2025.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

8. LOSS FOR THE PERIOD

Loss for the period is arrived at after charging:

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

9. DIVIDENDS

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

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (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 consolidation 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

11. INTANGIBLE ASSETS

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

12. TRADE RECEIVABLES

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Trade receivables	701,117	869,768
Less: Allowance for credit losses	(100,824)	(174,727)
	600,293	695,041

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

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

13. PREPAYMENTS

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (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

14. TRADE PAYABLES

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

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (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

15. BORROWINGS

	30 June 2026 RMB'000 (Unaudited)	31 December 2025 RMB'000 (Audited)
Unsecured bank borrowings (Note)	101,000	113,000

Note: As at 30 June 2026, bank borrowings of RMB27,500,000 were guaranteed by Wang Lei, the executive director of the Company (31 December 2025: RMB10,000,000 were guaranteed by a subsidiary of the Company) and the remaining bank borrowings of RMB73,500,000 (31 December 2025: RMB103,000,000) were unguaranteed.

Borrowings are repayable within one year.

The range of interest rates as at 30 June 2026 were 2.40%–2.85% (31 December 2025: 2.40%–5.80%) per annum.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

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\$0.00020 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2026

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 2026, 59,100 (31 December 2025: 59,100 (restated)) repurchased shares were not cancelled and were recognised in treasury shares, nil (30 June 2025: 133,600 (restated)) repurchased shares were cancelled during the six months ended 30 June 2026.

[#] The number of shares before adjusting the share consolidation effect on 5 December 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	
	2026 '000	2025 '000
Outstanding at the beginning of the period	1,472	47,227
Lapsed	(5)	(17,459)
Outstanding at the end of the period	1,467	29,768
Exercisable at the end of the period	880	8,930

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Salaries and other benefits	1,749	1,933
Retirement benefits scheme contributions	240	250
Discretionary bonus	886	699
Equity-settled share-based payments	689	1,483
	3,564	4,365

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
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"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 Xiujie (李秀傑), Mr. Liang Hui (梁暉), Shanghai Wangyue (as defined in the Prospectus), Grand Canal (Nanjing) (as defined in the Prospectus), Tongchuang Weiye (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), Shenzhen Chestnut (as defined in the Prospectus), Shenzhen Linghang (as defined in the Prospectus) and Jinan Taiyue (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, 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
"SFO"	Securities and Futures Ordinance (Chapter 571 of the laws 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
"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.