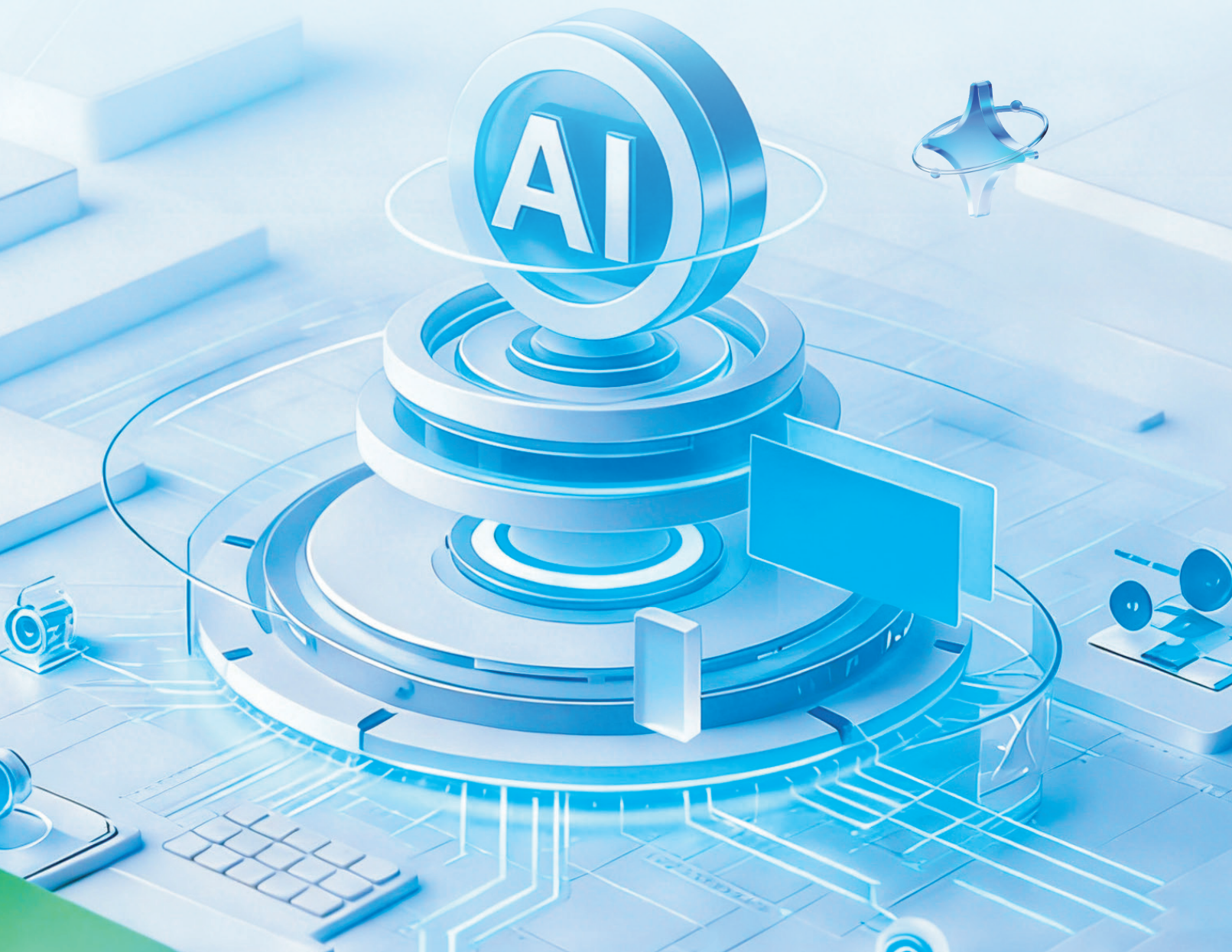


2025 Environmental Social and Governance (ESG) Report

Phancy Group Co., Ltd.



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01 About This Report



Overview

The report is the third Environmental, Social, and Governance ("ESG") report (the "Report") of Phancy Group Co., Ltd., providing a comprehensive overview of our ESG management approaches and performance for 2025. The corporate governance practices are recommended to be read in conjunction with the section on *Corporate Governance Report* in the annual report.

The Group and all members of its Board of Directors (the "Board") warrant that the content of the Report is true, accurate, and complete, without false records, misleading representations, or major omissions.



Reporting Scope and Boundary

Considering the relevance of the Report to business operations and the Group's primary focus on domestic markets, the policies, statements, and data presented herein cover Phancy Group Co., Ltd. and its domestic subsidiaries with actual business operations. The Report covers the ESG progress of the Group from January 1, 2025 to December 31, 2025 (the "reporting period"). To ensure the completeness and continuity of the Report, certain descriptions extend beyond the reporting period.



References of Report

The Report follows the Environmental, Social, and Governance Reporting Code (the "ESG Reporting Code") set out in Appendix C2 of the Listing Rules issued by the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and with reference to the United Nations (UN) Sustainable Development Goals (SDGs).



Notes on Appellations

For the convenience of expression and reading, unless otherwise specified, the "Company" herein refers to Phancy Group Co., Ltd., while "Phancy Group", "Group" and "we" refer to the Company and its domestic subsidiaries with actual business operations.



Notes on Data

All data covered and cases quoted by the Report are from formal documents, statistical reports, public materials, internal reports, and documents of the Group. The Group undertakes that there is no false record or misleading statements and is responsible for the authenticity, accuracy, and integrity of its content. Unless otherwise stated, all amounts mentioned herein shall be denominated in RMB for basic measurement.



Report Principles

During the preparation of the Report, the Group has endeavoured to ensure that the information disclosed meets the principles of materiality, quantitative, balance, and consistency as required by the Hong Kong Stock Exchange. The Group will continue to enhance its information collection process to improve its performance and disclosure on sustainability matters.

Materiality

In accordance with the ESG Reporting Guide and other relevant regulatory requirements, the Group referenced key topics of industry peers, engaged with various stakeholders through different forms of communication, and incorporated the company's highlights and unique characteristics to conduct a materiality assessment of ESG-related topics, ultimately identifying critical priorities. These topics have been reviewed and approved by the Board and serve as the critical disclosure focus for the Report.

Quantitative

The Group has established an ESG metrics management tool covering all departments. In addition to regularly collecting quantitative key disclosure indicators as required by the ESG Reporting Guide and compiling them for year-end disclosure, the Group has also developed an ESG key performance indicator (KPI) framework that can be evaluated and verified.

Balance

The Report strives to present each topic accurately and objectively, ensuring the fair disclosure of the Group's ESG management measures and performance during the reporting period. This approach ensures a balanced presentation, enabling stakeholders to make a reasonable assessment of Phancy Group's overall performance.

Consistency

There have been no significant changes in the scope of disclosure compared to previous years, and the calculation of quantitative key indicators follows consistent standards and methodologies to ensure comparability. Any changes in relevant assumptions or calculation methods are explicitly disclosed to inform stakeholders.



Report Version and Acquisition

The Report is compiled and edited in both Chinese and English. In case of any ambiguity in the English text, the Chinese text shall prevail. The Report is published electronically. To obtain an electronic report, please visit the website of the Hong Kong Stock Exchange (www.hkexnews.hk/index.htm) or the official website of the Company (www.phancy.ai) to review and download.

02 Introduction to Phancy Group

◇ About the Phancy Group

Established in September 2014 and listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 6682.HK) in 2023, Phancy Group is an industry pioneer in the field of enterprise AI and also a leader in the Chinese intelligence decision-making market. Providing platform-centric AI solutions, we have developed end-to-end enterprise AI products using core technologies. We are devoted to solving the efficiency, cost, and value problems encountered in the intelligent transformation of enterprises, to improve decision-making of the enterprises.

Phancy Group pursues diversified business development, with its AI platform business, API business, and Agentic AI business as the "three driving forces". Among these, the AI platform business is centered around the Sage Platform, covering a full-stack end-to-end product matrix including Phanthycloud, HAMivGPU, ModelHub XC, Sage AIOS, Sage Ontology, SageSHIFT, and SageAIGS, spanning the entire process of AI model development, deployment, and computing power support. The API business is anchored by the Phanthycloud Platform as its core carrier, accelerating the scenario-based monetisation of technological capabilities. The Agentic AI business focuses on high-value industries, providing deployed AI solutions for various sectors, empowering the digital and intelligent transformation of thousands of industries.



As of the end of the reporting period

Phancy Group had accumulated over 1,000 signed customers, deeply covering more than 20 industries such as energy, manufacturing, finance, retail, and telecommunications operators. The Group had more than 600 employees in locations including Beijing, Shanghai, Shenzhen, Hong Kong, and Singapore, deeply cultivating core technological directions such as Automated Machine Learning (AutoML), reinforcement learning, transfer learning, and generative AI, and held a total of 825 patents and software copyrights. Leveraging its outstanding technological strength, Phancy Group has been ranked first in the International Data Corporation (IDC) China's machine learning platform market share for seven consecutive years.

Accumulated over

1,000 signed customers

More than

600 employees

Patents and software
copyrights

825

Mission

To assist all our customers in becoming leaders in the era of digitization and intelligence, and escort the enterprises which are determined to succeed in their journey to transformation.

Vision

To enable everyone to benefit from AI.



◇ History of Development

2014

- September: 4Paradigm was established

2015

- August: AI + bank, serving smart anti-fraud system of China Merchants Bank
- GDBT, machine learning framework for data in one hundred billion dimensions
- Started to study AutoML
- August: First characteristic parameter server in trillion dimensions

2016

- July: Launched Sage Platform, the first enterprise AI application development platform
- December: Sage Platform won the First Prize of the "Wu Wenjun Award"

2017

- March: AI + securities for China Securities, the first AI+ application in the securities industry
- March: Got down to R&D of OpenMLDB, a special database for machine learning
- August: Won the championship of the first competition of transfer learning algorithms
- November: AI network communication framework with the highest performance

2018

- March: AI + insurance for PICC, the earliest AI+ application in the insurance industry
- July: AI + bank for the Industrial and Commercial Bank of China, the first AI-driven core banking system
- August: AI + medicine, creating solutions for Ruijin Hospital to forecast and manage chronic diseases through AI
- September: Launched the world's first AutoCV
- October: AI + retail, providing Yum China with personalized recommendation solutions, representing the first AI-driven full-scenario online transformation

2019

- March: AI + media for People's Daily, creating new paradigms for the intelligent transformation of mainstream media
- March: AI + energy, implemented in China National Petroleum Corporation with smart maintenance solutions for oil and gas pipelines, as the first application of AI in oil and gas pipelines
- March: In Kaggle Competitions, AutoML defeated more than 85.7% of human scientists
- May: Broke the world record of ICDAR in the global standards for OCR
- May: First accelerator card for the whole lifecycles of AI applications
- June: Broke the world record of PASCAL VOC for object recognition for two consecutive times
- June: Launched SageOne - an AI-based computing power platform
- August: SageOne won the WAIC SAIL Award
- August: Ranked first by IDC China's machine learning platforms market share for several consecutive times

2020

- January: First resource scheduling kernel for AI optimization
- February: Sage Platform passed GDPR certification
- March: Compiled standards related to the machine learning systems
- March: Nominated for the "National Science and Technology Progress Award"
- March: Included in the Gartner Top 10 Strategic Technology Trends for 2020
- June: AI + manufacturing. Cooperated with Contemporary Amperex Technology Co., Ltd. (CATL) on solutions for AI-based battery cell testing, to optimize manufacturing procedures and quality through AI platforms
- August: Released SageAIOS - the first AI operating system
- August: Launched HyperCycle - an automated machine learning and decision-making platform
- August: Launched Tianshu - a digital and intelligent traffic management platform
- August: Won the world championship of KDD CUP 2020
- December: The "epidemic deduction system" based on reinforcement learning was praised by the Ministry of Industry and Information Technology of the PRC

2021

- January: AI + sports for NBA, complete AI-driven D2C transformation
- April: AutoKG broke the world record of Open Graph Benchmark (OGB)
- June: Launched the Sage APP Store - enterprise AI application store
- June: AI+ telecommunications for China Mobile, AI-driven omnichannel supply chain transformation
- June: Developed OpenMLDB and Open AIOS as open-source technical components

2022

- May: Won two championships in Graph Learning "World Cup" OGB
- August: Launched the enterprise transformation platform and service, SageSHIFT
- November: Awarded the National Manufacturing Industry Single Champion

2023

- February: Launched SageGPT for large multimodal models
- June: AI + operators, creating solutions for China Unicom to empower their junior employees
- September: Listed on the Main Board on the Hong Kong Stock Exchange (6682.HK)
- November: Launched paradigm ecology, covering more than 40 integrated software and hardware solutions for improving North Star Metric

2024

- January: The SageGPT large model officially obtained regulatory approval under the national Interim Measures for the Management of Generative Artificial Intelligence Services
- March: Launched SageAIOS 5.0, introducing the Model Hub platform
- October: Released the large model toolchain product to accelerate enterprise adoption of large model applications
- November: Launched the AI application suite SageSuite

2025

- March: Established Phancy Group, adhering to the vision of achieving Artificial General Intelligence (AGI) and empowering industries through the technical approach of "Agent + World Model" to accelerate the arrival of the "AI for Everyone" era.
- March: Expanded into the consumer electronics sector with the launch of its new business segment, Phancy. This segment is positioned to deliver integrated AI Agent-powered hardware-software solutions to the market.
- March: Launched the all-in-one solution for large model inference SageOne IA, reducing large model inference costs.
- September: Released the "Virtual VRAM" plug-in virtual video memory expansion card, significantly improving GPU computing power resource utilization.

◇ 2025 Honors

As a leading enterprise in China's intelligent decision-making market, Phancy Group has earned widespread industry recognition for its outstanding technological innovation and overall corporate competitiveness. During the reporting period, Phancy Group received the following honors and awards:

Time	Awards and Honors	Introduction
May 2025		Phancy Group demonstrated outstanding performance across multiple dimensions, including growth potential and R&D innovation, and swept three major awards on the “2024 Best Hong Kong Listed Companies by New Fortune Magazine” list: “Hong Kong Listed Company with the Most Substantial Growth Potential”, “Best Hong Kong IPO”, and “Hong Kong Listed Company with the Most Substantial Innovation Capability” – becoming one of the few AI technology enterprises to achieve multi-dimensional leadership on this year's list.
May 2025		Phancy Group was featured on the “2025 Forbes China AI Tech Enterprises Top 50”, standing out from over 4,500 companies. As a highly influential annual recognition in the AI sector, this selection applies rigorous criteria across six dimensions—including technological innovation, market performance, and application scenarios—to identify benchmarks that represent China's core AI competitiveness. The Group's inclusion not only serves as an authoritative endorsement of its deep commitment to the AI sector, but also underscores its leadership in driving industrial transformation.
July 2025		Phancy Group received the “ESG Sustainable Development Excellence Enterprise” award at the 2025 Jinge Awards for its innovative practices in applying AI technology to ecological protection and disaster prevention. This award aims to honor benchmark enterprises that lead industry sustainable development and contribute to the “Dual Carbon” goals through the deep integration of environmental responsibility, social responsibility, and corporate governance.
August 2025		In the report “China AI Software Market Share, 2024: AI Agent Is the Future” published by IDC, Phancy Group ranked first in China's machine learning platform market share, maintaining the top position for seven consecutive years since 2018. This achievement demonstrates the Group's long-standing technological leadership and core competitiveness. Furthermore, in the “IDC MarketScape: China Large Model Development Platform 2025 Vendor Assessment”, Phancy Group was positioned in the Leaders category, thanks to its advanced technical capabilities, joining other leading players such as Baidu, Alibaba, and SenseTime in shaping the frontier of large model technologies.
October 2025		At the 2025 CCF Science and Technology Achievement Award hosted by the China Computer Federation (CCF), the project titled “Project on Key Technologies and System Platform of OpenMLDB Enterprise-Grade Machine Learning Database”, jointly completed by Phancy Group, Shanghai Jiao Tong University, and Tsinghua University, received the “Second Prize of Scientific and Technological Progress”. This recognition is awarded for the project's major technological breakthroughs in enterprise-grade machine learning data management and its large-scale industrial applications.

03 ESG Management

◇ Statement of the Board

The Board places great emphasis on the company's sustainable development capabilities, firmly believing that a robust ESG management system serves as the internal foundation for effectively fulfilling environmental and social responsibilities. The Group integrates sustainable development management concepts closely with its overall development strategy. The Group regularly reviews the progress of ESG initiatives and assesses their effectiveness, continuously strengthening sustainable development risk management to address the evolving business demands brought by climate change, technological advancements, and rising operational costs. The Group also enhances employees' awareness of the importance of implementing ESG in strategy and operations through various initiatives. To manage our ESG performance, identify potential risks, and assist the Board in ESG-related matters, we have established an Environmental, Social and Governance Working Group (the "ESG Working Group").

The Group highly values the expectations and concerns of our stakeholders, actively expanding communication channels and maintaining close engagement. Through interviews and surveys, the Group identifies and assesses material ESG topics, with the assessment results submitted to the Board for review. For details on the assessment process and results, please refer to the sections "Communication with Stakeholders" and "Materiality Analysis" in the Report.

The Board is fully responsible for formulating ESG management policies, strategies, action priorities, and targets. Based on the external macro environment, industry development trends, and the company's strategic planning, the Board discusses and identifies ESG-related risks and opportunities related to the Group, and makes decisions on key ESG management initiatives and projects each year. During the reporting period, we analyzed and discussed initiatives and outcomes in areas such as corporate governance, business operations, research and innovation, green development, employee benefits, and community investment. Additionally, we actively responded to the national "Carbon Peak and Carbon Neutrality" ("Dual Carbon") strategy, continuously improving low-carbon and environmentally friendly measures in alignment with industry trends and our characteristics. Looking ahead, the Group will continue to prioritize sustainable development as a corporate development objective, encouraging stakeholders to provide insights on Phancy Group's ESG initiatives. We will also continuously monitor and review the feasibility and appropriateness of our ESG goals and strategies, adjusting key sustainability actions in response to domestic and international sustainability trends to enhance our ESG performance.

◇ Responses to UN SDGs



Robust Governance and Foundation Reinforcement

Build trust via honest and compliant practices, and commit to developing responsible artificial intelligence (AI) to facilitate the healthy and sustainable development of the AI industry.

Responses to UN SDGs



Digital Intelligence Innovation and Empowerment with Value

Impel technological innovations and product R&D, to create value for customers' digital transformation and empower industry upgrades.

Responses to UN SDGs



Technology for Good and Intelligence for All

Create an equal and inclusive workplace environment, provide employees with diverse welfare policies, and jointly build diversified workplaces. Devote to public welfare and charity by offering funds, manpower, and resources to serve the community and promote fairness and inclusivity.

Responses to UN SDGs



Green Ecology and Sustainable Development

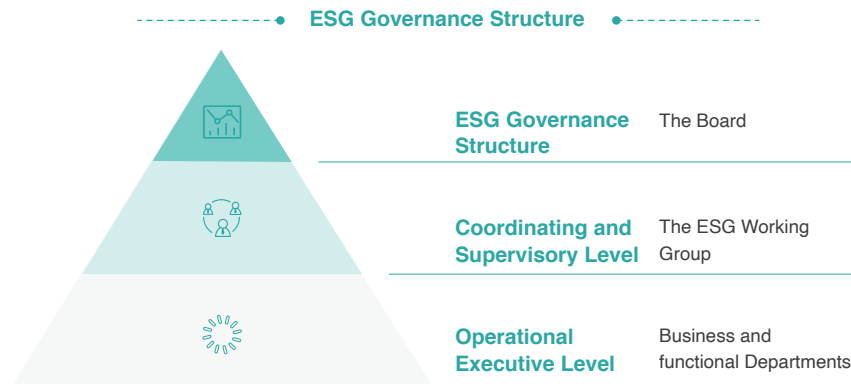
Practice the concept of green development and take actual actions to protect the green future.

Responses to UN SDGs



◇ ESG Governance Structure

Phancy Group adopts a top-down ESG management approach. In 2024, the Group established an ESG governance system, forming a three-tier governance structure comprising the Board, the ESG Working Group, and business and functional departments. This structure is designed to adapt to sustainable development needs, strengthen research and planning of sustainability strategies, and enhance ESG risk management and response capabilities.



The Board is the top decision-making body for ESG-related matters within the Group and assumes overall responsibility for the Group's ESG policies, initiatives, and performance. It is responsible for overseeing and guiding the management of ESG-related matters. The Board also supports the Group in fulfilling its environmental and social responsibilities, including but not limited to: (i) closely monitoring and tracking regulatory compliance requirements and developments related to ESG, formulating and updating the Group's ESG policies as needed, and overseeing their implementation; (ii) regularly assessing the effectiveness of the Group's ESG-related risk and opportunity identification processes and corresponding response measures, particularly risks related to climate change; (iii) adopting and reviewing the Group's ESG governance structure; (iv) evaluating the materiality assessment and prioritization of ESG issues and reviewing the Group's performance against ESG-related targets; (v) establishing ESG strategies and goals to ensure alignment with the Group's operations and business practices; and (vi) reviewing and approving ESG disclosures to ensure alignment with regulatory and investor expectations.

The ESG Working Group consists of three members, including the Chief Financial Officer, along with the heads of the Administration and Human Resources departments. Its primary mandate is to assist the Board in implementing agreed ESG policies, targets, and strategies. Its key responsibilities include:

- (i) Regularly assessing the significance of ESG-related risks and opportunities (including climate-related risks and opportunities) and formulating corresponding response measures based on the assessment results;
- (ii) Establishing the Group's ESG-related management systems;
- (iii) Conducting objective evaluations of the effectiveness and outcomes of the Group's ESG initiatives and providing recommendations and reports to the Board.

Relevant business and functional departments are responsible for formulating and implementing strategies within their respective areas based on the established ESG management policies and targets, ensuring that all initiatives are effectively carried out, and reporting to the ESG Working Group regularly.

◇ Communication with Stakeholders

Phancy Group places great importance on stakeholder engagement and is committed to maintaining close and effective communication with both internal and external stakeholders. We have established a regular communication mechanism and multiple effective channels to listen to and respond to the reasonable expectations and concerns of various stakeholders, including shareholders and investors, government and regulatory authorities, media and non-governmental organizations, suppliers, partners, users, employees, as well as the community and the public. This serves as an important reference for our ESG initiatives and is integrated into the Group's daily operations and future planning, enabling us to work together with stakeholders to achieve mutual benefits and maximize overall value.

Stakeholders	Expectations and demands	Communication and response
 Shareholders and investors	Return on investment Compliance operation Risk control Information disclosure Business development	General meetings of shareholders Official website and communication emails with investors Regular reports and announcements
 Government and regulatory authorities	Compliance operation Information security Data and privacy protection Ethics and governance of AI	Information disclosure Daily communication and report Regulatory inspection Reception of visitors
 Media and non-governmental organizations	Product and service quality Promoting industry development Corporate social responsibilities	Social media Official website Press conferences Meeting communications
 Suppliers	Ethical management Information sharing Mutual benefit and win-win result Business Ethics and Integrity Supplier empowerment	Project procurement Contracts and agreements Supplier management conferences Supplier Selection, Evaluation, and Management Daily communication
 Partners	Technological innovations Cooperative development Product and service quality Corporate social responsibilities	Enterprise forums Project cooperation Technical exchanges
 Users	Improvement of user experiences Product and service quality Information security Data and privacy protection	User feedback channels Responsible marketing Feedback from product research Social media
 Employees	Protection of employees' rights and interests Career development platform Occupational health and safety Employee welfare Equal opportunities and diversity	Internal meetings Management committees Employee training Social media An equal and inclusive environment
 Community and Public	Public welfare and charity Community participation Environmental protection	Commitment to Philanthropy Official website Social media

◇ Materiality Analysis

To accurately identify key areas of ESG management practices and further enhance ESG issue management, we have established a materiality assessment process to define material ESG issues that are relevant to the sustainable development of both the Group and our stakeholders.



Issue screening

Considering the Group's development strategy, industry trends, regulatory and capital market requirements, and benchmarking against leading ESG management practices of peer companies, a total of 19 material issues that impact the Group's operations or influence stakeholders' assessment and decision-making regarding the Group were identified.



Interviews and surveys

External professional consultants were engaged to lead the relevant work, prepare and distribute an ESG materiality survey questionnaire, and conduct interviews with the Group's management to understand stakeholders' key areas of concern.



Assessment of survey results

Based on the results of interviews and surveys, as well as peer benchmarking analysis, the material topics were analyzed and ranked according to their significance in terms of their impact on the Group's operations and their importance to stakeholders.



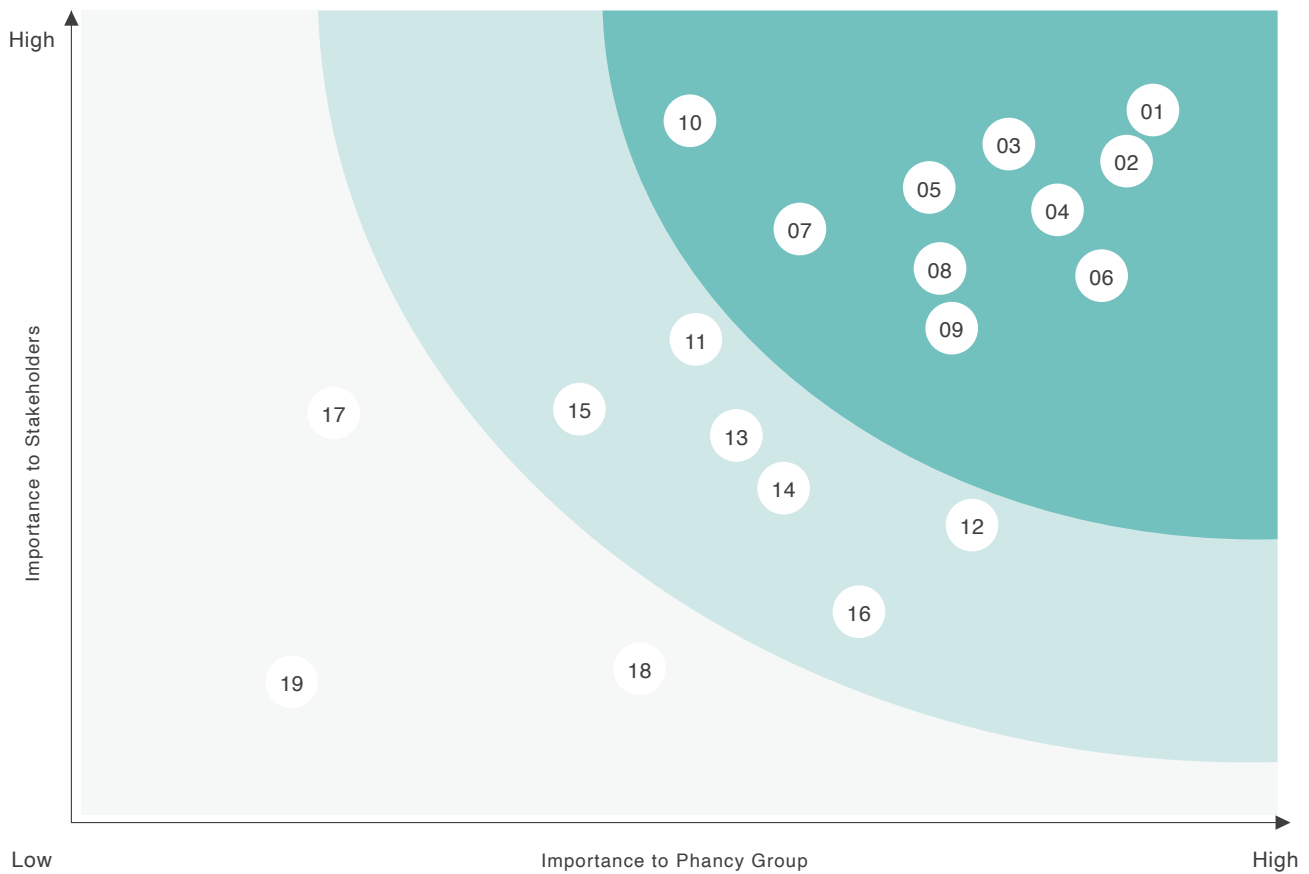
Prioritization of material issues

An evaluation report on material issues was submitted to the management. After being reviewed and approved by the management, the key points to be disclosed in the Report were determined based on the evaluation results, and a materiality matrix for the year was prepared.



In 2024, the Group conducted policy research, corporate interviews, questionnaire surveys, and industry benchmarking to review and assess ESG issues of concern to various stakeholders. From the two dimensions of impact on the Group's operations and importance to stakeholders, the materiality of the issues was analyzed and prioritized, providing a basis for formulating a long-term ESG development strategy. Considering the Group's business segments and the development of the industries in which it operates, we considered that the relevant changes did not materially impact the identified ESG issues; therefore, no adjustments were made to the materiality matrix in 2025. The 19 material issues identified in 2024 and their prioritization remain highly relevant and continue to provide guidance for the key disclosure content of the Report.

----- • **2025 Materiality Analysis** • -----



Materiality

- ⑪ Empowering Enterprises' Digital Transformation
- ⑫ High-Quality Customer Service
- ⑬ Product Reliability and Safety
- ⑭ Product R&D and Technological Innovation
- ⑮ Talent Development and Growth
- ⑯ Information Security and Privacy Protection
- ⑰ Risk Management
- ⑱ Compliance Operations
- ⑲ Anti-Corruption and Business Ethics
- ⑳ Intellectual Property Protection



Material Issues

- ⑪ Promoting Industry Development
- ⑫ Protection of Employee Rights and Interests
- ⑬ Occupational Health and Safety
- ⑭ Supply Chain Management
- ⑮ Technology Ethics
- ⑯ Public Welfare and Social Services



Sub-material Issues

- ⑰ Efficient Resource Utilization
- ⑱ Pollution and Waste Management
- ⑲ Response to Climate Change

1 Robust Governance and Foundation Reinforcement



Phancy Group adheres to the principle of "integrity and compliance" to build trust, continuously improving and refining our compliance management system and anti-fraud system. By optimizing and upgrading compliance policies, conducting compliance training for management, enhancing whistleblower protection measures, and strengthening information security and privacy protection, the Group consistently enhances employees' compliance awareness. The Group fosters an internal culture of integrity and establishes a modern corporate governance system that is clearly structured, mutually balanced, and efficiently operated, ensuring the healthy and stable development of the Group's business operations.

Responding to the UN SDGs:





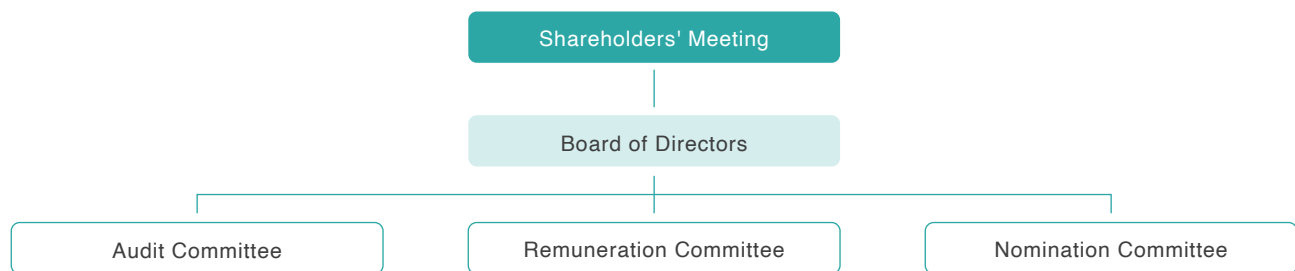
Corporate Governance

◆ Governance Structure

The Group has built a complete corporate governance structure in strict compliance with the *Company Law of the People's Republic of China* and the relevant rules of the Hong Kong Stock Exchange. The Board is responsible for guiding and overseeing the Group's affairs by formulating strategies and supervising their implementation. It directly and through its committees indirectly leads and guides management, monitors the Group's operational and financial performance, and ensures the soundness of internal control and risk management systems.

During the reporting period, to further optimize the governance system, the Group amended its Articles of Association to ensure alignment with the latest regulatory requirements and the Company's business development needs. The Board has established the Audit Committee, the Remuneration Committee, and the Nomination Committee. Concurrently during the reporting period, the Group updated the Terms of Reference for the Board Audit Committee, the Terms of Reference for the Board Remuneration Committee, and the Terms of Reference for the Board Nomination Committee, among other policies, to further clarify the responsibilities and authority boundaries of different decision-making bodies and to strengthen the foundation for the Group's high-quality and sustainable development.

-----● Management and Governance Structure of Phancy Group ●-----





- Effectiveness of the risk management and internal control systems;
- Reviewing internal investigation findings and management's responses regarding any suspected dishonest conduct or non-compliance, or suspected violations of laws, rules, and regulations;
- Assessing whether the Group has any material internal control failures or weaknesses;
- Evaluating changes in the nature and severity of significant risks faced by the Group after the previous year, as well as the ability to respond to changes in business operations and the external environment;
- Performance of the internal audit function and personnel;
- Assessment of the appointment, qualifications, independence, and performance of the external auditors;
- Periodic review and annual audit of the Group's financial reports;
- Dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.



- Establishing performance appraisal standards for Directors and senior management and conducting assessments;
- Formulating and reviewing remuneration policies and schemes, performance evaluation and incentive mechanisms, and other remuneration-related matters for Directors and senior management, including the mechanism for determining remuneration, decision-making processes, payment and claw back arrangements, and making recommendations to the Board;
- Supervising the implementation of the Group's remuneration plan;
- Dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.



- Reviewing at least annually the structure, size, composition, and diversity of the Board (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge, and tenure) based on the Group's business operations, asset size, and equity structure;
- Assisting the Board in preparing a Board skills matrix and making recommendations on any changes to the Board to align with the Group's strategy;
- Conducting extensive searches and providing the Board with suitable candidates for Directors, the General Manager, and other members of senior management;
- Ensuring the Board continuously fulfils its corporate governance duties;
- Assisting the Board in assessing and reviewing the independence of Independent Non-executive Directors;
- Reviewing annually the implementation and effectiveness of the independence mechanism;
- Dealing with other matters that are authorized by the Board or involved in relevant laws and regulations.



During the reporting period

The Group's General Meeting of Shareholders, Board of Directors, and committees complied with laws and regulations, strictly adhered to standardized operations and internal policies in decision-making and supervision, and collectively promoted orderly governance. The Group held:

General Meetings of Shareholders	Reviewing proposals	Board meetings	Reviewing proposals	Audit Committee meetings	Reviewing proposals
2	16	9	35	3	7
Remuneration Committee meetings	Reviewing proposals	Nomination Committee meeting	Reviewing proposals		
7	11	3	4		

◇ Board Diversity

Phancy Group is committed to fostering a diverse corporate culture to enhance the overall effectiveness of the Group's corporate governance. We have established the *Board Diversity Policy* and, with the assistance of the Nomination Committee, conduct an annual review and assessment of its implementation. This initiative aims to ensure that the Board comprises individuals with diverse professional experience, educational backgrounds, knowledge, age, and gender, thereby improving the efficiency of the Board and ensuring the scientific basis of decision-making.



As of the end of the reporting period

The Group had:

Directors	Executive directors	Non-executive directors	Independent non-executive directors	Employee representative director
11	3	3	4	1

The Group's directors come from various industries and possess a balanced combination of knowledge and skills, aligning with the *Board Diversity Policy*.

Female directors account for 9% of the Board. The Group will continue to take measures to promote gender diversity at all levels, including but not limited to the Board and senior management.

Board members' age range: 34–64 years old.

Diversity of the Board

The professional backgrounds of the Board members cover business management, computer science, artificial intelligence technology, big data management and analytics, law, economics, investment, and accounting.

The Board members hold degrees in computer science and technology, computer system architecture, law, economics, mathematics, astrophysics, financial mathematics, business administration, international economics and trade, and other fields.

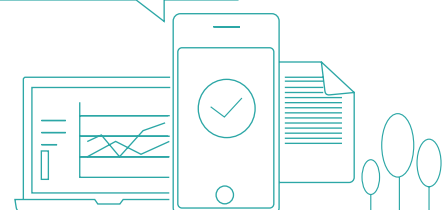
◇ Investor Relationship Management

Phancy Group attaches great importance to communications with investors, continuously refining work responsibilities and implementation rules, thus providing institutional guarantee for orderly communications with investors. During the reporting period, the Group truly, accurately and completely performed its obligation for information disclosure.

On the basis of fulfilling the obligation for information disclosure, the Group actively carried out investor communications through multiple channels and means, and comprehensively responded to inquiries from small and medium investors promptly, fully protecting their rights and benefits to ensure close connections and mutual trust between the Group and investors.

Contact Us

Address: Block A, Hongyuan New Era,
Shangdi West Road, Haidian District,
Beijing, PRC
Email: IR@4paradigm.com





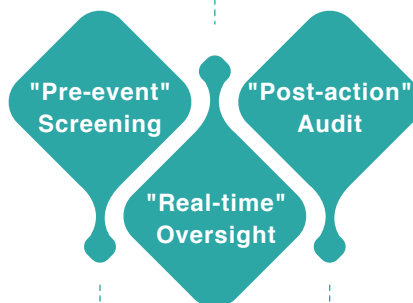
Internal Compliance Control

◇ Internal Control Management

Phancy Group attaches importance to internal control management and has established internal control and audit departments responsible for the Group's internal audit and internal control. The Group has established an internal control management mechanism guided by business function rules, with online systems as process tools, to continuously monitor the fulfilment of responsibilities for internal control within each line of business, dynamically conduct risk assessments, and empower the Group's internal control and compliance management with technologies, continuously enhancing the efficiency of the Group's compliance operations. The Group values the development of our internal control system and, as needed, conducts online exchanges and on-site visits with subsidiaries from time to time to understand the status of their internal control systems.

The Group strictly supervises the implementation process of key business and functional procedures. From the perspectives of execution consistency, accuracy, reasonableness, and completeness, internal control inspection checkpoints have been set at key nodes of the procedures. During the reporting period, the Group supervised and inspected more than 45% of online procedures related to sales, procurement, financial affairs, and other key fields.

When it is necessary to add or adjust business and functional procedures, the Group performs daily reviews regarding the compliance, reasonableness, efficiency, and effectiveness of the procedure designs. During the reporting period, the Group conducted an internal control audit for all additions, adjustments, or changes to online procedures, with a coverage ratio of 100%.



The Group re-inspects key procedures that have been executed from time to time, in order to identify potential issues of effectiveness, reasonableness, and compliance that might have been overlooked, urges and supervises rectification, and achieves closed-loop management of the procedures. During the reporting period, the Group randomly reinspected more than 35% of the online procedures for examining and approving purchase requests, goods arrival, and payments.

In addition, the Group conducts special evaluations of risks and key processes in our operations from time to time, makes suggestions for improvement, and tracks the formulation and implementation of improvement measures by relevant responsible departments.



During the reporting period

The Group carried out special evaluations on key processes including financial accounting subjects and ledger management, information system disaster recovery and business continuity management, and employee offboarding process management.

To establish a sound internal supervision mechanism, prevent operational management risks, safeguard the Company's legitimate rights and interests and normal business order, and protect employees' legitimate rights and interests, during the reporting period, the Group established a Security Supervision Department as a permanent body exercising supervisory functions independently, not subordinate to any other department, reporting directly to the Chairman of the Board and accountable to the Chairman. In accordance with the *Company Law of the People's Republic of China*, the *Audit Law of the People's Republic of China*, and other relevant laws and regulations, as well as internal policies such as the Company's *Employee Handbook*, the Group formulated and issued the *Internal Supervision Management System*, covering core elements such as the duties and authority of internal supervision, work procedures, employee cooperation obligations, case acceptance and verification, and accountability, applicable to all employees of the Group, partners, and relevant stakeholders.

◇ Risk Management

Risk Management Procedures

Phancy Group continuously monitors the exposures or events of potential risks in business and functional processes and has established a clear risk identification and management process to promptly identify and monitor the Group's potential risks and their likelihood. Necessary preventive measures or compensatory actions are taken in advance to mitigate risk losses. The Group has achieved comprehensive internal control process management through our online system, enabling digital risk management in areas including production and operations, investment management, and financial management.



ESG Risk Management

Phancy Group is committed to fully integrating sustainability factors into business operations and has incorporated ESG risks (including climate-related risks) into the Group's overall risk management framework. To effectively mitigate various risks, the Group's ESG Working Group regularly assesses the likelihood and impact of various ESG risks and reports the latest trends, risks, and opportunities to the Board, formulating corresponding response measures and strategic recommendations accordingly.

Based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), Phancy Group conducted a comprehensive assessment and identification of the physical and transition risks faced by the Group. As the external environment evolves, we simultaneously strengthen the monitoring and review of emerging risks, continuously enhancing the Group's climate resilience and defensive capabilities through systematic mitigation and control mechanisms. For a detailed analysis of climate risk management and corresponding response measures, please refer to the "Response to Climate Change" section of the Report.



During the reporting period

The Group did not experience any major ESG-related crises.



Information Security and Privacy Protection

Phancy Group regards information security as a fundamental pillar of corporate development and is committed to continuously protecting user privacy and the data security of the Group's information assets. The Group strictly complies with the *Cybersecurity Law of the People's Republic of China*, the *Data Security Law of the People's Republic of China*, the *Personal Information Protection Law of the People's Republic of China*, and the *Personal Data (Privacy) Ordinance* (Chapter 486), among other applicable laws and regulations.

◇ Enhancing the Information Security Management System

The Group has designed our data and information security framework from the top-level architecture and established a Data and Information Security Committee. This committee is managed by the Chief Technology Officer (CTO) and consists of heads from various departments, including IT, R&D, Human Resources, and Compliance. It is responsible for formulating data and information security strategies and making decisions on major data and information incidents to ensure data and information security while safeguarding the benefits of users, business partners, employees, and other third parties.

The Group has developed specialised policies, such as the *Phancy Group Data Protection Policy* and the *Phancy Group Confidential Information Management Policy*, to systematically enhance information and data security protection mechanisms. The Group's information systems employ multiple security measures (including internal and external firewalls) to detect security threats and protect the Group from potential attacks. Additionally, the Group has obtained various information security, privacy, and compliance certifications/verifications.



As of the end of the reporting period

The Company has been certified under ISO 27001 (the International Standard for Information Security) and has obtained the *Information Security Management System Certification*. Furthermore, our product, the Sage Platform, has received the ePrivacyseal certification, demonstrating our commitment to compliance with the General Data Protection Regulation (GDPR).



◇ Implement Protection Measures

Phancy Group continuously enhances security operations capabilities and adopts a variety of measures to ensure information and data security. The *Employee Handbook* explicitly outlines information security guidelines and confidentiality requirements to strictly regulate employee behavior. The Group has established the *Trade Secrets Management Policy*, which defines trade secrets, designates confidentiality managers, classifies confidentiality levels, and stipulates penalties for trade secret breaches. Additionally, trade secret management has been incorporated into the onboarding training for new employees, requiring all employees to comply with relevant regulations to fully protect stakeholders' information and privacy data security.

Confidential level of trade secret		Documents and materials	Read permission	Retrieval reproduction and approval permission	Storage method and period
Class A	Top Secret	The most important trade secrets, the disclosure of which will detrimentally impair the safety and fundamental interests of the Group, including documents or contracts on major cooperation projects, the Group's business decision-making materials, confidentiality contracts for special personnel, and relevant financial statements.	Personnel ranking above the deputy general managers	The general manager or his designated person	Sealed up by the general manager or his designated person, and kept inside a safe The storage period is 10 years
Class B	Secret	Important trade secrets, of which the disclosure will seriously impair the safety and interests of the Group; They primarily include scientific research, development, and technical engineering documents; important instructions, orders, resolutions, decisions and reports of the Group; minutes of corporate and executive meetings; purchase contracts, sales contracts, and cooperation agreements; the Group's work plans, summaries, statistical summary reports; the Group's personnel files; and the Group's audit reports.	Personnel ranking above department heads	General manager, deputy general manager or designated personnel	Locked up inside a file cabinet The storage period is 5 years
Class C	Confidential	Namely, general trade secrets, of which the disclosure will impair the safety and interests of the Group; they mainly include documents and materials of general departments' operations, annual and quarterly plans, summaries, reports, and minutes of departmental meetings.	Personnel approved by department heads	Personnel ranking above department heads	Locked up inside a file cabinet The storage period is 3 years

The Group has established a clear and strict authorization and authentication mechanism to ensure that confidential and critical data is accessible only to authorized personnel. By implementing the principle of least privilege, employees can access only the data that is directly relevant and necessary for their duties and solely for designated purposes, with each data access requiring authorization verification. The Group continuously improves its data security protection system. The R&D Department has adopted a cloud desktop solution, enhancing information security through data isolation technology.



As of the end of the reporting period

The Group did not experience any data breaches and was not involved in any legal proceedings related to information security concerning the Group or our employees.

Business Ethics

◇ Integrity Management

Phancy Group is committed to operating with integrity, promoting a culture of transparency, and maintaining a zero-tolerance policy towards any form of corruption or bribery. The Group strictly complies with national laws and regulations, including the Company Law of the People's Republic of China, the Anti-Unfair Competition Law of the People's Republic of China, and the Interim Provisions on Prohibiting Commercial Bribery, and formulates the *Phancy Group Anti-corruption and Anti-bribery Policy*. Anti-corruption requirements are reinforced in the Employee Handbook to raise awareness among all employees and regulate their conduct. The Group strengthens our integrity framework by incorporating anti-fraud clauses into contract templates, ensuring transparent procurement, and requiring suppliers to sign the Fair Competition Commitment and the Supplier Compliance Commitment. Additionally, as a member of the "Trust and Integrity Enterprise Alliance", the Group actively engages with external organizations through industry forums, training sessions, and other initiatives to foster collaboration and resource sharing. The Group remains resolute in combating commercial bribery, extortion, fraud, and other illegal activities, continuously enhancing its anti-corruption governance.



During the reporting period

The Group did not experience any violations of business ethics, such as bribery, fraud, extortion, or money laundering.

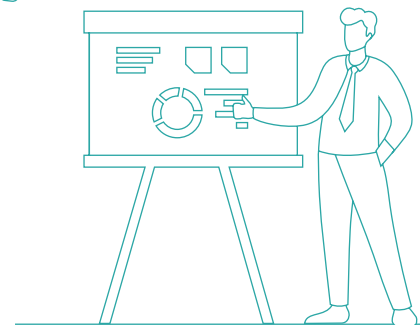
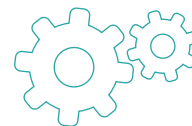
◇ Compliance Training

Phancy Group continuously strengthens our compliance culture by conducting regular legal and compliance awareness sessions twice a year to ensure that all employees uphold principles of integrity and self-discipline in their daily work.



During the reporting period

The Group provided anti-corruption and integrity training to all employees, including directors, through its internal integrity education system and onsite compliance training sessions. Additionally, the Group implemented knowledge assessments, achieving a **100%** pass rate.



Phancy Group Internal Integrity Education System

Indicator	Unit	2025
Number of Directors Trained in Anti-Corruption	person	11
Number of Employees in Senior and Middle Management Trained in Anti-Corruption	person	82
Number of Junior Employees Trained in Anti-Corruption	person	534
Percentage of Board Members Covered by Anti-Corruption Training	%	100
Average Training Hours for Directors in Anti-Corruption	hour	5.7
Average Training Hours for Employees in Senior and Middle Management in Anti-Corruption	hour	2.1
Average Training Hours for Junior Employees in Anti-Corruption	hour	4.2

◇ Reporting Channels

Phancy Group has established a complaint and whistleblowing mechanism, providing dedicated public anti-corruption reporting channels to ensure the timely handling of reported information. In addition, the Group has implemented whistleblower protection procedures and related policies, adopting a series of stringent measures to safeguard whistleblowers' identities and privacy, ensuring that they do not face any form of retaliation for reporting misconduct.



During the reporting period

The Group did not receive any reports related to corruption or improper business practices.



Reporting telephone: 010-82482372



Reporting E-mail: report@4paradigm.com



Reporting platform: Integrity Education – Complaint and Whistleblowing



2 Digital Intelligence Innovation and Empowerment with Value

As the leader of enterprise-level AI, Phancy Group always takes up the mission of empowering enterprise AI transformation and procuring AI to serve enterprises. We are committed to solving efficiency, cost and value problems faced by enterprises in intelligent transformation and improving the decision-making of enterprises. We accelerate technological innovations and talent team building, to strengthen the protection of intellectual property and promote the transformation of achievements in scientific and technological innovations. We perform delicacy management for the whole lifecycle of product quality, strive to enhance the core competencies of enterprises and provide customers with high-quality products and services. We are also committed to developing responsible AI to support the healthy and sustainable development of the AI industry. Meanwhile, we strengthen technical exchanges and cooperation within the industry, and gather external stakeholders of the business chain in conjunction with supply chain management to promote high-quality development of the AI industry.

Responding to the UN SDGs:





Shaping the Future with Intelligence

As a new productive force, AI is becoming the core engine driving high-quality development of enterprises and social transformation. Phancy Group seizes the opportunities presented by the "Belt and Road" Initiative and multilateral international cooperation, adhering to the dual-drive strategy of "technology deployment + market expansion", and accelerating the construction of a global business network covering Asia, Africa, and Latin America.

Phancy Group focuses on key sectors such as smart energy, smart finance, and smart manufacturing, promoting the localized deployment of AI technologies, products, and services by establishing overseas branches including in Singapore. In Africa, we promote the application of smart hydropower systems, helping to make resource management more precise and orderly. In Latin America and Southeast Asia, we expand smart finance and consumer electronics businesses, enhancing business development efficiency. At the same time, we provide customized solutions such as stablecoin asset management, AI visual recognition, and enterprise-level AI to global enterprises.

Leveraging our advanced AI technologies, products, and services, the Group has empowered enterprises across more than 20 fields, including finance, retail, manufacturing, healthcare, telecommunications, and legal, to achieve intelligent transformation and fundamental change. We are committed to making business more efficient, urban management more orderly, and daily life more convenient, using innovative technologies to unlock efficiency potential and co-create a smart and sustainable future.

Case

"AI Agent + World Model" as the Core for Building a New "AI + X" Industry Ecosystem



In 2025, Phancy Group completed its group transformation. While continuing the "4Paradigm" B2B business line, it expanded into new business directions such as consumer electronics and energy, clarifying the "AI Agent + World Model" as the core pathway for future technological evolution.

In January 2026, Phancy Group officially launched the Phanthu platform – an AI platform based on "Generative AI + Vertical World Model", aiming to ultimately drive the realization of Artificial General Intelligence ("AGI") through the establishment of vertical world models.

The Group also launched PhanthuCloud – a set of "out-of-the-box, continuously evolving" enterprise AI infrastructure, an intelligent cloud platform for enterprise-level large model applications. PhanthuCloud adopts a three-tier architecture of "Cloud + Computing Power + Capabilities", providing enterprises with one-stop AI solutions from infrastructure to industry intelligence.

With the maturation of the organizational structure, Phancy Group has formed a clear "AI + X" strategic layout, where each business segment develops independently while sharing the underlying technology foundation, achieving synergistic resonance:



Enterprise Services (4Paradigm)

Helping enterprises achieve transformation and upgrading through AI infrastructure as a service.

Large Models & AGI (Phanthu)

Continuously advancing the Group's AGI roadmap based on "AI Agent + World Model".

Consumer Electronics

Adopting a "2+X" brand strategy – anchoring the premium experience market with "Phancy", targeting the extreme cost-performance market with "Weike Technology", while continuously incubating and expanding brand markets.

Smart Energy (PhancyArc)

Leveraging Phancy's world model in the energy industry to support the development of green energy.

Smart Sports (Phancy Wonder)

Making sports and health more accessible based on AI technology, exploring a new paradigm for smart sports.

◇ AI Empowers Finance

Traditional bank risk control and marketing systems largely rely on static rules and manual experience, making it difficult to respond to increasingly complex and diversified financial scenarios. With the emergence of new types of telecom fraud, money laundering techniques, and high-frequency personalized customer demands, the traditional model faces two major challenges: first, risk control lag – static rules cannot promptly capture rapidly evolving fraud patterns and anomalous transactions; second, low marketing efficiency – high costs of manual review and customer management, and an inability to respond quickly to personalized needs.

Objective

To achieve an end-to-end upgrade of the entire business chain – from precision marketing and smart risk control to compliance supervision – through AI, comprehensively enhancing the security and responsiveness of financial services.

Solution

"AI Agent + Banking Industry Model": Through continuously evolving AI Agents that understand user needs and invoke rich, segmented banking vertical models, banking services are endowed with continuously evolving intelligence, akin to equipping each customer with a dedicated smart financial advisor.

"Risk Control Sentinel" Large Model: Through a dynamic decision-making architecture, autonomous evolution capability, and explainable decision-making mechanism, this model enhances real-time risk identification, fraud pattern adaptation, and compliance traceability, driving financial risk control from passive defense to proactive prediction.



"AI Agent + Banking Industry Model"

Fraud prevention accuracy improved by

316%

Credit card marketing efficiency increased by

3times

Recommendation effectiveness for a financial institution's app mall increased by

400%

Number of customers served per relationship manager increased by

2 to 5times

Bank customer satisfaction improved by

40%

Revenue increase of up to per single branch

RMB 22 million

"Risk Control Sentinel" Large Model

Anomalous transaction identification accuracy reaching the industry average

3times

False positive rate reduced by

57%

effectively lowering compliance costs and customer friction

Capable of processing over

2billion transactions per day, with millisecond-level response ensuring business continuity.

◇ AI Empowers Manufacturing

Constrained by the limitations of traditional lean production models, the traditional manufacturing industry generally faces challenges such as low and imprecise management decision-making efficiency, low effectiveness of cross-departmental collaboration and communication, cumbersome data acquisition, and information silos. These issues result in slow business development and an inability to meet the extreme demands for flexibility and intelligence in modern production.

Objective

To build a fully linked intelligent upgrade solution connecting the entire business process – sales, planning, logistics, manufacturing, quality – to achieve lean management, flexible manufacturing, process visualization, and intelligent decision-making. Additionally, by integrating operational data across the entire factory, enable "factory-level → production line-level → equipment-level" model penetration access and intelligent management.

Solution

Phancy Group has launched the "AI Agent + Industrial Vertical Model", precisely identifying industrial scenario requirements and building vertical models for industrial sub-scenarios:

Industry Data Query

Leveraging manufacturing domain and internal enterprise knowledge to build an enterprise-level data knowledge base. Supports intelligent parsing of multi-format enterprise documents, provides 7x24-hour natural language interaction services, and rapidly responds to various internal and customer inquiries.

3D Design

Through a 3D part design large model, quickly and accurately associate similar parts from 2D images, shortening the R&D cycle, and enabling simulated assembly and combination of different 3D parts.

Yield Rate Data Analysis

Building a production line yield rate diagnostic system based on a multimodal large model, establishing a factory-level data panoramic view. Supports voice interactive analysis, significantly improving problem localization speed and reducing abnormal response time.

Equipment Predictive Maintenance

Sensor network, real-time collection of multi-dimensional equipment parameters such as vibration and temperature, combined with deep learning algorithms to build a fault prediction model, providing early warnings of equipment failures and reducing unplanned downtime.

Supply Chain Intelligent Decision-Making

Through a supply chain optimization model, AI agents dynamically analyze market demand, logistics costs, and supplier risks, generating procurement plans and inventory strategies. Supports real-time simulation of contingencies (e.g., material shortages, delivery delays) to enhance supply chain resilience.



Production Efficiency Improvement

Helped a heavy-duty engine manufacturing base achieve vehicle assembly line efficiency to the minute level (average of one vehicle every **4–5 minutes**);

A semiconductor company increased production capacity by **13%** through intelligent production scheduling.

Cost and Quality Optimization

An aircraft manufacturing group applied the 3D part management system, reducing part lifecycle costs by over RMB **100 million**;

A leading power battery company achieved **93.4%** accuracy in real-vehicle battery anomaly detection and recall.

Empowering Specialized and Sophisticated SMEs

Helped a specialized and sophisticated SME improve expert support efficiency by **30%**.

◇ AI Empowers Medicine

Traditional medical institutions face challenges such as low efficiency in processing unstructured medical records, limited accuracy in early warning of chronic diseases, and uneven efficiency in the allocation of medical resources.

Objective

To provide medical institutions with a comprehensive intelligent upgrade from diagnostic services to operational management, using continuously evolving AI Agents to understand patient and doctor needs and connect to rich, segmented vertical models for the healthcare industry.

Solution

Phancy Group has launched the "AI Agent + Healthcare Industry Model". By leveraging AI Agents to understand patient and doctor needs and linking them to rich, segmented vertical models for the healthcare industry, the solution covers core clinical and operational scenarios:

Intelligent Chronic Disease Prediction and Management	Through a chronic disease health management large model, based on patients' historical medical records, test indicators, and lifestyle data, AI agents can predict the risk of developing chronic diseases (e.g., hypertension, diabetes, cardiovascular disease) and provide personalized health intervention recommendations.
Medical Knowledge Q&A	Leveraging a medical domain knowledge base and large language model, providing 7x24-hour natural language interaction services to rapidly respond to patient and healthcare professional inquiries regarding diseases, medications, examinations, and other matters.
Intelligent Medical Record Processing	Through a medical record structuring and key information extraction model, AI agents automatically parse unstructured text such as electronic medical records and test reports, extract key information, and support research analysis and clinical decision-making.
Patient Service Optimization	Through a patient profiling and referral recommendation model, AI agents enable intelligent patient triage, appointment recommendations, and health management reminders, optimizing the patient experience and improving satisfaction.
Intelligent Assisted Diagnosis and Treatment	Through a disease diagnosis and assisted decision-making model, AI agents assist doctors in making preliminary diagnoses and treatment plan recommendations based on medical record data and medical literature, improving diagnostic and treatment efficiency and accuracy.
Medical Quality Control Management	Through a medical quality control and risk monitoring model, based on treatment records, surgical procedures, and medication processes, AI agents monitor medical processes and key nodes in real-time, automatically identify potential risks and non-standard operations, and enhance medical safety and quality management levels.



Improved Quality and Efficiency of Medical Resource Allocation

Helped a hospital build an intelligent operating room system, achieving a **60%** increase in resource utilization

A **14.5%** increase in annual total surgeries

Saving **0.25 hours** per surgery on average

Generating an additional RMB **5 million** in gross profit

Breakthroughs in Precision Medicine and Prediction Accuracy

Chronic disease risk screening and prediction accuracy improved by **300%** compared to professional physician standards;

Newborn birth weight prediction error is precisely controlled within **205.3g**.

◇ AI Empowers Energy Storage

As the installed capacity of new energy sources such as wind and solar power continues to rise, the randomness and intermittency of their power generation have become core pain points constraining the energy transition. The "instability" of new energy not only places immense pressure on grid dispatch, leading to imbalances in power supply and demand, but also results in the coexistence of "curtailment of wind and solar" and "power shortages", making it difficult to maximize the value of new energy utilization.

Objective

To achieve dynamic allocation of new energy sources such as wind and solar power through intelligent algorithms, transforming their randomness and intermittency into controllable, dispatchable, and value-added high-quality energy.

Solution

Using intelligent trading as a link, open up the dynamic coordination of the entire "generation-grid-load-storage" chain, making AI the "trading decision-making hub" throughout the entire process and the "intelligent brain" for dynamic new energy allocation.

Accurate Forecasting and Prediction

Precisely forecast the output fluctuations of wind and solar power, predict power supply-demand gaps in advance, and provide data support for stable dispatch.

Dynamic Optimization and Allocation

Optimize grid dispatch and energy storage charging/discharging cycles in real time, rationally allocating unstable new energy power to various types of electricity loads.

Intelligent Trading and Utilization

AI automatically participates in power market transactions, dynamically adjusting trading strategies based on real-time output and electricity prices, and coordinating with high-energy-load facilities such as data centers to achieve on-site green power utilization, ensuring that every kilowatt-hour of electricity generates value at the optimal time and price.



Technological Forecasting Leadership

Power generation forecasting accuracy exceeds the industry average by

10%

Electricity price forecasting accuracy exceeds the industry average by over

20%

Real-time Risk Response

Risk response time reduced to within **3 minutes**

Asset and Trading Returns

Power generation forecasting revenue increased by

20%

Quantitative trading strategy increases revenue by

2.78% per day per station (equivalent to the total daily revenue of one station)

◇ AI Empowers Sports

Mass sports face the bottleneck of supply-demand mismatch. Users often encounter difficulties such as difficulty in booking venues, mismatched opponent skill levels, and lack of scientific guidance. Traditional venues, on the other hand, suffer from high energy consumption, low operational efficiency, and monotonous experiences, making it difficult to meet the growing demand for smart sports consumption.

Objective

To build a multi-dimensional solution integrating online and offline channels, focusing on three pathways: "smart matching, smart operations, and smart equipment", to support innovation in competitive sports training models and the digital upgrade of nationwide fitness.

Solution

Smart Matching

A self-developed AI smart matching algorithm accurately understands users' skill levels, preferences, and time schedules, achieving optimal matching and predictive optimization among "people, venue, time, and skill", effectively improving venue utilization and the sports experience.

Skill Improvement

The system analyses users' multidimensional data, including shot technique, movement trajectories, and performance in matches, based on historical sports data and real-time feedback, accurately recommending coaches, training content, and opponent combinations to help users achieve scientific training.

Smart Equipment

Through coordination with personal wearable devices (such as AI sports watches, smart glasses, and earphones), the system enables comprehensive data collection, feedback, and solution output. Combined with on-court AI Hawk-Eye systems, high-speed camera arrays, and edge computing, it achieves millimeter-precision "real-time digital twins" of the court, accurately identifying shot parameters and technical movements, successfully constructing a full-scenario data loop encompassing "court-side, match-side, and individual-side".



The "Phancy Super Tennis Center" in Beijing has become the first benchmark project

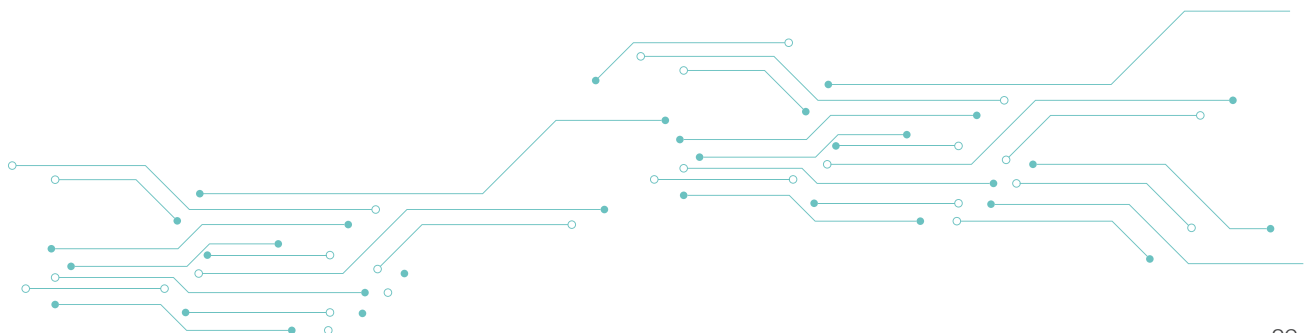
60 mu (approximately 4.0 hectares) in Haidian District – the largest single tennis center in China.

Over **120** smart hardware projects moving from pilot to market.

Regional sports welfare center covering **150,000** person-times/year across all age groups.

Over **50** sports technology unicorns/leading enterprises have settled in.

Estimated annual driven economic output of the sports industry: RMB **3.6** billion.



◇ AI Empowers Hydraulic Engineering

Under the traditional model, levee inspection is highly dependent on manual foot patrols and visual observation, resulting in low efficiency and a tendency to miss potential hazards. Infrastructure maintenance largely follows a "repair after failure" approach, making early warning difficult. Furthermore, when responding to sudden floods or other water disasters, there is a lack of precise real-time simulation and decision support, constraining the resilience and safety assurance capabilities of the water conservancy system.

I Objective

To drive the transformation of the water conservancy industry from experience-driven to data-driven, achieving an intelligent upgrade of core operations from monitoring, dispatch, and maintenance to disaster prevention.

I Solution

Water Conservancy Knowledge Q&A and Intelligent Decision Support

By integrating a water conservancy professional knowledge graph with large language models, AI agents can understand user inquiries regarding water transfer policies, engineering standards, and plan execution, providing natural language Q&A, solution references, and regulatory retrieval support, helping to improve the efficiency and accuracy of management decision-making.

Inspection Image Recognition and Analysis

Through image recognition and defect detection models, AI agents automatically analyze drone and on-site images, intelligently identifying hazards such as dam cracks, leakage, and vegetation damage, assisting in precise detection and classification management.

Real-time Hydrological Monitoring

Through hydrological anomaly detection and prediction models, AI agents can perform anomaly judgment on sensor data, integrating remote sensing, IoT, and historical data to achieve dynamic water regime monitoring and trend prediction at the watershed level.

Flood Early Warning and Emergency Response

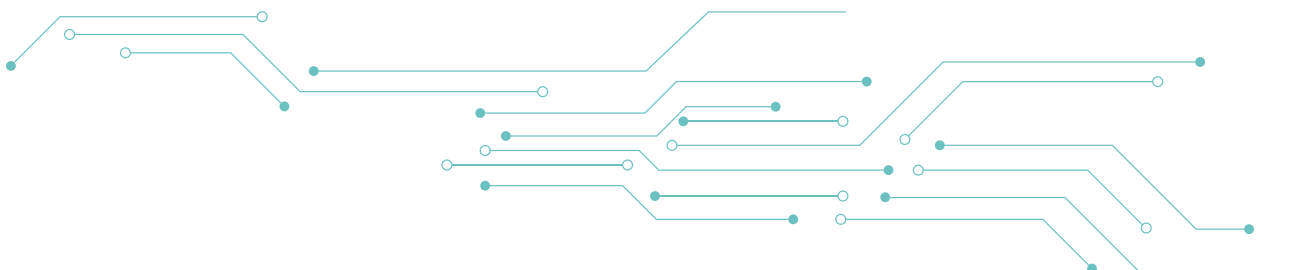
Through flood evolution simulation models, AI agents understand management needs for sudden flood risk assessment and response plans, integrating real-time hydrological data and terrain information to provide precise early warning and scientific decision support.

Infrastructure Intelligent Operation and Maintenance

Through equipment status monitoring and fault prediction models, AI agents identify the need to ensure the stable operation of facilities such as pumping stations, gates, and levees, sensing operational status in real time and providing early warnings to reduce the incidence of emergencies.



The solution significantly improves water conservancy management efficiency and social safety. Through **24-hour** monitoring of equipment "heartbeats", it enables pre-failure warning and timely maintenance, effectively avoiding unexpected water outages. At the same time, it facilitates the leap of levee inspection from manual foot patrols to intelligent drone-based inspections, automatically marking hazards and processing them by severity level, greatly enhancing inspection coverage and accuracy, and strengthening the overall disaster prevention and mitigation capacity of the watershed.





Technical R&D and Innovations

Phancy Group adheres to a core strategy driven by technological innovation, with AutoML as the core. The Group continuously invests in and explores multiple technological domains, advancing AI research and application deployment. Leveraging its core technological strengths, Phancy Group has established a business landscape with three core pillars: AI platform business, API business, and Agentic AI business, achieving deep integration of technology R&D and industrial value.

AI Platform Business

Centered around the Sage AI Platform, the Group continuously iterates its full-stack product matrix, including Phanthycloud, HAMivGPU, ModelHub XC, and SageAIOS, achieving full adaptation to mainstream domestic AI chips such as Huawei Ascend and Cambricon, creating an independently controllable AI computing power ecosystem. This provides low-threshold, high-efficiency foundational support for enterprise digital and intelligent transformation, and helps customers improve energy efficiency through computing power resource optimization technology.

API Business

Anchored by the Phanthycloud Platform as its core carrier, the Group builds an open AI capability ecosystem, accelerating the scenario-based monetization of technological capabilities. At the same time, relying on a comprehensive technical system, the Group provides inclusive AI services for small, medium and micro enterprises, promoting the widespread adoption and inclusive growth of AI technology.

Agentic AI Business

Based on the technical architecture of "AI Agent + World Model", the Group provides end-to-end AI solutions for various industries, helping traditional industries improve quality and efficiency, reduce carbon emissions, and achieve a win-win situation for commercial and social value.



2025, the Group's R&D investment exceeded approximately RMB **2.337** billion, with an R&D expense ratio of **32.8**%. High technological investment effectively supports the continuous enhancement of corporate competitiveness.

2025, the Group had **392** R&D employees, accounting for **63.3**% of the total employees.

◇ Ecology Building

On the basis of independent R&D, Phancy Group actively collaborates with various partners, leveraging the momentum of resource integration to fully realize complementary advantages and achieve mutual benefit and win-win outcomes. The Group is committed to building the "Phancy Ecosystem" on the foundation of its platform strategy, adhering to the principle of open collaboration, working closely with partners across industries to jointly create a series of exemplary industry-specific AI foundation models.

Standard Development

The Group deeply cultivates foundational AI technologies and, through deep participation in industry-academia-research collaborative innovation, transforms profound academic accumulation into normative standards that drive industry progress. The Group has not only established strategic partnerships with AI computing centers in Xian, Shanghai, Zhejiang, Henan and other regions, as well as leading high-tech enterprises, but also actively leads and participates in the formulation of international and national technical standards, committing to building a domestic AI ecosystem and large model R&D system. By establishing a comprehensive international talent cultivation mechanism and industry association exchange platforms, the Group has successfully transformed cutting-edge technologies into implementable engineering standards, providing the industry with solid institutional safeguards and technical guidance.

Case

Phancy Group Formulated the First International Specification to Lead Global Standards



Phancy Group, as one of the contributing organizations, deeply participated in the development of the *IEEE Guide for Architectural Framework and Application of Federated Machine Learning*. The Group, leveraging its own R&D practices in privacy computing and distributed machine learning, provided key technical parameters and practical references for the standard, helping to establish an authoritative framework guidance system. As the first international standard in the global federated learning field, this standard provides authoritative framework guidance for system architecture design, functional modules, and application deployment.



IEEE Guide for Architectural Framework and Application of Federated Machine Learning

Case

Phancy Group Led Heterogeneous Computing to Empower Industrial Implementation



As AI enters the large-scale application stage, the effective management of diverse heterogeneous computing power (e.g., GPU, NPU, etc.) has become a critical pain point for industry development. To address this, the Group, together with leading institutions such as PetroChina (Beijing) Digital Intelligence Research Institute and the Information and Communication Center of the State Grid, jointly drafted and facilitated the official release by the China Electronic Industry Standardization Technology Association in January 2026 of the group standard *Information Technology - Intelligent Computing Services - Requirements for Heterogeneous Computing Power Virtualization and Pooling Systems*. This standard resolves the challenges of low resource scheduling efficiency and the lack of standards, greatly unleashing computing power efficiency. In addition, the Group has also participated in the formulation of a series of standards covering machine learning frameworks, data annotation, few-shot learning algorithms, and deep learning server specifications (such as T/CESA-1037, etc.), providing specific and actionable technical guidance for AI R&D and engineering implementation.

Industry Communication

The Group upholds the principles of mutual respect and integrity in cooperation, actively participating in industry exchanges and communications to jointly promote industry advancement with partners. Additionally, the Group is also actively involved in the development of high-level dialogue platforms related to economic, social, and sustainability themes.

Case

Phancy Group Founder Mr. Wenyuan Dai Joins Chinese Entrepreneur Delegation at APEC



In October 2025, the 32nd Informal Leadership Meeting of the Asia-Pacific Economic Cooperation (APEC) was held in Gyeongju, South Korea. The summit, themed "Bridge, Business, Beyond", focused on global supply chain restructuring and digital transformation. Mr. Wenyuan Dai, Founder of Phancy Group, accompanied the Chinese entrepreneur delegation on this visit. In interviews with media outlets including People's Daily and CGTN, he shared the technical vision of "AI Agent + World Model" empowering global industries.

During the summit, Mr. Wenyuan Dai also engaged in extensive exchanges with representatives from the APEC China Business Council, leaders of several leading enterprises including Wuliangye, Robot Era, and Yuehua Entertainment, as well as representatives from the US business community, on topics such as AI-industry-finance collaboration, cross-border innovation, and Asia-Pacific regional cooperation, further expanding the international cooperation network.



Mr. Wenyuan Dai being interviewed by media at the APEC site



Scene at the Asia-Pacific Sustainable Business Leaders' Night Annual Ceremony

Case

Phancy Group Participated in BRICS Multilateral Dialogue to Promote AI for Good



During the 17th BRICS Summit held in Rio de Janeiro, Brazil, Phancy Group, invited by the China Chamber of International Commerce, participated in relevant forum activities as a representative of Chinese technology enterprises. The summit, themed "Strengthening Cooperation of the Global South for More Inclusive and Sustainable Governance", saw Phancy Group closely align with the agenda, engaging in high-level dialogue on topics such as "Balancing AI Innovation and Compliance" and "Technology Guiding Social Common Good". The Group shared the practical experience of Chinese technology enterprises in algorithm ethics, privacy protection, and technology inclusivity, advocating for responsible innovation to improve the global digital governance system.



Scene of the BRICS event discussion

Ecosystem Integration

Phancy Group upholds the philosophy of "open collaboration and value co-creation". While continuously iterating its own technological capabilities, the Group actively integrates cutting-edge industry technologies and is committed to promoting the deep integration and application of AI across multi-dimensional scenarios. By building an interconnected technical architecture, Phancy Group breaks down barriers between scenarios and devices, facilitates efficient resource allocation and value sharing, and drives sustainable industrial development through responsible innovation.

Case

Phancy Group Deepened Technology Collaboration to Build an Inclusive and Interconnected Ecosystem



To address the long-standing pain points of smart wearable devices (including AI smart glasses and AI earphones), such as functional fragmentation and fragmented multimodal data, Phancy Group has been continuously exploring AI technology applications in the consumer electronics sector, building a full-scenario collaborative ecosystem.

First, the Group adopted the Model Context Protocol (MCP) technology to unify the "model-hardware-service" interaction standard, enabling AI capabilities to be "developed once and reused across domains". This technology effectively bridges the semantic gap between devices and the cloud, enabling efficient coordination of multimodal information such as voice and vision, endowing devices with true scene understanding capabilities, and ushering AI smart glasses into a new phase of "one-time adaptation, multi-scenario reuse".

In March 2026, Phancy Group integrated smart wearable devices into the open-source AI agent framework OpenClaw, enabling automatic invocation of remote desktop tasks via voice or text commands, thus resolving the remote work pain point of "device at hand, files at home". At the same time, by transferring complex computing tasks to desktop terminals, the Group not only reduces the computational load on wearable devices and optimizes usage costs but also ensures that privacy-sensitive operations are processed locally. Through the combination of MCP and OpenClaw, Phancy Group has successfully created a full-scenario collaborative and inclusive ecosystem for AI smart wearable devices, significantly enhancing user experience and enabling efficient multimodal data collaboration and cross-scenario application deployment.

◆ Intellectual Property Management

Intellectual Property Strategies

Phancy Group attaches great importance to intellectual property work. We have established intellectual property strategies and an effective operation mechanism adaptable to our own business development and technological development, which cover the lifecycle management of the creation, management, application and protection of intellectual property of enterprises. We strengthen intellectual property protection and promote the comprehensive and coordinated development of the Group's intellectual property components, including patents, trademarks and copyrights.

The Group has set short, medium and long-term goals of intellectual property management. Through the four major strategies of "protection, innovation, application and management", guided by the government's industrial planning and in reliance upon enterprise development planning, we combine production, education and research, integrating internal and external innovation resources, to coordinate market entities and innovators. The Group's independent innovation capability and level are continuously improved through internal training on intellectual property, patent application, patent mining, patent warning, database establishing, patent invalidation, patent litigation, trademark warning, and improvement of the employees' awareness of intellectual property, etc.

Intellectual Property Management System

Phancy Group adheres to the intellectual property management policy of "encouraging innovation, effective utilization, legal protection, and scientific management". The Group strictly complies with the latest provisions of the *Copyright Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China*, and other relevant laws and regulations.

The Group has issued the *Intellectual Property Management Manual* and various management procedures, integrating intellectual property work into all stages of the Group's operations, including project initiation, R&D, procurement, production, sales, and after-sales services. The Group has established and continuously improved its intellectual property management system, designating the Intellectual Property Department as the dedicated management body, with the Group's General Manager serving as the primary responsible person for intellectual property management, and assigning dedicated personnel to implement intellectual property management work.



During the reporting period

The Group passed the intellectual property management system certification (in accordance with GB/T29490-2023), advancing towards the standardization and normalization of intellectual property management.

At the same time, to stimulate innovation vitality among all employees, the Group has revised the *Intellectual Property Incentive System*, clearly stipulating that inventors shall receive corresponding rewards and remuneration at different stages of the patent application process, encouraging employees to utilize their wisdom and talents, and fostering a corporate culture that respects knowledge and champions innovation.

Intellectual Property Risk Management

Phancy Group has established an intellectual property risk prevention and control system, formulating policies including the *Intellectual Property Risk Management System*, the *Intellectual Property Risk Management and Control Procedures*, the *Intellectual Property Risk Assessment Report*, and the *Intellectual Property Acceptance Standards*. The Group has set up an intellectual property risk analysis and early warning mechanism, implementing market monitoring on intellectual property to prevent and address intellectual property disputes. If any department within the Group detects any intellectual property infringement, it shall promptly submit a written report to the Group, and the Intellectual Property Department shall track and investigate such infringement cases and take legal actions to safeguard rights. At the same time, the Group respects the protection of others' intellectual property rights by conducting infringement risk assessments through searches and novelty investigations, issuing investigation reports, and implementing measures to prevent potential infringement of others' intellectual property rights.



During the reporting period

The Group has not experienced any incidents of intellectual property infringement or being infringed.

Intellectual Property Protection

Phancy Group attaches great importance to intellectual property protection, continuously improves the long-term intellectual property protection mechanism, and constantly increases the employees' awareness of intellectual property protection by training all of them regarding trademark, patent and copyright protection. We restrict the contact of secret-related personnel by delineating scientific and technological development areas and trade secret protection areas. In the labor contracts, confidentiality and non-competition clauses are formulated, which clearly stipulate that no one may take advantage of his position or work or adopt other improper means to publish, disclose, use, license or transfer the intellectual property of the Group without authorization in order to comprehensively strengthen intellectual property protection.



During the reporting period

The Group focused on deepening the implementation of this protection system, optimizing patent layout and risk prevention and control processes around technological innovation and brand strategy, and ensuring traceable management and controllable compliance by strengthening full-process compliance control and internal record-keeping, achieving a transition of intellectual property work from "institution building" to "efficiency enhancement". In addition, the Group actively provides professional intellectual property support to customers. During the reporting period, the customer request response rate and problem resolution rate both reached 100%.

In the future, the Group will continue to increase R&D investment and deepen strategic intellectual property management to provide solid guarantees for technological innovation.

Patent Applications		Unit	2025
Number of patents owned	Number In total	item	610
	Number of utility models owned	item	32
	Number of invention patents owned	item	388
	Number of design patents owned	item	190
Number of copyrights owned		item	35
Number of trademarks and character registrations owned		item	763
Number of software copyrights owned		item	215
Number of annual new patent applications		item	34
Annual Granted Patents		item	65

Enhancing Quality Management

Phancy Group is committed to maintaining high-quality AI products and solutions. Adhering to the quality management policy of "accurate positioning, meticulous design, continuous improvement and customer satisfaction", the Group strictly complies with relevant laws and regulations such as the *Product Quality Law of the People's Republic of China* and the *Consumer Protection Law of the People's Republic of China*, and has formulated internal management procedures including *Technical Standard Service System Construction*, *Product Management Mechanism*, *Software Development Control Procedure*, *System Integration Control Procedure*, *Internal Audit Control Procedure*, and *Risk and Opportunity Control Procedure*, to continuously improve internal audit processes and methods for product quality, strictly guarantee information and privacy security of software products, and continuously promote the improvement of the Group's product quality.

During the reporting period

There was no product recall attributable to health and safety issues.

To implement the quality policy, the Company sets the following quality objectives and departmental quality management indicators to continuously improve the quality of products and services.

During the reporting period

The Company has achieved quality-related objectives.

Less than **3** errors in one thousand rows of codes

First acceptance rate of over **98%** in different phases of projects

First pass rate of over **98%** in a review of technical proposals

First acceptance rate of over **98%** in purchased products

Customer satisfaction rate of over **98%** in after-sales services

Error rate of less than **5%** in document control

No material nonconformity in the initial audit, annual surveillance audit and re-evaluation of certification organizations

Construction of a Quality Management System

Phancy Group attaches great importance to product quality control, has formulated clear control measures, and has established specialized review institutions for dimensions such as product boundaries, interactive experience, service capabilities, naming and pricing, strictly stipulating product approval standards and product quality red lines.



Standards for Product Audit

Product boundaries, product interactions and service guarantee capability:

The products are required to conform to all paradigm standards

Product naming: Conform to Phancy Group specifications for product naming

Product pricing: Comply with internal requirements for supply prices



Dimensions of Product Quality Redline

Data security

Complete chain

Steady operation

Smooth upgrade

Phancy Group has established a quality management system covering the whole process management of products and services, including software development, computer system integration services, sales, procurement, technical services and inspection. Through monitoring and measuring relevant performance indicators, we establish and adopt required guidelines and methods, formulate measures in response to risks and opportunities in the whole process management, and regularly carry out training on professional skills and quality management systems as well as other improvement activities to ensure effective operation and control of the quality management system.



As of the end of the reporting period

The Group's relevant companies passed the external audit of ISO20000, ISO9001 and other management system certifications, and obtained the GB/T 27922 Five-Star After-Sales Service Certification.



Proactively Responding to Customer Needs

To fully safeguard customer rights and continuously enhance customer satisfaction, Phancy Group has established a comprehensive customer complaint handling system. By formulating management policies such as the *Nonconforming Product Control Procedure* and the *Corrective and Preventive Action Control Procedure*, the Group provides overall guidance and oversight for product quality complaint management, ensuring a standardized and efficient complaint resolution process. The complaint handling process includes: complaint reception, classification and assessment, investigation and analysis, solution development, communication and feedback, solution implementation, and final resolution and closure, ensuring closed-loop management throughout the entire process.

For platform-related defects, the Group classifies incidents based on severity and urgency, defining resolution methods and response times for different levels of faults. This approach aims to restore business systems in the shortest possible time, minimizing customer losses.



During the reporting period

The Group received a total of **8** customer complaints, all of which were addressed within **48** hours, achieving a **100%** complaint resolution rate.

Additionally, in 2025, the Group conducted 212 customer satisfaction surveys through a multi-channel approach, including mass questionnaire distribution, one-on-one telephone calls, and in-person interviews. The survey participants included customers from various industries, such as financial services, insurance, retail and energy. These surveys enabled the Group to identify potential issues promptly, facilitate the smooth execution of ongoing projects, and foster strong cooperative relationships with customers, further enhancing customer satisfaction. Looking ahead, the Group will focus on key customer segments, deepen cooperation and support sustainable business development.



Upholding Technology Ethics

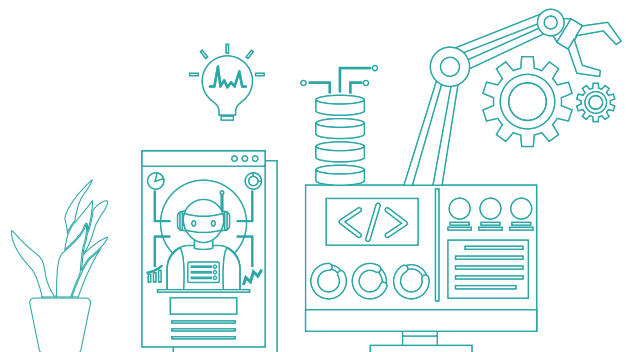
Amid the new wave of technological revolution and industrial transformation driven by AI, Phancy Group remains committed to developing and deploying AI technology in an ethical and secure manner. The Group strictly adheres to the Ethical Norms for the New Generation of Artificial Intelligence and global privacy protection frameworks to ensure that technological applications always comply with legal regulations and shared human values.

Additionally, in terms of responsible marketing management, Phancy Group upholds the principles of integrity and transparency in product promotion and market activities. The Group strictly complies with the Advertising Law of the People's Republic of China and the Administrative Measures for Internet Advertising, embedding the concept of responsible marketing throughout the entire AI product lifecycle. The Group strictly prohibits false, exaggerated, or misleading advertising claims, ensuring that disclosures regarding technological performance, application scenarios, and service commitments are truthful, accurate, and complete, maintaining corporate brand credibility and fostering a fair competitive environment within the industry.



During the reporting period

The Group did not experience any regulatory penalties or customer complaints related to misleading advertising, nor did any ethical compliance risk incidents occur involving algorithmic discrimination or data misuse.



Case

Phancy Group Fulfilled AI Safety Commitments to Build a Secure Foundation



In February 2026, the 16th Plenary Session of the Artificial Intelligence Industry Development Alliance (AIIA) was held in Beijing. Phancy Group, as an outstanding enterprise representative in the AI field, was invited to attend. AI safety is the core of technology ethics construction and the bottom line for high-quality industrial development. In July 2025, Phancy Group proactively signed the *AI Safety Commitment* and strictly followed the requirements to disclose its safety practices, successfully passing the professional assessment conducted by the China Academy of Information and Communications Technology (CAICT) in accordance with the *Basic Requirements for AI Safety and Trustworthiness*. The assessment covered 17 requirements across six major categories, including risk management, data security, and model transparency, comprehensively validating the Group's AI safety governance capabilities. Based on its solid practical performance and outstanding governance effectiveness, Phancy Group received recognition from the Alliance for fulfilling the AI Safety Commitment, fully demonstrating the Group's responsibility and commitment in safeguarding AI safety, practicing technology ethics, and leading industry standard governance, while also promoting the transition of AI safety commitments from voluntary disclosure to substantive implementation.



Phancy Group receiving recognition for fulfilling the AI Safety Commitment



Performance of Responsible Procurement

◇ Supplier Management

Phancy Group strictly complies with relevant laws and regulations, and has formulated internal management rules such as *Supplier Management Measures*, *Procurement Management Measures* and *Implementation Rules of Tender Management Measures* to standardize supplier management, clarify the responsibilities of procurement subjects and avoid procurement risks. The Group actively urges its suppliers to behave with integrity, fulfil environmental and social responsibilities, and jointly build a complete, efficient and sustainable supply chain management system with its suppliers.

Management of Supplier Onboarding

Phancy Group strictly manages supplier onboarding, conducting onboarding audits of the suppliers' qualification documents, quality assurance, production and delivery, social security contributions, and other aspects according to relevant procedures, with a particular focus on evaluating factors that may affect product quality and safety. In addition, the Group also establishes different supplier qualification requirements, evaluation standards and conditions for different categories of materials, aiming to conduct comprehensive, scientific and rigorous assessments for supplier onboarding to ensure the service quality of the suppliers.

Management of Supplier Evaluation

Phancy Group annually evaluates its cooperating suppliers according to various dimensions, including resource and technical support, response timeliness, service attitude, delivery timeliness, product quality, and delivery satisfaction. Based on the evaluation results, the Group regularly updates the Supplier List and supplier status in the supplier system database, implementing classification and tiered management. For suppliers with which the Group has long-term cooperation, priority is given to signing strategic framework cooperation agreements. Suppliers with an annual comprehensive evaluation score below 60 will be included in the grey list of suppliers and suspended from bidding activities for 12 months. In 2025, the Group evaluated a total of 346 suppliers, among which 100% of suppliers obtained scores of 80 and above, and no supplier was included in the grey list.

Supplier Risk Management

Phancy Group continuously increases supply chain response speed, reduces supply chain costs and operational risks, and performs quality management and supervision over the whole process of material supply. Through effective implementation of regular special inspections on supply quality management, quality inspections, regular audits and dynamic management, the Group actively builds a digital supply chain management platform, continuously improving safe, timely, green and economical supply and quality management of materials.



As of the end of the reporting period

The Group had a total of **346** suppliers, among which **268** suppliers were newly added.

Supplier Management		Unit	2025
Total number of new suppliers classified by geographical region	Suppliers of Mainland China	company	258
	Other Chinese Regions (HK, MO, TW) and foreign suppliers	company	10
Percentage of purchasing specialists passing professional procurement training inside the Group		%	100

◇ Suppliers' Incorruptness Building

To further promote integrity building, Phancy Group has formulated strict integrity clauses in the Tender Documents and anti-fraud and anti-money laundering clauses in the contracts. In addition, the Group signs the *Letter of Undertaking on Supplier Compliance* with the accepted suppliers, explicitly requiring all suppliers to strictly abide by the *Anti-Unfair Competition Law of the People's Republic of China*, the *Law of the People's Republic of China on Tenders and Bids*, and relevant laws and regulations applicable to anti-fraud and anti-money laundering, to prevent commercial bribery, including but not limited to sending gifts, reimbursing expenses, offering commissions or rebates, arranging travel and entertainment, and offering securities, gift cards or other forms of benefits, jointly building a fair and just competitive environment.



During the reporting period

100% of the suppliers signed the *Letter of Undertaking on Supplier Compliance*.

In case of any business operations against good faith, the Group accepts complaints from the suppliers through real-name whistle-blowing. We have also set up a dedicated department and created an email account for whistle-blowing.

◇ Exchanges and Communications with the Suppliers

Phancy Group regularly conducts on-site visits to key long-term cooperating suppliers to better understand their office environment, production conditions, warehousing and logistics, inventory turnover, and other relevant factors. Through visits and exchanges with the suppliers, we further assess their business development and operational status to evaluate their stability and sustainability.

In 2025, to maintain long-term, stable, and sustainable cooperative relationships with suppliers, the Group organized multiple supplier communication meetings through various formats, including face-to-face meetings and video conferences. These sessions focused on listening to suppliers' opinions and suggestions, understanding the difficulties and challenges they encountered in cooperation, jointly analyzing market trends, seeking potential collaboration opportunities, and discussing matters such as technological innovation, R&D cooperation, cost control, and supply optimization, promoting sustainable development and advancement in the AI industry for both parties.

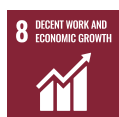


Technology for Good and Intelligence for All



Phancy Group is committed to fostering an equal and inclusive workplace, offering employees a range of welfare policies, and promoting workplace diversity. The Group continuously safeguards employees' legitimate rights, implements comprehensive welfare and care programs, prioritizes occupational health, and emphasizes talent development, striving to create a fair and harmonious working environment that supports high-quality sustainable development. At the same time, we assume social responsibility by actively contributing to society, leveraging financial, human, material, and AI resources to address social challenges, promote equity and inclusivity, and advance the sustainable development of society.

Responding to the UN SDGs:





Protecting Employee Rights and Interests

◇ Abide by Labor Standards

Phancy Group strictly complies with relevant laws, regulations, and provisions, including *Labor Law of the People's Republic of China*, *Labor Contract Law of the People's Republic of China*, *Provisions on the Prohibition of Using Child Labor*, *Universal Declaration of Human Rights*, and *International Labour Conventions*. We strictly prohibit the employment of child labor and forced labor, as well as any restriction of employees' freedom or form of recruitment discrimination. During the recruitment process, the Group rigorously verifies applicants' identity information to ensure that the hiring process is lawful and compliant, thereby preventing the employment of child labor. During the reporting period, the Group recorded no instances of child labor, forced labor, or any other illegal or non-compliant employment practices.

The Group has established and strictly enforces a lifecycle management system for employees. Regular feedback is obtained on various policies and procedures and used to continuously improve them. These include, but are not limited to, the *Employee Handbook*, *Management Measures for Job Transfer*, *Incentive Management Measures*, *Remuneration Management Measures*, *Holiday Management Measures*, and *Training Management Measures*, to ensure compliance and effectively safeguard employees' legal rights and interests.

The Group has established an Ethics Committee, with designated personnel responsible for supervising and managing matters related to anti-sexual harassment, anti-corruption, and anti-bribery. Employees can report violations via dedicated mailboxes or written correspondence. The Group promptly investigates and addresses such matters in accordance with its regulations.

Indicators		Unit	2025
Employee rights and interests	Percentage of employees signing labor contracts	%	100
	Coverage of social insurance	%	100

◇ Expand Diversified Recruitment Channels

Phancy Group actively explores and expands diversified recruitment channels and a de-hierarchical talent activation mechanism. Building upon traditional recruitment methods, the Group continuously innovates talent selection mechanisms to expand our talent pool and inject new momentum into AI technology development.

• Diversified Recruitment Channels •



Independently Developed Innovative Recruitment System

The Group has developed a proprietary interview evaluation system that simulates real work scenarios to objectively assess candidates' technical skills and job fit, supporting a scientific and efficient talent selection process.



Long-Term and Stable University-Enterprise Cooperation

The Group continues to promote university-enterprise cooperation and has launched technical competitions for university students to cultivate and retain outstanding talent.



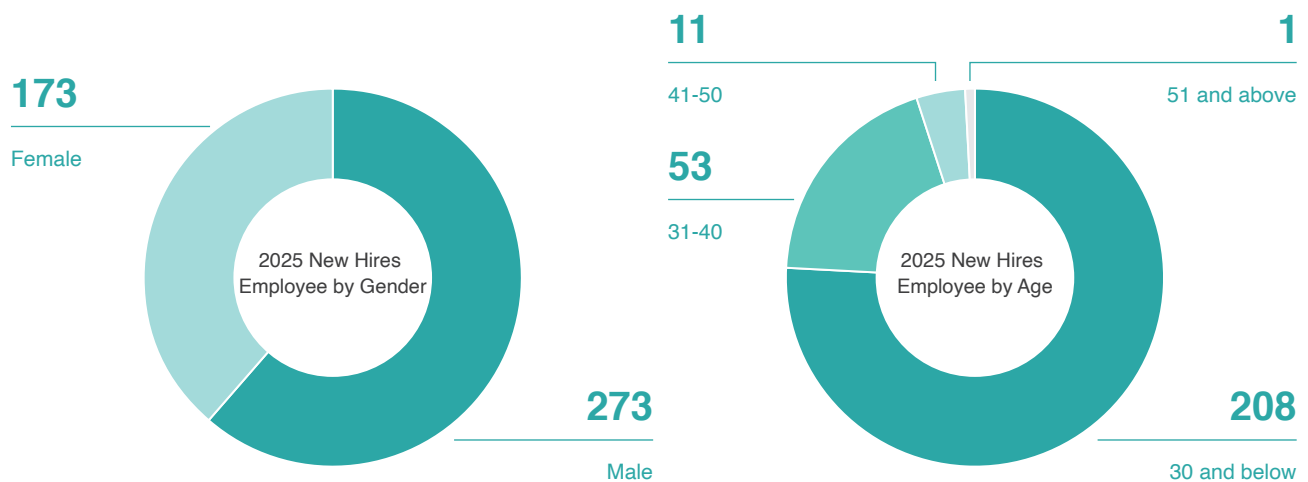
Employment Support for People with Disabilities

The Group responds to policies supporting the employment of people with disabilities by expanding employment opportunities for this group. During the reporting period, the Group employed a total of 3 individuals with disabilities.

Employment		Unit	2025
Total number of Employees ¹		person	619
By gender	Male employees	person	395
	Female employees	person	224
By employment type	Direct Hire	person	451
	Labor Dispatch	person	0
	Other ²	person	168
By age	30 and below	person	336
	31-40	person	224
	41-50	person	55
	51 and above	person	4
By region	Employees working in Mainland China	person	613
	Employees working in Hong Kong, Macao and Taiwan of China	person	1
	Employees working in other countries and regions	person	5
By rank	Total number of junior employees	person	501
	Total number of senior and middle management employees	person	118

¹ Employee Headcount as of the End of the reporting period.

² Other includes outsourced employees, part-time employees, and interns.



Phancy Group is committed to attracting and retaining talent from diverse backgrounds. As of December 31, 2025, the employee turnover rates of the Group are as follows:

Employee Turnover Ratio		Unit	2025
Total number of employee turnover ³		person	252
Total rate of employee turnover ⁴		%	20.6
By gender ⁵	Male employees	%	19.8
	Female employees	%	22.3
By age	30 and below	%	16.6
	31-40	%	24.8
	41-50	%	29.3
	51 and above	%	28.6
By region	Employees working in Mainland China	%	20.8
	Employees working in Hong Kong, Macao and Taiwan of China	%	0
	Employees working in other countries and regions	%	0

³This indicator only covers full-time employed staff

⁴Overall employee turnover rate for 2025 = Number of employees who left during the reporting period / (Number of employees at the beginning of the reporting period + Number of new employees during the reporting period)

⁵Employee turnover rate by type for 2025 = Number of employees who left in each category / (Number of employees at the beginning of the reporting period in each category + Number of new employees during the reporting period in each category)





Safeguarding Safety and Health

Phancy Group places great emphasis on employees' occupational health and safety, strictly complying with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Fire Control Law of the People's Republic of China*, and other relevant laws and regulations. The Group continuously improves its occupational health and safety management system. The Beijing office has obtained ISO 45001 Occupational Health and Safety Management System Certification, providing comprehensive protection for employees' health and safety.

The Group consistently regards employees' physical and mental health as a driving force for corporate development, actively promoting the concept of healthy work practices and striving to create a safe and healthy working environment. In terms of equipment, the Group is equipped with necessary health and safety facilities and organizes first-aid training and on-site simulation exercises to ensure a safe and reliable workplace. The Group's office areas are equipped with comprehensive safety equipment, such as fire-fighting devices and AEDs (automated external defibrillators), with prominent safety notices posted to protect employees' daily safety. The Group provides high-quality ergonomic chairs designed according to ergonomic principles to reduce the adverse effects of prolonged sitting, improving employee comfort and work efficiency.



During the reporting period

The Group organized a fire drill to further enhance employees' fire safety awareness and emergency self-rescue capabilities, strengthening safety management in the office environment.



Fire Drill Activity

In terms of health care, the Group has established the "Phancy Group Health Plan", implementing a series of innovative initiatives to comprehensively support employees' physical and mental well-being. These initiatives include organizing employee participation in sports activities, establishing internal sports clubs, hosting themed health salons, and providing weekly corporate fitness classes. In addition, the Group offers annual health check-ups, psychological counseling, and massage services, and provides supplemental commercial health insurance for all employees. The Group also places great emphasis on the healthiness of the office environment, conducting air quality monitoring in office areas to ensure a safe and comfortable workplace.



During the reporting period

The Group recorded no work-related injuries, and there have been no work-related fatalities in the past three years, including the reporting period.

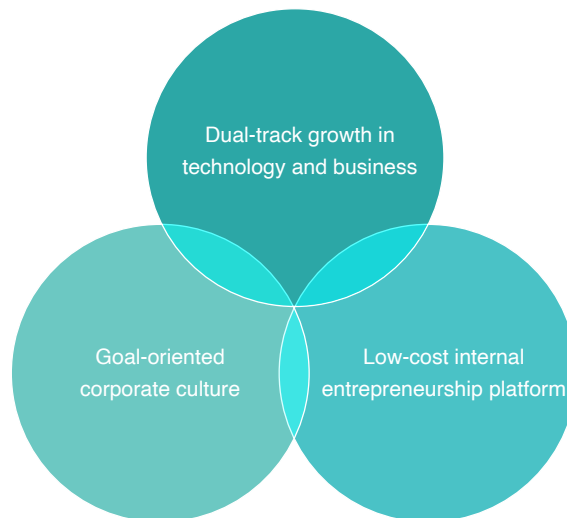


Focusing on Talent Development

◇ Smooth Career Development Pathways

Phancy Group provides clear career advancement pathways, granting employees sufficient autonomy and space for innovation to help them unlock their full potential. The Group has established a "North Star Metric", allowing technical employees to propose projects guided by clear and objective North Star metrics and based on their assessment of current and potential future customer needs, aligned with their own interests. The Group fully respects employees' personal aspirations, enabling them to either advance within the technical system to deepen their expertise or establish new business units or subsidiaries under the Phancy Incubation System, with opportunities to be promoted to CTO or CEO. Meanwhile, the Group is committed to building an open talent ecosystem and has established a job mobility mechanism, allowing technical employees to apply for cross-functional transfers (such as to the marketing track) based on their personal development plans, thereby fully empowering employee career growth.

-----● Tri-dimensional career development system ●-----



◇ Establish Employee Incentive Mechanisms

To promote the Group's sustainable development and to stimulate and motivate employees' creativity and initiative, Phancy Group has established the *Employee Incentive Management Measure*. In addition, the Group has implemented an equity incentive plan and a stock option plan, granting incentive shares to designated participants. These programs enhance the Group's value while providing employees with additional benefits, thereby supporting mutual development.

◇ Build Employee Training System

Starting from enhancing employees' core competencies, Phancy Group tailors customized development plans based on the career paths of employees in different positions. These plans include comprehensive new employee training, general skills training, and specialized skill training for key positions. In addition, in line with the Group's development and training management practices, a training effectiveness evaluation mechanism has been established. This mechanism assesses training outcomes through satisfaction surveys, employee interviews, and efficiency evaluations, enabling timely adjustments and optimization of training programs based on employee feedback.

Phancy Group Training System

For newly recruited graduates



Promote a plan for "exclusive training of students recruited from universities". Help all employees recruited from universities to adapt to their identity change from students to employees by taking general courses, professional courses, and off-the-job courses on enterprise cultures, and through autonomous learning based on 4Paradigm list of books, led by senior engineers and department managers as their mentors in their workplaces.

For newly technique talents



Establish a coach system for the chief technology officer to instruct technical talents. Organize sharing sessions with industry leaders and 1-to-1 mentoring on a weekly basis. Establish a complete industry-academia-research system. Cooperate with several domestic and foreign top universities as well as famous external mentors to train talents.

Specialized Departmental Training



Based on the core functions of different departments, a business unit-led training mechanism is established. Specialized training is conducted annually in a dynamic manner to ensure that employees' professional competencies align with evolving business development needs.

To improve the employees' general skills



Improve the employees' work efficiency, general skills training is conducted, covering Logical Thinking and Expression, Problem Analysis and Solving and Game Thinking.

Employee development and training		Unit	2025
Total rate of employees trained		%	82.2
By rank	Junior employees	%	86.4
	Senior and middle management employees	%	13.6
By gender	Male employees	%	61.1
	Female employees	%	38.9
Average training hours for all employees		hour	6.6
By rank	Junior employees	hour	6.6
	Senior and middle management employees	hour	6.4
By gender	Male employees	hour	7.1
	Female employees	hour	6.3

◇ Improve Talent Exchange Mechanisms

Phancy Group actively builds an open and diverse talent exchange mechanism, creating a two-way channel between talent development and technological innovation through deep integration of industry, academia, and research. The Group maintains long-term collaborations with universities and research institutions, including Tsinghua University, Beijing University of Posts and Beihang University, Shanghai Jiao Tong University, Nanjing University, Hong Kong University of Science and Technology-Microsoft Research Institute, and the ChaLearn academic organization. Through university-enterprise cooperation and open technology competitions, the Group translates its technological advantages into social value while providing a growth platform for young talent, effectively cultivating and attracting outstanding technical professionals.



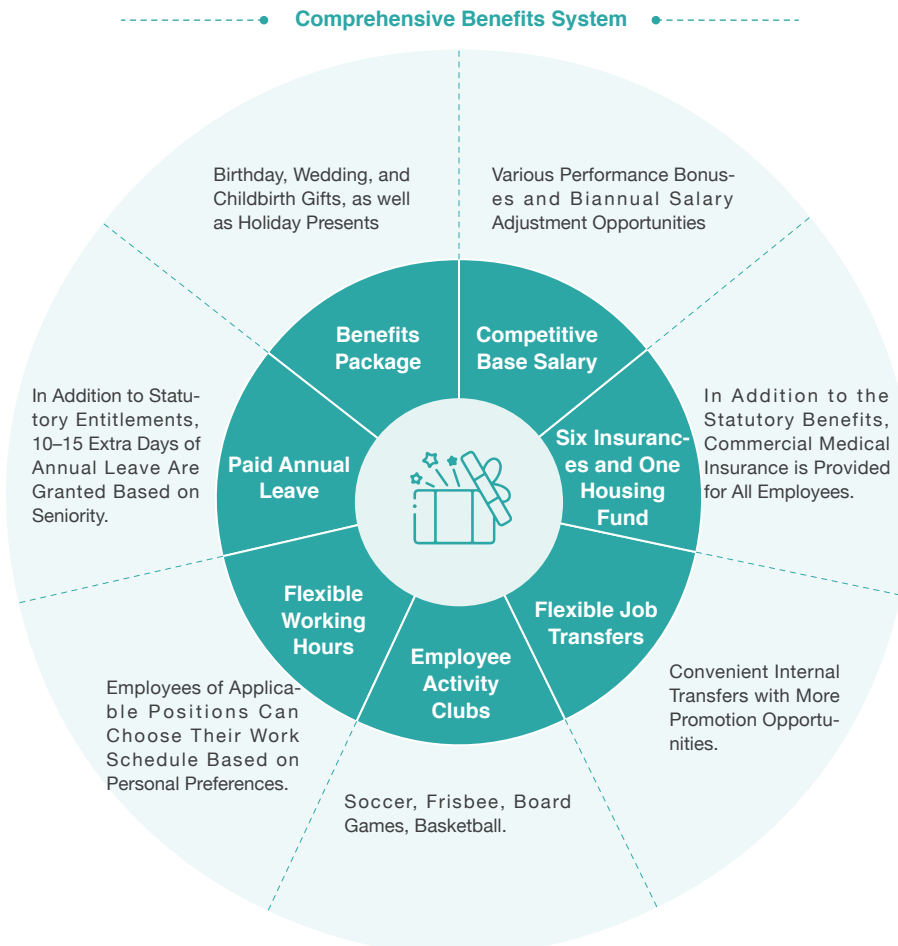
Providing Diverse Benefits

Phancy Group has established a highly competitive salary and incentive system with a flexible and diversified salary structure, including biannual salary adjustments to ensure employees receive fair returns for their contributions. In addition, the Group provides comprehensive social security coverage, including the statutory five social insurances and housing provident fund, along with supplementary commercial insurance, safeguarding employees' rights and well-being.

In terms of employee benefits and corporate culture, the Group has meticulously designed a comprehensive benefits system encompassing a wide range of corporate cultural activities and employee clubs. From professional training to personal interest development, and from team-building exercises to leisure activities, a series of engaging and meaningful programs are provided to create a relaxed and enjoyable work environment. By continuously optimizing the salary and benefits system and enriching corporate culture, the Group is committed to ensuring that every employee experiences a sense of achievement in career development, a sense of belonging within the team, and a sense of fulfillment at work, fostering a mutually beneficial relationship between the Group and its employees.

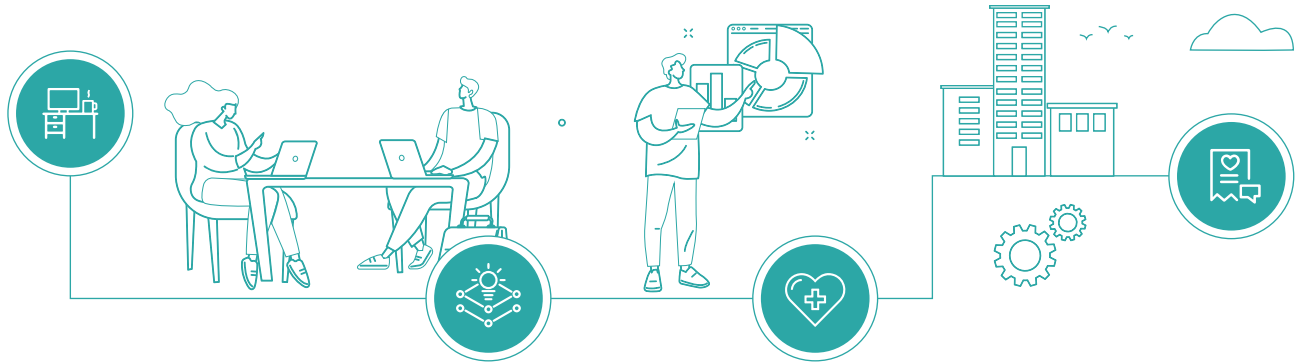
◆ Remuneration and Welfare System

The Group is committed to establishing a fair, reasonable, and highly competitive salary system aimed at attracting and retaining top talent, thereby driving the Group's growth. The employee salary structure consists of multiple components, including base salary, benefits/allowances, bonuses, and performance-based incentives. The base salary is determined within a job salary guideline range established by the Group, based on a comprehensive assessment of factors such as job classification, job nature, and market dynamics. It is precisely set according to employees' knowledge, skills, practical experience, and other relevant conditions to ensure alignment with market standards and maintain industry competitiveness. In addition, the Group has established an equity incentive plan closely linked to its strategic objectives as a long-term incentive mechanism, designed to encourage sustained employee contributions and foster loyalty to the Group, working together with employees to build a promising future.



◇ Working Environment and Democratic Communication

Phancy Group is committed to providing employees with a safe, comfortable, and relaxing work environment. The Group cares for employees' needs and opinions and keeps communication channels open.

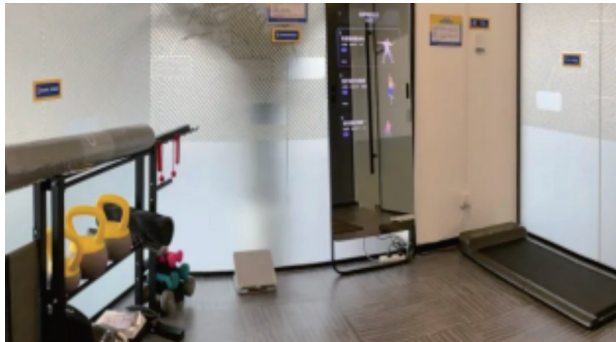


Open workspaces, diverse talent backgrounds, and a flat organizational structure foster an atmosphere of equal and candid communication.

Create a human-centered environment to meet employees' daily needs, with facilities such as a gym, meditation room, nursing room, game room, nap room, library, and refreshment area.

Equip office areas with basic first-aid kits to ensure employees receive timely treatment for minor injuries or sudden discomfort, effectively safeguarding employees' health.

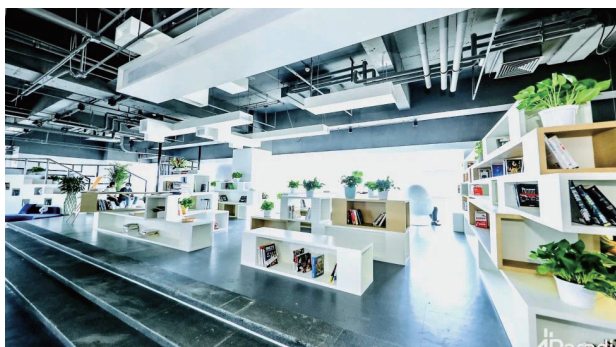
Actively respond to issues submitted by employees and establish a comprehensive internal communication mechanism to address each concern employees have regarding the Group's development.



Gym



Refreshment Area



Reading Corner



First-Aid Kit

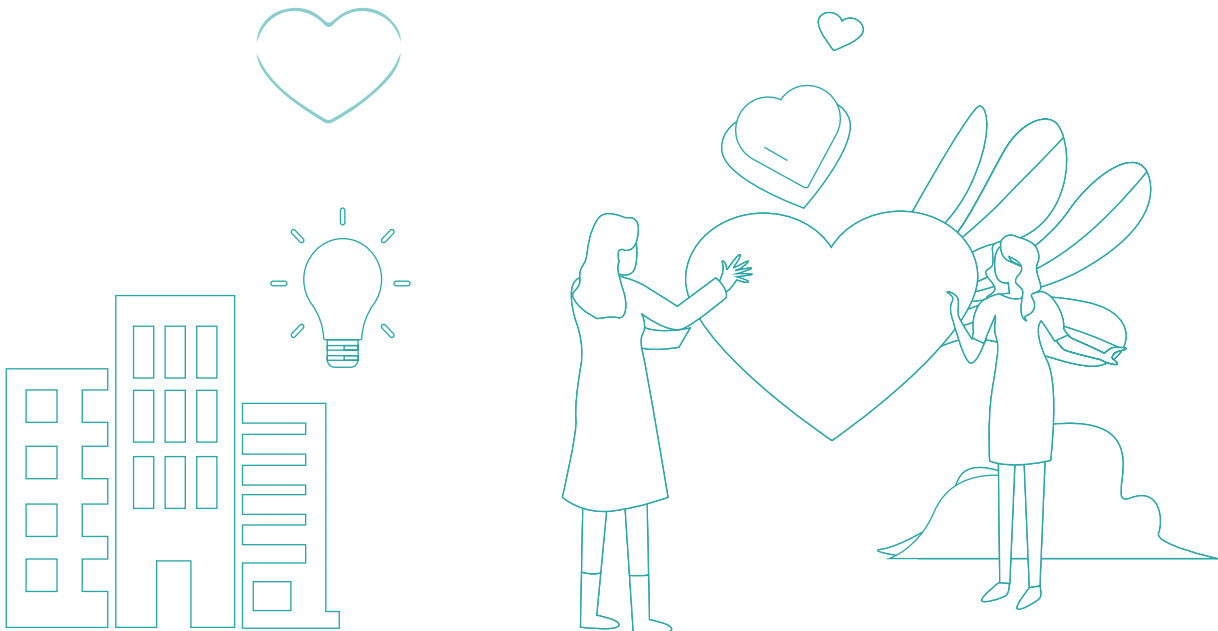
◇ Care for Female Employees

Phancy Group provides thoughtful care for female employees, creating a safe, comfortable, and respectful working environment with attention to detail. Based on the property conditions of each office site, the Group has carefully designed nursing rooms in suitable spaces, equipped with refrigerators, reading guides, storage shelves, and blackout curtains. To further enhance the user experience, maternity hygiene products have been added, providing convenience for breastfeeding employees. On occasions such as International Women's Day, the Group organizes themed activities and provides female employees with exclusive gifts, including wellness gift sets and souvenirs, to strengthen their sense of belonging.



A nursing room that ensures both privacy and comfort

The Group is committed to safeguarding the safety and rights of female employees and maintains a zero-tolerance stance toward workplace sexual harassment. An Ethics Committee has been established to handle relevant complaints, and through explicitly stipulated regulations and an independent mailbox channel, robust protection of female employees' rights is ensured. Additionally, the Group offers a late-night transportation benefit for female employees, providing exclusive ride-hailing services through the Didi Enterprise Edition platform, with all costs fully covered, ensuring safe travel for female employees working late hours.



◇ Employee Activities

Phancy Group has carefully established and officially launched a new corporate culture philosophy through multiple initiatives, including executive co-creation, employee surveys, and cultural values workshops. Core cultural values are deeply integrated into employees' daily work and lives via channels such as all-staff letters, departmental corporate culture seminars, internal communications, and cultural recognition activities. The Group places great emphasis on employee care, leveraging the corporate culture to lead a wide range of cultural and well-being initiatives, fostering a happy, harmonious, and sustainable workplace environment.



Annual meeting



Mid-Autumn Festival gift sets for employee care



Supporting Public Welfare and Charity

On the premise of ensuring its own development, Phancy Group actively assumes social responsibilities, investing substantial funds, manpower, and materials in areas such as rural revitalization, cultural education, and environmental protection to serve societal needs. Building on its principal business, the Group leverages science and technology to support community development, address social issues, and protect endangered species, giving back to society through tangible actions.

Case

Phancy Group's Charitable Donation to Support the Beijing Rainstorm-Affected Areas



In July 2025, extreme convective weather struck districts including Miyun in Beijing, causing heavy rainfall, floods, and landslides, affecting multiple villages. Phancy Group responded urgently and donated RMB 2 million through the Beijing Guangcai Charity Foundation to support immediate disaster relief, provision of essential living supplies, and post-disaster infrastructure reconstruction, helping affected communities overcome difficulties and rebuild their homes.

4 Green Ecology and Sustainable Development



Phancy Group has established and continuously improved its environmental management system, carrying out ongoing work in resource utilization and waste management. Through measures such as optimizing management processes, promoting green office practices, and enhancing employees' awareness of energy conservation and environmental protection, the Group strives to improve its green operations. We also recognize the significant role of AI technology in promoting a low-carbon transition and sustainable development, and are committed to supporting carbon-intensive industries, including energy, industrial, and transportation sectors, in achieving green transformation. Driven by data and guided by sustainability, we work together to advance a low-carbon transition and high-quality development of the economy and society.

Responding to the UN SDGs:





Strengthening Environmental Management

Phancy Group strictly complies with the *Environmental Protection Law of the People's Republic of China* and the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, as well as the applicable environmental regulations and policies in the regions where the Group operates. The Group continuously optimizes its environmental management system, building a solid foundation for green governance. As a pioneering enterprise in AI sector, Phancy Group integrates environmentally friendly values deeply into its corporate strategy while leveraging technology for social benefit. Committed to building an eco-friendly enterprise, the Group has successfully obtained ISO 14001 certification for its Environmental Management System and will continuously elevate its environmental management standards.



During the reporting period

The Group did not experience any environmental pollution incidents or other environmental violations.



Optimizing Resource Utilization

Phancy Group strictly complies with environmental laws and regulations, including the *Energy Conservation Law of the People's Republic of China*, the *Environmental Protection Law of the People's Republic of China*, and the *Circular Economy Promotion Law of the People's Republic of China*, and continuously strengthens the daily management of energy, water, and other resources. As the Group focuses on AI research and development and does not operate its own canteen, the primary resource consumption in daily operations consists of purchased electricity and municipal water in office areas. The Group's water supply is fully secured by municipal sources, and assessments indicate no risk in obtaining the applicable water supply. In addition, due to the purely technology-based R&D business model, the Group does not engage in the production of significant physical products and therefore does not consume notable amounts of packaging materials.

The Group is committed to deeply integrating the concept of green, low-carbon, and sustainable development into daily operations and management. Through a refined management system, the Group seeks to maximize energy efficiency. Using 2023 as the baseline year, strategic environmental targets have been established: the Group commits to continuously reducing energy consumption intensity and water consumption intensity over the next five years, putting energy conservation and environmental protection into practice through concrete actions.



◆ Strengthen Awareness of Resource Conservation

Phancy Group is committed to fostering a green corporate culture and actively carries out publicity activities related to energy conservation and low-carbon practices to enhance employees' awareness of environmental protection and resource conservation. The Group encourages employees to actively participate in resource management, shifting from passive compliance to proactive practice, with the aim of embedding the concept of resource conservation into employees' professional conduct and translating the value of "green office practices" into employees' daily behavioral norms, thereby creating a strong culture of conservation.

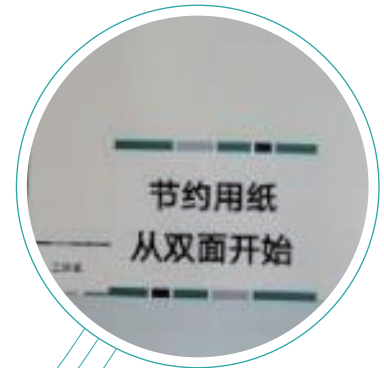
The Group has placed resource conservation signage in various public areas, including "Save Water" reminders in water-use areas such as pantries and restrooms, and energy-saving labels on energy-consuming equipment. The Group also encourages the priority use of natural light in offices, meeting rooms, and other workplaces whenever possible. In addition, designated personnel conduct inspections to promptly guide and correct resource-wasting behaviors.



New Paper Conservation Signage in Restrooms



Reminder Signage to Reduce Resource Waste in Meeting Rooms



Paper Conservation Signage



◆ Deepen Green Office Practices

To effectively translate environmental protection principles into concrete operational practices, the Group reduces resource consumption through infrastructure optimization and the implementation of routine energy-saving measures.

Selection of Green Office Environments

Phancy Group actively promotes the sustainable development of its office premises by incorporating the environmental performance of buildings into key site selection considerations, thereby enhancing environmental benefits.



As of the end of the reporting period

The Group's Shanghai office building had obtained certifications and recognitions including Leadership in Energy and Environmental Design (LEED), the Golden Key International Alliance (GKIA), and "Shanghai Water-Saving Enterprise" awarded by the Shanghai Water Authority.

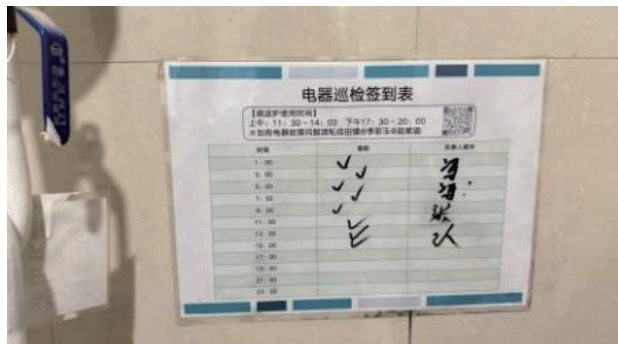


Environmental Awards and Certifications for the Shanghai Office Building

Refined Energy and Water Resource Management

Phancy Group actively implements energy conservation and emission reduction measures. In terms of water resource protection, the Group procures water-saving faucets and strengthens pipeline inspections to prevent leaks, drips, and overflows from the source. Regarding lighting management, natural light is prioritized in offices and meeting rooms, and the “lights off when leaving” policy is strictly enforced, with dynamic adjustments to unnecessary lighting schedules. For air conditioning management, intelligent key robots are deployed, allowing precise on/off scheduling to prevent energy waste from unattended operation, and air-conditioning temperature standards are strictly maintained (24°C–26°C in summer, 20°C–22°C in winter) to maximize energy efficiency.

In addition, the Group has established an assessment system for small-scale property management staff (including security and cleaning personnel), specifying material replenishment quantities and operational schedules. Resource usage is monitored in real time through a refined supervision and scoring mechanism, with performance results incorporated into rewards and penalties. Behaviors that fail to meet standards are subject to point deductions or financial penalties, thereby strengthening accountability for energy conservation and emission reduction.



Electrical Equipment Inspection Sign-in Record



Intelligent Air-Conditioning Control Button

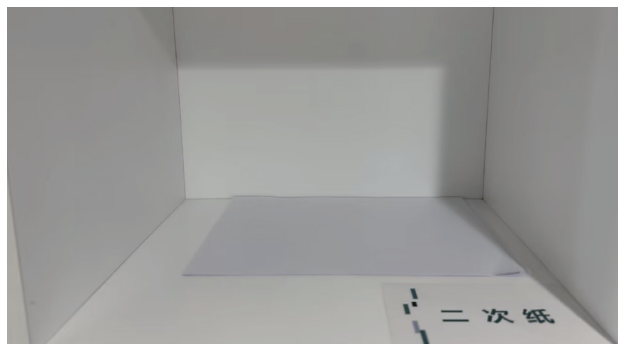
Promotion of Paperless and Circular Office Practices

The Group actively advances a paperless office model by comprehensively promoting digital meetings and upgrading paper nameplates to electronic nameplates. Where printing is necessary, the Group prioritizes black-and-white and duplex printing to reduce toner cartridge consumption. In addition, secondary paper recycling points are set up at printing areas on each office floor—specifically at copy paper collection points—where employees place discarded single-sided paper for reuse. Employees may collect the recycled paper at any time for purposes such as label attachment, printing non-essential documents, or use as draft paper.

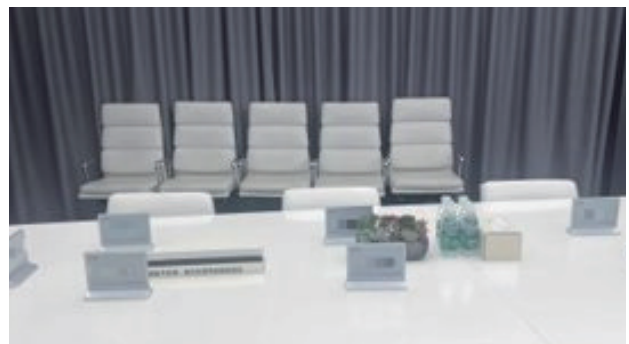


During the reporting period

The Group consumed a total of **56** toner cartridges and recycled approximately **5,500** sheets of paper throughout the year.



Paper Recycling Point



Paperless Meeting



During the reporting period

The performance data of the Group in purchased electricity and water resources are as follows:

	Indicator	Unit	2025
Use of water resource	Total water consumption	ton	2,128
	Water consumption intensity	ton/RMB'0000	0.0030
Energy Consumption	Purchased electricity	kWh	1,021,134.00
	Comprehensive energy consumption ⁶	ton of standard coal (tce)	126.04
	Energy consumption intensity	kWh/RMB'0000	1.4311



Enhancing Pollution Control

Phancy Group strictly complies with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, the *Water Pollution Prevention and Control Law of the People's Republic of China*, and other applicable laws and regulations. Due to the nature of the Group's AI R&D operations, the Group's operations do not involve industrial wastewater or air emissions. The Group's primary environmental impacts arise from waste generated during office operations, including office waste, domestic waste, and kitchen waste.

◇ Waste Sorting

The Group complies with waste classification requirements in its operating locations and implements standardized collection and disposal procedures. Waste is properly sorted and transported to designated collection points for centralized handling by property management. Centralized waste classification areas are established on each office floor, and dedicated disposal zones are set up for kitchen waste and takeaway waste. These are uniformly transported by professional property management teams to designated disposal points for harmless treatment, ensuring a hygienic, healthy, and comfortable office environment.

To strengthen employees' awareness of waste classification, personal waste bins are not provided at workstations, encouraging employees to dispose of waste at centralized waste classification areas. At the same time, the Group promotes waste classification knowledge through multiple channels, including its WeChat official account platform and workplace posters, integrating waste classification practices into daily office culture and fostering employees' proactive environmental awareness.



Waste Classification Bins and Signage

⁶The Comprehensive energy consumption is calculated based on the *General Principles for Calculation of Total Energy Consumption* (GB/T 2589-2020) issued by the State Administration for Market Regulation and the Standardization Administration of China.

◇ Hazardous Waste Management

Hazardous waste generated by the Group during daily operations primarily includes toner cartridges, used dry batteries, and obsolete computers. These hazardous wastes are handed over to qualified third-party service providers for disposal. The Group has established a hazardous waste collection point at the reception area. Employees are required to return used batteries to the reception when collecting new batteries, and the administrative team provides a one-for-one replacement service to ensure the proper recycling and treatment of used batteries, thereby effectively improving the management of electronic waste.



Used Battery Collection Point

The Group is committed to achieving 100% compliant disposal of waste each year.



During the reporting period

This target was achieved. Relevant data on waste generated by the Group are as follows:

Indicators	Unit	2025
Total hazardous waste produced ⁷	kg	15.79
Intensity of hazardous wastes	kg/RMB'0000	0.00002
Total non-hazardous waste produced ⁸	kg	2,617.36
Intensity of non-hazardous wastes	kg/RMB'0000	0.0037

◇ Recycling

The Group adheres to the concept of a circular economy, promoting waste reduction at the source and establishing processes for reuse, recycling, and resource recovery to minimize the environmental impacts of waste. We prioritize the internal reuse of old equipment. Idle furniture (such as ergonomic chairs) and surplus corporate gifts are offered to employees through internal purchase programs. For office electronic devices such as computers, employees may apply to repurchase them for personal use after a specified service period, enhancing the reuse rate of electronic equipment and minimizing waste generation.



⁷During the reporting period, the hazardous waste generated by the Group in its daily operations primarily consisted of toner cartridges and used dry batteries.

⁸The Group's operations have a minimal environmental impact, with small volumes of domestic waste and kitchen waste. After being sorted and collected, these wastes are centrally handled by property management and have no material impact on operations; therefore, no specialized data collection has been conducted. In the future, as the business expands and waste generation increases, the Group will gradually improve its data collection processes. During the reporting period, the Group's non-hazardous waste primarily consisted of office paper and idle items disposed of due to office relocation.

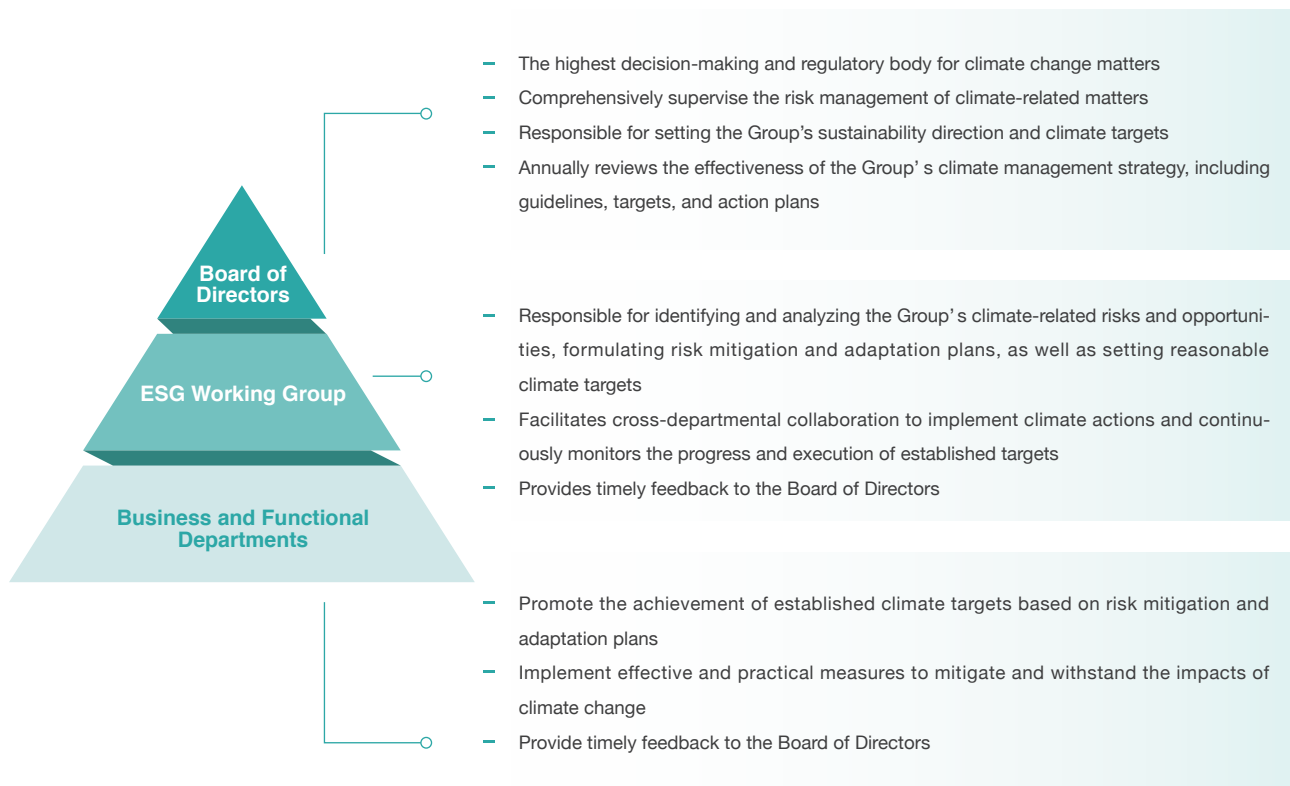


Response to Climate Change

Facing the severe challenges of global climate change in the 21st century, Phancy Group adheres to a development philosophy of environmental coexistence and regards climate change response as a key component of its long-term strategy. At the forefront of AI technology, we consistently consider the national “dual carbon” goals as strategic guidance for our development, dynamically tracking the potential impacts of climate trends on our core business to ensure that our response strategies are timely and forward-looking. The Group strictly follows the TCFD recommendations framework and the Hong Kong Stock Exchange’s *Guidance on Climate-related Disclosures*, systematically integrating climate governance into its operations across four dimensions: governance, strategy, risk management, and metrics and targets.

◇ Governance

To effectively address climate challenges, Phancy Group leverages its ESG management framework to establish a top-down mechanism for managing climate-related risks and opportunities. Based on this framework, the Group has developed a scientific process for identifying and managing risks and opportunities and formulated targeted response strategies to mitigate potential risks in business operations. At the same time, the Group is committed to integrating climate governance into all aspects of operations, continuously optimizing the management system to comprehensively enhance climate resilience.



To ensure that the decision-making level possesses sufficient professional expertise to oversee the implementation of climate strategy, the Group continuously strengthens the climate-related knowledge and capabilities of the Board of Directors and management through a combination of internal specialized training and participation in external professional seminars. During the reporting period, the Board and management completed ESG-specific training provided by external professional institutions, focusing on frontier topics such as climate risk management and international sustainability disclosure standards.

At present, the Group has not directly linked climate-related factors to management remuneration policies. In the future, we will, in consideration of industry development trends, regulatory requirements, and the substantive operations of the business, appropriately assess and explore the establishment of a scientifically sound climate performance incentive mechanism to reinforce the long-term implementation of climate strategy.

◇ Strategy

The Group has constructed two climate scenarios—a low-emission scenario and a high-emission scenario—based on the projections provided by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA). These scenarios are used to assess climate-related risks and opportunities across business operations and the value chain, enabling the development and adjustment of climate risk response measures to further enhance our climate resilience.



Physical Risk

Low-Emission Scenario

SSP⁹1-2.6:

This scenario assumes that global socio-economic development follows a sustainable and low-carbon path, with greenhouse gas emissions significantly reduced, keeping global warming below 2°C by 2100.

High-Emission Scenario

SSP5-8.5:

This scenario assumes that no effective mitigation actions are taken globally, socio-economic activities remain highly dependent on fossil fuels, and greenhouse gas emissions continue to rise, potentially resulting in a global average temperature increase of over 4°C by 2100.



Transition Risk

Low-Emission Scenario

Net Zero by 2050 (NZE):

This scenario assumes that through stringent climate policies and innovations, global warming is limited to below 1.5°C, achieving net-zero emissions by 2050.

High-Emission Scenario

Stated Policies Scenario (STEPS):

This scenario reflects the current policy environment, evaluating based on currently implemented and announced policies to represent the effectiveness and feasibility of existing climate policies.



⁹SSP: Shared Socioeconomic Pathways, with scenarios sourced from the Intergovernmental Panel on Climate Change's Sixth Assessment Report (AR6).

Through qualitative assessment based on scenario analysis, and considering the Group's business characteristics and industry features, we have developed the following list of climate-related risks and opportunities and identified their transmission pathways to the business model, value chain, and financial performance.

Climate Change Risks and Opportunities	Potential Impacts on Business Model and Value Chain	Potential Financial Impacts ¹⁰	Time Horizon ¹¹	Response Measures
Physical Risk				
Acute Risks				
Extreme weather events (e.g., typhoons, heavy rainfall, floods, heat waves, severe cold, etc.)	- Extreme weather may disrupt the continuous operation of power facilities, leading to interruptions in daily business operations. - Extreme weather may pose potential safety and health risks to employees.	- Decrease in asset value - Increase in operating costs - Reduction in revenue	Short-term, Medium-term	- Implement proactive prevention measures and weather monitoring, closely tracking weather changes at business sites and power equipment locations. - Develop business continuity plans (BCPs), establish efficient and orderly preventive measures and disaster response mechanisms. In the event of severe weather, the Administration Department will promptly issue safety alerts, dynamically adjust remote working or emergency evacuation strategies, coordinate with property management to pre-deploy protective measures, and strengthen property security patrols.
Chronic Risks				
Extreme changes in climate and precipitation patterns	Persistent high temperatures and droughts may lead to severe water scarcity or affect cooling, thereby impacting the operational efficiency of data centers and posing greater challenges to cooling and water-saving technologies.	- Increase in operating costs - Increase in capital expenditure - Reduction in revenue	Medium-term, Long-term	- Enhance equipment management and promote water conservation to improve water use efficiency. - Consider climate impacts during data center site selection and leverage natural conditions to assist in equipment cooling whenever possible.

¹⁰ In terms of quantifying financial impacts, given the long-term and non-linear characteristics of climate-related risks, as well as the technical uncertainty involved in isolating climate factors from overall financial fluctuations, Phancy Group is currently unable to provide specific quantitative projections regarding the percentage of assets affected or the impacts on cash flows. In the future, we will consider incorporating more in-depth quantitative analyses in a timely manner, taking into account the accumulation of data and the magnitude of risk impacts.

¹¹ The time horizons for climate-related risks are defined as short-term (0–2 years), medium-term (2–5 years), and long-term (5–10 years), in order to assess the impacts and evolving trends of risks under multiple climate scenarios across different timeframes.

Climate Change Risks and Opportunities	Potential Impacts on Business Model and Value Chain	Potential Financial Impacts	Time Horizon	Response Measures
Transition Risk				
Policy and Legal Risks				
• Tightening of climate-related disclosure regulations	• Government policies and laws on carbon emissions, environmental information disclosure, and related areas are becoming more stringent, or exchanges issue new ESG and climate disclosure guidance, increasing compliance pressure. • The development of a national carbon emissions trading market is actively advancing, and policies such as carbon taxes and carbon pricing may impose additional cost pressures on the Group.	• Increase in operating costs • Increase in capital expenditure	Medium-term, Long-term	• Closely monitor government policies and regulations related to climate change and track global climate trends. • Closely monitor policy changes from the Hong Kong Stock Exchange; hold policy interpretation sessions for newly issued guidance, actively respond to new policies, and enhance employees' awareness of ESG and climate-related risk resilience. • Actively respond to the national dual-control energy policy, leveraging AI to help enterprises gradually achieve energy savings and reduce carbon emissions.
Market Risks				
• Changes in low-carbon market preferences • Fluctuations in energy prices	• As climate awareness increases and regulatory policies evolve, customers place greater emphasis on the green and sustainable performance of their service providers when selecting supply chain partners. • Fluctuations in energy prices and imbalances in renewable energy supply and demand may lead to increases in energy costs.	• Increase in operating costs • Reduction in revenue	Short-term, Medium-term	• Provide customers with intelligent low-carbon transformation solutions to enable industrial transition. • Improve energy efficiency through AI and promote electricity conservation.
Reputation Risks				
• Increased stakeholder attention on the Group's climate performance	• As external attention to climate change rises, the Group may need to invest more effort in emission reduction and bear higher disclosure and communication costs to enhance stakeholder information transparency.	• Reduction in revenue • Decrease in financing channels	Short-term, Medium-term, Long-term	• Disclose the impacts of climate change on the Group and our response measures in a timely manner according to widely used climate disclosure frameworks, addressing stakeholder concerns.

Climate Change Risks and Opportunities	Potential Impacts on Business Model and Value Chain	Potential Financial Impacts	Time Horizon	Response Measures
Type of Opportunities				
Resource Efficiency	Reduce energy dependency during operations through the deployment of green computing infrastructure.	Decrease in operating costs	Medium-term, Long-term	Optimize data center site selection by prioritizing locations with natural cooling advantages or suppliers utilizing renewable energy, aiming to improve computing energy efficiency and reduce the carbon footprint of cooling systems.
Products and Services	As the global low-carbon transition progresses, customer demand for green-related solutions is increasing.	Increase in revenue	Short-term, Medium-term, Long-term	Leverage the Group's core AI technologies and collaborate with multiple partners to build a green AI ecosystem, seeking to develop diversified sustainable transformation services.

The Group's climate-related risks are primarily concentrated in core assets and facilities across the value chain, particularly data centres, which are exposed to physical risks from extreme weather events. These events may lead to operational disruptions, equipment damage, and pressures on business continuity. The Group's existing operational model and management systems provide a solid foundation for addressing climate-related risks, and the overall risk exposure remains manageable.

Climate-related opportunities are aligned with the green transition and digital transformation, focusing on business expansion in green computing, energy-efficient technologies, and low-carbon solutions. Leveraging its strong market insight and resource integration capabilities, the Group applies its core AI technologies to foster a green industry ecosystem and expand sustainable solution services.

During the reporting period

The Group's business operations, operational performance, and financial position were not materially adversely affected by any climate-related events.

◇ Risk Management

Phancy Group has established a comprehensive procedure for the identification, analysis, and assessment of climate-related risks. Based on the collection and consolidation of information related to the Group's risks and management, the Group identifies potential climate-related risks that may impede the achievement of departmental objectives, and evaluates their potential impacts on business development and financial performance, as well as their likelihood and severity. For identified material risks, the Group, after assessing the effectiveness of existing internal control systems, formulates response strategies and risk mitigation measures, and determines reasonable risk control targets, which serve as the foundation for implementing climate-related risk management.



◇ Metrics and Targets

Greenhouse gas (GHG) emissions generated by Phancy Group's business operations primarily arise from Scope 2 emissions associated with purchased electricity. Due to the nature of the Group's business operations, activities that would result in significant GHG emissions are currently not involved. Nevertheless, we fully recognize the importance of addressing climate change for the Group's long-term development and for protecting the planet. Accordingly, we have set the following targets and implemented measures to achieve them:

Target

Using 2023 as the baseline year, the Group aims to achieve a **5%** reduction in greenhouse gas emission intensity by 2028¹².

In 2025, the Group's GHG emissions¹³ were as follows:

Indicators	Unit	2025
Direct GHG emissions (Scope 1)	tCO ₂ e	Not applicable
Indirect GHG emissions (Scope 2) ¹⁴	tCO ₂ e	541.81
Total GHG gas emissions	tCO ₂ e	541.81
Intensity of GHG emission	tCO ₂ e/RMB'0000	0.0008



¹²The Group's GHG emission intensity target currently covers carbon dioxide. The target itself and the methodology for its determination have not yet been verified by a third party; however, the related emission data have been rigorously verified internally. In the future, the Group will assess the feasibility of introducing third-party verification in a timely manner, taking into account the development of its business.

¹³The Group's Scope 3 emissions primarily relate to Category 1 (Purchased Goods and Services), Category 6 (Business Travel), Category 7 (Employee Commuting), and Category 11 (Use of Sold Products). Given that the supply chain data accounting system is still under development, quantitative disclosure has not yet been conducted. In the future, the Group will gradually establish a Scope 3 data management system, strengthen data coordination with upstream and downstream suppliers and partners, and introduce quantitative Scope 3 disclosures in a timely manner to enhance information transparency.

¹⁴Scope 2 emissions were calculated in accordance with the Announcement on the Release of 2023 Carbon Dioxide Emission Factors for Power Generation issued by the Ministry of Ecology and Environment of the People's Republic of China on 31 December 2025.

Appendix

◇ Appendix 1. ESG Key Performance Metrics Table

ESG indicators	Unit	2025	2024	2023
A Environment				
A1 Emissions				
A1.1 Types of Emissions and Related Emission Data	/	Not applicable	Not applicable	Not applicable
A1.2 Direct (Scope 1) and indirect (Scope 2) GHG emissions and intensity				
Direct GHG emissions(Scope 1)	/	Not applicable	Not applicable	Not applicable
Indirect GHG emissions(Scope 2)	tCO ₂ e	541.81	535.55	527.21
Total GHG emissions	tCO ₂ e	541.81	535.55	527.21
Intensity of GHG emissions	tCO ₂ e/RMB'0000	0.0008	0.0010	0.0013
A1.3 Total hazardous wastes produced and intensity				
Total hazardous waste produced	kg	15.79	28.80	114.68
Intensity of hazardous wastes	kg/RMB'0000	0.00002	0.00005	0.00027
A1.4 Total non-hazardous wastes produced and intensity				
Total non-hazardous waste produced	kg	2,617.36	23,414.80	26.20
Intensity of non-hazardous wastes	kg/RMB'0000	0.00367	0.04451	0.00006
A2 Use of Resources				
A2.1 Direct and indirect energy consumption by type in total and intensity				
I. Direct energies				
Direct energy consumptions	/	Not applicable	Not applicable	Not applicable
II. Indirect energies				
Purchased electricity	kWh	1,021,134.00	998,045.50	924,447.16
Total energy consumption	kWh	1,021,134.00	998,045.50	924,447.16
Comprehensive energy consumption	ton of standard coal (tce)	126.04	122.66	113.61
Energy consumption intensity	kWh/RMB'0000	1.4311	1.8972	2.1989
A2.2 Water consumption in total and intensity				
Purchased municipal water	ton	2,128	3,965	2,623

ESG indicators		Unit	2025	2024	2023
Total circulating water / reclaimed water volume		ton	/	/	2,921
Total water consumption		ton	2,128	3,965	2,623
Intensity of water consumption		ton/RMB'0000	0.0030	0.0075	0.0062
A2.5 Total packaging material used for finished products and per unit produced					
Packaging materials for finished products		/	Not applicable	Not applicable	Not applicable
B Social					
B1 Employment					
B1.1 Total workforce by gender, employment type and age group					
Total number of Employees		person	619	967	1,801
By gender	Male employees	person	395	652	1,314
	Female employees	person	224	315	487
By rank	Total number of junior employees	person	501	838	1,508
	Total number of senior and middle management employees	person	118	129	293
By age	51 and above	person	4	13	16
	41-50	person	55	72	146
	31-40	person	224	401	742
	30 and below	person	336	481	897
By region	Mainland China	person	613	957	1,787
	Hong Kong, Macao and Taiwan of China	person	1	3	4
	Other countries and regions	person	5	7	10
B1.2 Employee turnover ratio by gender, age, and region					
Total number of employee turnover		person	252	506	956
Total rate of employee turnover		%	20.6	25.5	35.6
By gender	Male employees	%	19.8	24.0	51.6
	Female employees	%	22.3	29.7	57.1
By age	51 and above	%	28.6	11.1	37.5
	41-50	%	29.3	28.3	44.5
	31-40	%	24.8	29.0	41.6
	30 and below	%	16.6	22.6	64.2

ESG indicators		Unit	2025	2024	2023
By region	Mainland China	%	20.8	25.5	53.2
	Hong Kong, Macao and Taiwan of China	%	0	25.0	25.0
	Other countries and regions	%	0	30.0	40.0
B2 Health and Safety					
B2.1 Number and rate of work-related fatalities occurred in each of the past three years					
Number of work-related facilities		person	0	0	0
Ratio of work-related facilities		%	0	0	0
B2.2 Days lost due to work injuries					
Days lost due to work injuries		day	0	330	81
B3 Development and Training					
B3.1 Percentage of employees trained by gender and employee category					
Rate of employees trained to total number of employees		%	82.2	86.7	38.7
By gender	Male employees	%	61.1	65.7	54.1
	Female employees	%	38.9	34.3	45.9
By rank	Total number of junior employees	%	86.4	85.7	90.5
	Total number of senior and middle management employees	%	13.6	14.3	9.5
B3.2 The average training hours completed per employee by gender and employee category					
Average training hours per employee		hour	6.6	6.3	8.3
By gender	Male employees	hour	7.1	6.2	9.0
	Female employees	hour	6.3	6.5	7.5
By rank	Total number of junior employees	hour	6.6	6.2	7.7
	Total number of senior and middle management employees	hour	6.4	7.0	15.4
B5 Supplier Management					
B5.1 Number of Suppliers by Region					
Total number of suppliers		company	346	416	426
By geographical region	Suppliers of Mainland China	company	334	399	411
	Other Chinese Regions (HK, MO, TW) and foreign suppliers	company	12	17	15

ESG indicators	Unit	2025	2024	2023
B6 Product Responsibility				
B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons				
Ratio of this type of product to the total quantity of the sold/or transported products	%	0	0	0
B6.2 Number of products and service related complaints received				
Number of product complaints	case	8	10	0
B7 Anti-corruption				
B7.1 Number of concluded legal cases regarding corrupt practices brought against the Group or its employees during the reporting period and the outcomes of the cases				
Number of concluded cases regarding corrupt practices	piece	0	0	0
B7.3 Anti-corruption training for directors and employees				
Number of Junior employees receiving anti-corruption training	person	534	725	528
Average Training Hours on Anti-Corruption for Junior Employees	hour	4.2	4.0	4.5
Number of senior and middle management employees receiving anti-corruption training	person	82	103	56
Average Training Hours on Anti-Corruption for Senior and Middle Management Employees	hour	2.1	2.0	6.0
Number of Board Members Receiving Anti-Corruption Training	person	11	9	10
Average Training Hours on Anti-Corruption for Board Members	hour	5.7	5.5	6.5
B8 Community investments				
B8.2 Resources contributed to the focus area				
Total donation for public welfare and charity	RMB'0000	200	20	25

◇ Appendix 2. Index to ESG Reporting Code

Category, Aspect, and Key Performance Indicators (KPIs)	Content and Indicators	Corresponding Section
A. Environment		
Aspect A1	Emissions	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	7.1 Strengthening Environmental Management

Category, Aspect, and Key Performance Indicators (KPIs)	Content and Indicators	Corresponding Section
KPI A1.1	The types of emissions and respective emissions data.	7.3 Enhancing Pollution Control 7.4 Response to Climate Change
KPI A1.2	[Repealed 1 January 2025]	/
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	7.3 Enhancing Pollution Control
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	7.3 Enhancing Pollution Control
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	7.3 Enhancing Pollution Control
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	7.3 Enhancing Pollution Control
Aspect A2	Use of Resources	
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	7.2 Optimizing Resource Utilization
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	7.2 Optimizing Resource Utilization
KPI A2.2	Water consumption in total and intensity.	7.2 Optimizing Resource Utilization
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	7.2 Optimizing Resource Utilization
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	7.2 Optimizing Resource Utilization
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Not Applicable
Aspect A3	The Environment and Natural Resources	
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	7.3 Enhancing Pollution Control
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	7.3 Enhancing Pollution Control
Aspect A4	Climate Change	
General Disclosure	[Repealed 1 January 2025]	/
KPI A4.1	[Repealed 1 January 2025]	/
B. Social		
Aspect B1	Employment	

Category, Aspect, and Key Performance Indicators (KPIs)	Content and Indicators	Corresponding Section
General Disclosure	(a) Policies on remuneration and dismissal, recruitment and promotion, working hours, leave, equal opportunities, diversity, anti-discrimination, and other benefits and welfare; and (b) compliance with relevant laws and regulations that have a material impact on the issuer	6.1 Protecting Employee Rights and Interests 6.4 Providing Diverse Benefits
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	6.1 Protecting Employee Rights and Interests
KPI B1.2	Employee turnover rate by age group and geographical region.	6.1 Protecting Employee Rights and Interests
Aspect B2	Health and Safety	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	6.2 Safeguarding Safety and Health
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	6.2 Safeguarding Safety and Health
KPI B2.2	Lost days due to work injury.	6.2 Safeguarding Safety and Health
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	6.2 Safeguarding Safety and Health
Aspect B3	Development and Training	
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	6.3 Focusing on Talent Development
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	6.3 Focusing on Talent Development
KPI B3.2	The average training hours completed per employee by gender and employee category.	6.3 Focusing on Talent Development
Aspect B4	Labor Standards	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	6.1 Protecting Employee Rights and Interests
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	6.1 Protecting Employee Rights and Interests
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	6.1 Protecting Employee Rights and Interests
Aspect B5	Supply Chain Management	
General Disclosure	Policies on managing environmental and social risks of the supply chain.	5.5 Performance of Responsible Procurement
KPI B5.1	Number of suppliers by geographical region.	5.5 Performance of Responsible Procurement

Category, Aspect, and Key Performance Indicators (KPIs)	Content and Indicators	Corresponding Section
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	5.5 Performance of Responsible Procurement
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	5.5 Performance of Responsible Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	5.5 Performance of Responsible Procurement; 7.4 Response to Climate Change
Aspect B6	Product Responsibility	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	5.3 Enhancing Quality Management
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	5.3 Enhancing Quality Management
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	5.3 Enhancing Quality Management
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	5.2 Technical R&D and Innovations
KPI B6.4	Description of quality assurance process and recall procedures.	5.3 Enhancing Quality Management
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	4.3 Information Security and Privacy Protection
Aspect B7	Anti-corruption	
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.4 Business Ethics
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.4 Business Ethics
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.4 Business Ethics
KPI B7.3	Description of anti-corruption training provided to directors and staff.	4.4 Business Ethics
Aspect B8	Community Investment	
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	6.5 Supporting Public Welfare and Charity
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	6.5 Supporting Public Welfare and Charity
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	6.5 Supporting Public Welfare and Charity

Category, Aspect, and Key Performance Indicators (KPIs)	Content and Indicators	Corresponding Section
D. Climate-Related Disclosures		
(I) Governance		
The governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climaterelated risks and opportunities.		7.4.1 Governance
Management' s role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities.		7.4.1 Governance
(II) Strategy		
Climate-Related Risks and Opportunities	An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer' s cash flows, its access to finance or cost of capital over the short, medium or long term.	7.4.2 Strategy
Business Model and Value Chain	An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer' s business model and value chain.	7.4.2 Strategy
Strategy and Decision-Making	An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making.	7.4.2 Strategy
Climate Resilience	An issuer shall disclose information that enables an understanding of the resilience of the issuer' s strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer' s identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances.	7.4.2 Strategy
(III) Risk Management		
The processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks.		4.2.2 Risk Management; 7.4.3 Risk Management
The processes the issuer uses to identify, assess, prioritise and monitor climaterelated opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities).		4.2.2 Risk Management; 7.4.3 Risk Management
The extent to which, and how, the processes for identifying, assessing, prioritizing and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.		4.2.2 Risk Management; 7.4.3 Risk Management
(IV) Metrics and Targets		
Greenhouse Gas Emissions	An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO2 equivalent, classified as: (a) Scope 1 greenhouse gas emissions; (b) Scope 2 greenhouse gas emissions; and (c) Scope 3 greenhouse gas emissions.	7.4.4 Metrics and Targets

Category, Aspect, and Key Performance Indicators (KPIs)	Content and Indicators	Corresponding Section
Climate-Related Transition Risks	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks	7.4.2 Strategy
Climate-Related Physical Risks	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	7.4.2 Strategy
Climate-Related Opportunities	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	7.4.2 Strategy
Capital Deployment	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	7.4.2 Strategy
Internal Carbon Pricing	An issuer shall disclose: (a) an explanation of whether and how the issuer is applying a carbon price in decisionmaking (for example, investment decisions, transfer pricing, and scenario analysis); and (b) the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions; or an appropriate negative statement that the issuer does not apply a carbon price in decision-making.	7.4.2 Strategy
Remuneration	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement.	7.4.1 Governance
Industry-Based Metrics	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry.	/
Climate-Related Target	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets.	7.4.4 Metrics and Targets

Reader's Feedback Form

Dear Reader,

Thank you for taking the time to read the Report. To help us improve our capabilities and performance in sustainable development, and to further enhance the quality of our ESG Report, we sincerely invite you to provide feedback by completing the relevant questions in the feedback form. We greatly look forward to receiving your opinions and suggestions!

1.Are you satisfied with the Report as a whole?

☐ Yes ☐ Average ☐ No

2.Do you think the Report reflects Phancy Group 's efforts and major impacts in environmental, social, and governance (ESG) aspects?

☐ Yes ☐ Average ☐ No

3.Do you think the information and indicators disclosed in the Report are clear, accurate, and complete?

☐ Yes ☐ Average ☐ No

4.Do you think the Report has disclosed and addressed the issues of concern to stakeholders?

☐ Yes ☐ Average ☐ No

5.Are you satisfied with the overall layout of the Report?

☐ Yes ☐ Average ☐ No

6.We welcome your additional opinions and suggestions regarding the 2025 Environmental, Social, and Governance (ESG) Report of Phancy Group.

You can feed back your valuable opinions as follows:

Address:Block A, Hongyuan New Era, Shangdi West Road, Haidian District, Beijing, PRC

Tel: 400-898-7788

Email: IR@4paradigm.com





Phancy Group Co., Ltd.

 Block A, Hongyuan New Era, Shangdi
West Road, Haidian District, Beijing, PRC

 Tel:400-898-7788

 Email: IR@4paradigm.com