Phancy Group Co., Ltd.
範式智能技術集團股份有限公司
(formerly known as "北京第四範式智能技術股份有限公司 Beijing Fourth Paradigm Technology Co., Ltd.")
(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 6682)

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

The Board hereby announces the unaudited consolidated results of the Group for the six months ended June 30, 2026. These interim results have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and have been reviewed by the auditor of the Company and the Audit Committee.

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2026	2025	Year-on-year
	Amount	Amount	change
	(RMB'000)	*(RMB'000)*	
Revenue	**3,765,294**	2,626,497	43.4%
Gross profit	**1,233,351**	990,407	24.5%
Profit/(loss) for the period	**128,346**	(73,894)	Turnaround to profit
Profit/(loss) for the period attributable to the owners of the Company	**118,869**	(66,973)	Turnaround to profit
Non-IFRS measures: Adjusted net profit/(loss)[Note]	**159,863**	(50,620)	Turnaround to profit
Non-IFRS measures: Adjusted net profit/(loss) attributable to the owners of the Company	**150,386**	(43,699)	Turnaround to profit

Note: Please refer to page 26 of the section headed "Non-IFRS Measures" of this announcement for details.

BUSINESS REVIEW AND OUTLOOK

BUSINESS REVIEW:

In the first half of 2026, the Company's revenue growth accelerated significantly and its profitability continued to improve, with efficient synergy across its three major business segments. The Company recorded revenue of RMB3,765 million, representing a year-on-year growth of approximately 43.4%.

During the Reporting Period, the three major business segments worked in synergy. The AI Platform, as the core business, achieved revenue of RMB3,088 million, representing a year-on-year growth of approximately 30.0%. Notably, the API business generated revenue of RMB464 million in the first half of the year, a substantial year-on-year increase of approximately 860.8%. It is rapidly becoming one of the most important growth engines and a key factor behind Phancy's revenue significantly exceeding expectations. The Agentic AI business remained stable, with revenue of RMB214 million during the period, representing a year-on-year growth of approximately 4.9%.

During the Reporting Period, the Company recorded a net profit attributable to the parent of RMB119 million, achieving a successful turnaround to profitability from the same period last year and marking a milestone breakthrough in its commercialization.

Phancy has grown into a leading high-quality and high-efficiency third-party Token Factory in China, with its API business achieving leapfrog rapid growth. This rapid growth is primarily driven by the Company's comprehensive, end-to-end capabilities system with no shortcomings. Leveraging our two core technologies, HAMi vGPU computing power optimization and ModelHub model optimization, we have built an efficient Token production foundation. Under the same computing power conditions, we can produce more and higher-quality Tokens, establishing our core technical moats.

Based on this end-to-end capability, we have formed three core differentiating advantages that continuously drive accelerated business growth.

First, industry-leading scale. As a first-tier third-party MaaS service provider in China, we continue to consolidate our large-scale operational advantages, laying a solid foundation for the high-speed growth of our API business.

Second, strong growth momentum. Relying on a high-quality supply chain, stable resource costs, and diversified channels, coupled with the full-chain optimization capabilities of our dual technology foundations, we have broken free from linear growth and achieved leapfrog development in our Token and API businesses.

Third, a distinctive full-chain moat. Unlike industry players who focus on isolated points of strength, Phancy has built a complete end-to-end closed loop covering computing power, models, production, delivery, and channels – leaving no weak links, widening the competitive gap, and securing our leadership position.

Overall outstanding performance: In the first half of the year, API business revenue increased by 860.8% year-on-year, Token consumption grew by approximately 620% year-on-year, and available computing power resources expanded to 28,000 PFLOPS. Leveraging our complete end-to-end core capabilities, the Company's leading position as a Token Factory has been continuously strengthened. Its business growth flywheel has accelerated across the board, and a clear trajectory of rapid growth has been established.

In addition, the AI Platform business achieved high-quality growth, with revenue increasing steadily and rapidly, while the gross profit margin remained stable. Operational quality and technical barriers were enhanced in tandem. In the first half of the year, the segment's scale expanded steadily and its profitability showed strong resilience. Built upon the continuous iteration of our four core products – Sage Platform, vGPU, ModelHub, and PhanRouter – our technological moat has deepened. This is reflected in the following four aspects:

First, rapidly growing market share of our core products. The number of customers identifying vGPU as their primary deployment need grew approximately 5 times year-on-year. As computing power management becomes a core necessity for enterprise AI deployment, Phancy has emerged as the industry's preferred service provider, thanks to its mature solutions in computing power and model foundation, powerfully supporting the continued expansion of its business scale.

Second, better customer reputation and higher operating efficiency, driving both scale and profit growth. Product recognition continues to rise, and the number of proactive customers has increased significantly. Relying on word-of-mouth driven organic growth, we have effectively driven steady and rapid revenue growth. At the same time, the sales expense ratio has declined significantly and operating efficiency has continued to improve. This has provided a strong support for maintaining a stable gross profit margin, achieving parallel progress in both scale growth and stable profitability.

Third, accelerated technology iteration leading to a continuous rise in R&D barriers. The iteration pace of our four core products continues to accelerate, along with the improving efficiency of technology implementation and commercialization, further strengthening the Company's technological leadership in AI computing power and model services.

Fourth, significantly enhanced financing capabilities and ample capital reserves. More diverse financing channels of the Company: A substantial increase in credit lines and a prominent advantage in financing costs have provided sufficient financial support for computing power investment, technology R&D, and business expansion.

Overall, the AI Platform segment has firmly adhered to the core strategy of rapid revenue growth and stable gross profit margin, achieving simultaneous improvements in revenue, customers, and efficiency, while continuously optimizing expenses and strengthening technical barriers. The Company's positive business flywheel continues to accelerate, demonstrating a high-quality and steady growth trend.

PERFORMANCE BY BUSINESS SEGMENTS

I. *AI Platform (PaaS, the Core Growth Driver)*

Core Products: The platform encompasses a full-stack, end-to-end product matrix, including PhanthyCloud, HAMi vGPU, ModelHub XC, SageAIOS, Sage Ontology, SageSHIFT, and SageAIGS. This integrated matrix spans the entire AI process from model development and deployment to computing power support, serving as the cornerstone of the Company's business development.

As the Company's core business pillar, the AI Platform delivered its key operational highlight in the first half of the year – steady, rapid revenue growth with a stabilizing gross profit margin.

On the financial front, the AI Platform business revenue in the first half of the year was RMB3,088 million, a stable and rapid year-on-year growth of 30.0%. Orders on hand reached RMB7 billion. These orders lock in a high-quality and stable gross profit level – firmly validating our core achievement of rapid revenue growth with a stabilizing gross profit margin.

Customer coverage continued to broaden, the number of paying customers increased steadily, and top-tier, high-quality customers were the core pillar of order growth. Customer expansion is closely aligned with the industrialization of AI, reinforcing our fundamentals of rapid revenue growth and gross profit margin stabilization, and solidifying a strong and resilient core business. Among them, the number of paying customers with RISE vGPU (the commercial version of HAMi) as their primary need increased by approximately 5 times year-on-year. With surging demand for domestic heterogeneous computing power, high-value orders in computing power management continue to materialize, further reinforcing the segment's core profile of rapid revenue growth and gross profit margin stabilization.

From an industrial policy perspective, China's vigorous development of new quality productive forces and the full implementation of the "AI+" initiative, combined with the top-level deployment of computing power infrastructure in the 15th Five-Year Plan, are driving all industries to accelerate their deployment of industry-specific computing power, directly fueling a continuous and stable increase in demand for AI platforms. The intelligent transformation of enterprises requires the deep integration of AI into core production processes to upgrade real-world scenarios, creating vast opportunities for industrial AI adoption. According to IDC data, China's enterprise-level IT market has reached US$230.3 billion in 2025 and is projected to reach US$411.4 billion by 2029, with the private cloud market reaching US$77.7 billion, representing an industry CAGR of approximately 19%. During the 15th Five-Year Plan period, the continued penetration of new quality productive forces and the "AI+" initiative will consistently unlock enterprise demand for computing power construction, bringing us solid market growth. Phancy firmly stands in the industry's first tier, with multi-layered competitive moats, proven technology deployment experience, a strong customer base and reputation, as well as notable strengths in compute supply chain and financial resources.

II. *API Business (Pay-as-you-go, the Fastest-growing Driver)*

Core Products: With Phanthy as the core platform, complemented by PhanRouter and PhanClaw, the Company has established a comprehensive Token-based payment ecosystem. Each of the three products plays a distinct role, while operating in synergy. Leveraging the technological capabilities of the Sage Platform, they enable seamless integration between Tokens and core products, facilitating scenario-based monetisation.

Over the past six months, the API business has seen rapid revenue growth, continuously strengthened competitive barriers, and a steady increase in gross profit margin. This segment has become a core growth engine for the Group. This high-growth trajectory is validated across three key dimensions:

First, strong growth across all core operating metrics, entering the scaling era. In the first half of the year, Token revenue grew rapidly, and the average daily Token consumption increased quarter by quarter. The continuous release of demand in scenarios such as programming, multi-modality, and entertainment has led to a significant improvement in the quality and predictability of API revenue. We have built a layered and balanced multi-level customer ecosystem. The API is compatible with a vast number of open-source models, offering customers flexibility in their choices. In addition, based on model modalities and usage scenarios, we have implemented a refined, multi-dimensional pricing system to cover all types of customers. Large key accounts provide a stable base of usage, with sufficient long-term framework orders; and the rapid expansion of the ecosystem of small and medium-sized enterprises and developers allows us to cover a massive number of long-tail individual users at low cost through our own platform and third-party collaborations.

Second, dual core moats built on robust supply chain and system capabilities, cementing long-term competitiveness. On the supply chain side: We adopt an architecture of "self-owned computing power as the core, supplemented by hybrid elastic computing power for peak demand". Card types are adapted for high-margin business scenarios, and we have a full-stack portfolio of IT infrastructure computing power, possessing complete delivery capabilities in this area. As of the end of June, our available computing power has seen a significant, step-wise increase. Our credit line was approximately RMB6.6 billion. Diversified, low-cost financing has provided strong support for computing power expansion. System: The API business and AI Platform share the core technologies accumulated over years in compute scheduling and inference optimization. Our system service availability ranks in the first tier of the industry, and our latency performance under high concurrency is better than the industry average. We can provide customized SLA for large-scale clients, stably handle large-volume, high-frequency Token calls, and our system capabilities have been fully validated through serving large enterprise customers.

Third, end-to-end strength, no weak links – building a full-chain cost edge, with API margin on an upward trajectory. The advantages stem from two aspects: (1) no shortcomings in the full chain of technology and supply chain. Efficiency is maximized in every link, from computing power procurement and scheduling to inference. As computing power continues to ramp up, we continuously increase per-card output and reduce per-card operating cost through self-developed technologies such as computing power virtualization, pooling, full-chain scheduling, and off-peak orchestration. (2) no shortcomings in our ecological niche. We are not constrained by a single type of computing power or model, allowing us to flexibly select the optimal computing power and models. By aggregating Token demand from multiple scenarios and models, we maximize overall resource efficiency. The Phanthy model ecosystem further amplifies this value.

Coupled with favorable external conditions such as tight industry supply of computing power and a continuously increasing proportion of high-value customers, these factors jointly support the long-term, steady upward trend of the API business's profit margin.

III. *Agentic AI Business (Result as a Service)*

Agentic AI follows Phancy's consistent business selection logic: we focus on a select few industry scenarios that offer high strategic value and can accumulate high-quality vertical data, achieving a two-way closed loop between business deployment and data accumulation.

In terms of business model, we adopt "Result as a Service", which is a pay-by-results model. Rather than merely selling off-the-shelf AI products, we embed deeply into our clients' core business processes, leveraging AI to help them reduce costs, improve efficiency, and increase revenue, and share in the value we create through a revenue-sharing model.

After a period of intensive implementation, we have now accumulated a large amount of real-world business feedback data from two core scenarios: new energy power and film & entertainment. This high-quality, highly applicable vertical data is a core asset for iterating and optimizing our underlying models. In the future, we will continue to accumulate scenario data and refine our business implementation capabilities. Massive amounts of real-world scenario data will be used to continuously feed back into the iteration and upgrading of our large-scale models, constantly improving their scenario adaptability, practicality, and intelligence. This enables our AI solutions to continuously evolve, replicate, and scale. At the same time, deep business integration has further strengthened customer stickiness, laying a solid foundation for long-term cooperation. In terms of business focus, we have deeply established the new energy power sector as our core vertical. In the first half of the year, we focused on and actively expanded into the film and entertainment sector, rapidly completing scenario deployment and data accumulation. Our overall business will adhere to a highly focused development strategy, precisely targeting high-quality scenarios that can create long-term value and have scaling potential. We will invest steadily and cultivate these areas to build the Company's mid-to-long-term core growth reserve.

Strategic Outlook

Since its establishment in 2014, the Company has always adhered to a customer-centric approach and has grounded its development in addressing the real pain points enterprises face in deploying AI. Throughout our development, we have continuously evolved our capabilities in line with industry advancements: from building private deployment models for clients in the early days, to managing and optimizing computing power resources, and now to achieving compatibility and adaptation with heterogeneous computing power and various large models. In every cycle of the AI industry's development, we have consistently focused on our clients' most pressing and practical challenges. Many of our clients have shared that choosing Phancy gives them long-term certainty and a sense of trust – having seen us effectively address and resolve challenges at every stage along the way, they are confident that we will continue to have the capability to serve them as new needs and new challenges emerge in their AI evolution over the next five to ten years. It is precisely based on this long-term trust that the Company has cultivated a large, highly loyal, and sticky customer base over the past decade.

In 2026, with the advent of the AI agent era, the industry is undergoing a profound transformation, continuously expanding the demand for Token-related services. Based on this trend, the Company has completed a forward-looking strategic framework, continuously increased its investment in computing power. Additionally, a Token Factory has been built based on our proprietary core technology in computing power infrastructure, driving high-speed growth in our API business. We will seize this industrial development opportunity to accelerate the construction of our Token Factory and focus on cultivating the Company's second growth curve. Leveraging the same set of proprietary underlying technologies, we will simultaneously support the sustained growth of both growth curves.

AI is advancing at an unprecedented pace, and the Company firmly believes that it will seize this momentum and embark on a path of accelerated growth. At the same time, the Company will remain prudent in its operations, balancing computing power capital expenditures with profit realization, and focusing on market segments that can deliver stable profitability. We will continue to create stable, sustainable long-term value for our Shareholders. Looking at the medium to long-term, enterprise AI adoption will gradually enter an era of hybrid deployment. As an infrastructure that ensures enterprise data security and business autonomy and control, the private deployment foundation will see solid long-term demand support. Meanwhile, the increasing popularity of AI agents will drive the continuous expansion of demand for Token services, creating a synergistic resonance between these two business sectors.

The Company will continue to strengthen its core underlying capabilities in heterogeneous computing management and multi-model adaptation. On one front, it will deepen its existing private deployment business and continue to solidify long-term partnerships with loyal clients; and on the other front, it will steadily drive the scaled deployment of the Token Factory, closing the business loop from compute infrastructure to standardized Token services. Building on its long-standing technological moats and deep client relationships, the Company is well-positioned to capitalize on ongoing industry shifts, achieving stable growth in its traditional core operations while driving continued breakthroughs in new businesses, and ultimately fostering balanced, multi-layered growth across its overall performance.

R&D Updates

Phancy's R&D has three key characteristics: cutting-edge technology, deep barriers, and sustained high investment. First, our core technology direction is at the most critical and cutting-edge position in the current AI industry. As AI shifts from model training to large-scale inference and application, the industry's challenges are increasingly focused on computing power utilization efficiency, heterogeneous computing power management, model adaptation, and inference efficiency. Phancy's highest R&D priority currently lies precisely at this layer: HAMi drives compute efficiency, while ModelHub drives model efficiency – together, they form the foundation of our AI infrastructure. Second, our core technology has formed deep barriers. HAMi has been in development since 2018, accumulating 8 years of continuous technology and has now entered the CNCF Incubation stage; ModelHub has currently accumulated over 200,000 "model × chip" adaptation combinations, and we have set a clear guideline to exceed one million next year. These capabilities are the result of long-term engineering accumulation and are difficult to replicate by simply increasing R&D resources in the short term. Third, we continue to maintain sustained, high-intensity R&D investment. More importantly, we will continue to focus our R&D resources on fundamental, standardized, and reusable core capabilities like HAMi and ModelHub that can be leveraged across products and customers. The purpose of this sustained investment is to constantly stay at the forefront of technology and to transform our long-term R&D accumulation into increasingly deep and difficult-to-replicate technical barriers. This has also been a central theme in Phancy's technological evolution for over a decade. Phancy has always positioned itself as an AI platform company – the only difference is the problems each generation of our platform is built to solve. A decade ago, enterprises were more in need of models. Today, as large models become increasingly abundant, the frontier challenge has shifted to how to manage compute power effectively and enable different models to run more efficiently.

Phancy's technological edge was not achieved overnight; it is the compound result of over a decade of AI engineering experience and continuous R&D investment. Since our establishment in 2014, we have consistently invested in addressing the most core issues of enterprise AI. The technological depth of HAMi today and ModelHub's over 200,000 model adaptations are the result of accumulated time and engineering practice. Sustained investment keeps us at the technological forefront, and over time, these capabilities solidify into deeper, harder-to-replicate barriers. The industry leadership of HAMi and ModelHub is most directly reflected in three characteristics: a cutting-edge direction, long-term investment, and the formation of deep barriers that are continuously being reinforced.

Let's start with HAMi. It has mainly formed three-fold barriers: first, the technological depth resulting from long-term accumulation; second, the unique ecosystem barrier formed by the open-source community; and third, sustained technological leadership reinforced by the RISE commercial edition. First, long-term technological and engineering accumulation. HAMi's development began in 2018 and has since evolved from a single-point vGPU capability into a full infrastructure for virtualization, partitioning, and scheduling across diverse AI compute resources – including GPUs, NPUs, and more. The real difficulty lies in maintaining long-term stable operation across different chips, various workloads, and in real commercial environments. These capabilities are difficult to replicate through short-term hiring or resource dumping. For underlying infrastructure, time itself is a significant technical barrier.

Second, open-source ecosystem, deepening the moat. HAMi has entered the CNCF Incubation stage. The open-source community allows us to continuously engage with different chips, developers, and production environments, bringing cutting-edge requirements back into our products and further accelerating the speed and broadening the scope of our technology accumulation. Third, the commercial edition, RISE vGPU, sustaining its technological leadership. For actual commercial deployment, RISE is continuously enhanced in enterprise-grade capabilities such as resource scheduling, memory management, isolation, and stability. Through deep adaptation and collaboration with various chip manufacturers, it covers more of the latest and most advanced chip models. Therefore, HAMi's leadership is not about a single parameter, but about achieving technological depth through long-term investment, expanding its ecosystem advantage through the open-source community, and maintaining continuous technological leadership with its commercial version. This three-layer capabilities stack forms deep, composite barriers.

ModelHub forms a barrier of scale. It has currently accumulated over 200,000 model adaptations, and we expect to exceed the one-million mark next year. Once the scale reaches the million-level, the optimization experience from a vast number of models, chips, inference frameworks, and real-world scenarios will form a systematic accumulation. We also continue to invest in ModelHub, moving from "can it run" to "how to run it better and more efficiently," and expanding to a broader mainstream computing power ecosystem. Therefore, HAMi and ModelHub follow the same underlying logic: consistently investing in cutting-edge infrastructure technology, allowing time and engineering practice to compound, and ultimately building moats that grow deeper and harder to replicate.

AI technology changes very rapidly. A technological lead today can quickly be overtaken without continuous investment. Accordingly, Phancy's goal is not to lead at a single point in time, but to continuously stay at the forefront of technology through sustained R&D and ecosystem feedback, while making our existing barriers even deeper. HAMi entering CNCF Incubation and our engineering optimizations for mainstream inference ecosystems like SGLang and vLLM are all part of this framework. As more developers, cloud vendors, and enterprises use these technologies on different chips, models, and in various production environments, they will constantly raise new requirements for performance, compatibility, and stability. We then quickly incorporate these cutting-edge requirements back into our products. This creates a continuously reinforcing cycle: the more sustained the R&D investment, the faster we can absorb the industry's most cutting-edge changes; the broader the technology coverage, the more real-world feedback we receive; and the more real-world feedback, the deeper our engineering accumulation and the higher our technical barriers become. The open-source community helps us expand technology coverage and accelerate iteration, while commercial products like RISE vGPU and ModelHub capture and internalize complex, high-value enterprise requirements. This year's assessment of RISE vGPU and ModelHub by the third-party organization Sullivan further corroborates our product capabilities in heterogeneous computing power management and model management. Therefore, continuous investment, technological leadership, and deep barriers are not three separate things. Continuous investment ensures our technology remains at the forefront, while real-world scenarios and ecosystem feedback transform that leadership into increasingly deep barriers.

Sustaining a long-term technological edge and deep barriers requires continued, high-intensity R&D investment as the bedrock. In the first half of 2026, the Company's R&D investment reached RMB1,208 million, with an R&D expense ratio of 32.1%. R&D personnel accounted for 62% of our total employees, and we have accumulated over 500 invention patents. Meanwhile, AI is also significantly amplifying our R&D capabilities. We have extensively deployed AI agents in our R&D process, despite the fact that R&D efficiency had already increased year-on-year compared to 2025, the average coding capacity per R&D personnel per unit of time in the first half of 2026 approximately doubled compared to that in 2025. Although the number of R&D personnel has not grown significantly, our actual available R&D resources and development capabilities have been markedly enhanced. AI agents are becoming important "digital employees" for our R&D teams, continuously amplifying the capabilities of our R&D personnel. However, we are more focused on where the investment goes and what it ultimately builds. R&D resources will continue to be prioritized for the most fundamental, cutting-edge, highly standardized, and widely reusable platform capabilities, such as HAMi and ModelHub, rather than being dispersed into one-off customized projects. Once a computing power optimization or model adaptation capability is developed, it can simultaneously serve public cloud, private cloud, and various customers; the more usage scenarios there are, the more real-world feedback is generated, which in turn drives further technological iteration. Therefore, our R&D investments have a strong reuse and amplification effect. Sustained investment enables us to track and solve the most cutting-edge problems, while long-term continuous investment gradually transforms these advanced technologies into technological assets and engineering barriers that are difficult for others to replicate in the short term. Today's R&D spending is not merely a current-period expense, but an investment in building tomorrow's technological barriers.

Ultimately, continuous R&D investment, technological leadership, and deep barriers must all be converted into commercial value. As an independent third-party AI platform, Phancy is not tied to a single model or chip. The more diverse models and computing power become, the higher the complexity for enterprises to handle adaptation, scheduling, and optimization themselves. This, in turn, highlights the value of our cutting-edge infrastructure capabilities like HAMi and ModelHub, which are built on long-term investment. In enterprise private clouds, HAMi and ModelHub help customers improve computing power utilization, accelerate model deployment, and reduce total cost of ownership. In our public cloud API MaaS business, HAMi enhances computing power efficiency and ModelHub improves model-running efficiency. Together, they directly determine the production efficiency of our Token Factory. The ability to produce more, higher-quality Tokens with the same unit of computing power means lower unit costs and greater potential for profitability. Therefore, there is a very direct link between Phancy's R&D and commercialization: maintaining technological leadership through sustained, high-intensity investment in the most core, cutting-edge AI infrastructure technologies; forming increasingly deep and difficult-to-replicate barriers through long-term engineering accumulation; and ultimately transforming these into higher-quality, more efficient, and lower-cost AI capabilities. In the long run, the direction of "AI for Everyone" remains unchanged. We will continue to maintain high R&D investment, stay at the forefront of technology, and constantly deepen our core technical moats. Ultimately, through our platform and infrastructure capabilities, we will continue to lower the barriers to AI production and use, enabling more enterprises to truly adopt AI at scale.

Corporate Social Responsibility

The Board places great importance on corporate sustainable development capabilities. It firmly believes that a robust ESG management system serves as the important foundation for effectively fulfilling environmental and social responsibilities. The Group has integrated sustainable development principles into its corporate strategy. The Group continuously reviews the progress of ESG initiatives and evaluates their effectiveness, while continuously strengthening sustainability risk management to address business demand adjustments arising from climate change, technological advancements, and changes in operating costs. The Group also continuously enhances its employees' awareness of ESG practices in strategy and operations through various means. To better manage the Group's ESG performance, identify potential risks, and support the Board in deepening ESG governance, the Group has established a top-down governance structure comprising the Board, an ESG Working Group, and business departments, thereby continuously advancing the implementation of ESG-related initiatives.

Phancy is keenly aware of the significant role of AI technology in promoting a low-carbon social transformation and sustainable development. Leveraging our leading AI technologies, products, and services, we are committed to assisting carbon-intensive enterprises in achieving their green transformation within sectors, such as energy, manufacturing, and transportation. Building on this foundation, the Group actively fulfills its social responsibilities by continuously investing financial, human, and material resources in areas such as public safety, culture and education, and environmental protection, thereby serving the needs of society and the public. At the same time, the Group remains focused on its core business. By leveraging technology to support community development and promote fairness and inclusiveness, the Group strives to advance the application of AI technologies in a wider range of public scenarios, giving back to society through concrete actions.

In addition, Phancy received the "ESG Sustainable Development Excellence Enterprise Award" at the 2025 Jinge Award for its innovative AI applications in ecological protection and disaster prevention. In the future, the Group will coordinate supply chain management and strengthen industry technology exchanges and collaboration. Through these efforts, it aims to advance responsible AI and jointly promote the high-quality development of the AI industry. The Group will continue to integrate ESG principles into the entire process of technology R&D and business implementation. It will explore pathways for AI for Good in more sectors, leverage AI to address social pain points, and truly achieve the vision of AI for Everyone.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2026

		Six months ended June 30,	
		2026	2025
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**3,765,294**	2,626,497
Cost of sales	*6*	**(2,531,943)**	(1,636,090)
Gross profit		**1,233,351**	990,407
Selling and marketing expenses	*6*	**(28,337)**	(189,054)
Administrative expenses	*6*	**(90,531)**	(86,437)
Research and development expenses	*6*	**(1,208,271)**	(893,431)
(Provision for)/reversals of credit loss allowance, net	*6*	**(233,549)**	14,383
Other income	*5*	**14,068**	41,633
Other gains, net		**449,686**	37,617
Operating profit/(loss)		**136,417**	(84,882)
Share of results of investments accounted for using the equity method		**(35,122)**	(19,673)
Finance income		**34,655**	30,625
Finance costs		**(9,736)**	(1,419)
Profit/(loss) before income tax		**126,214**	(75,349)
Income tax credit	*7*	**2,132**	1,455
Profit/(loss) for the period		**128,346**	(73,894)
Other comprehensive loss:			
Item that may be reclassified to profit or loss			
Currency translation differences		**(29,117)**	(12,458)
Other comprehensive loss for the period, net of tax		**(29,117)**	(12,458)
Total comprehensive income/(loss) for the period		**99,229**	(86,352)

	Notes	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Profit/(loss) attributable to:			
Owners of the Company		**118,869**	(66,973)
Non-controlling interests		**9,477**	(6,921)
		128,346	(73,894)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**89,752**	(79,431)
Non-controlling interests		**9,477**	(6,921)
		99,229	(86,352)
Profit/(loss) per share for profit/(loss) attributable to owners of the Company (expressed in RMB per share)	*8*		
Basic		**0.22**	(0.14)
Diluted		**0.22**	(0.14)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2026

	Notes	**As at June 30, 2026** *RMB'000* **(Unaudited)**	As at December 31, 2025 *RMB'000* (Audited)
Assets			
Non-current assets			
Right-of-use assets		**17,358**	14,554
Property and equipment		**1,661,693**	291,037
Intangible assets		**549,170**	476
Investments accounted for using the equity method		**510,809**	718,071
Financial assets at fair value through profit or loss	*9*	**1,322,741**	711,131
Term bank deposits		**–**	566,459
Other non-current assets		**749,650**	22,303
		4,811,421	2,324,031
Current assets			
Inventories		**242,893**	328,512
Contract assets		**537**	1,266
Trade receivables	*10*	**2,572,506**	2,340,882
Prepayments and other receivables		**2,465,802**	1,090,751
Financial assets at fair value through profit or loss	*9*	**592,080**	832,353
Term bank deposits		**124,518**	377,559
Restricted cash		**26,649**	465
Cash and cash equivalents		**1,294,140**	1,997,010
		7,319,125	6,968,798
Total assets		**12,130,546**	9,292,829
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital		**558,293**	519,679
Treasury stock		**(55,876)**	(28,947)
Shares held for share award schemes		**(26,089)**	(255)
Reserves		**13,828,172**	12,416,509
Accumulated losses		**(5,262,559)**	(5,381,429)
		9,041,941	7,525,557
Non-controlling interests		**98,105**	(21,854)
Total equity		**9,140,046**	7,503,703

	Notes	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Lease liabilities		**1,632**	1,023
Deferred tax liabilities		**28,895**	6,337
Borrowings	*12*	**237,000**	178,500
Other liabilities		**17,859**	17,743
		285,386	203,603
Current liabilities			
Trade payables	*11*	**907,837**	1,172,241
Other payables and accruals		**49,856**	45,883
Contract liabilities		**291,777**	305,031
Lease liabilities		**9,244**	10,532
Borrowings	*12*	**1,422,586**	23,383
Other liabilities		**23,814**	28,453
		2,705,114	1,585,523
Total liabilities		**2,990,500**	1,789,126
Total equity and liabilities		**12,130,546**	9,292,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Phancy Group Co., Ltd. (the "**Company**") was incorporated in Shenzhen, the People's Republic of China (the "**PRC**") on September 17, 2014 as a limited liability company, and relocated to Beijing, the PRC on April 21, 2021. On July 9, 2021, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is Room 303, 3/F, Block A, Heying Centre, Building 1, No. 10 Xiaoying West Road, Haidian District, Beijing, the PRC.

The Company has changed its English name from "**Beijing Fourth Paradigm Technology Co., Ltd**" to "**Phancy Group Co., Ltd.**" with effect from January 7, 2026 and the name in Chinese from "北京第四範式智能技術股份有限公司" to "範式智能技術集團股份有限公司" with effect from February 2026.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are primarily engaged in operation of AI platform, and provision of API and Agentic AI Services in the PRC and certain overseas countries and regions.

Dr. Dai Wenyuan is the ultimate controlling shareholder of the Group as at the date of approval of this condensed consolidated financial statements.

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

2 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 Interim Financial Reporting issued by the International Accounting Standards Board ("**IASB**"). These condensed consolidated financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, it should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2025 (the "**2025 Financial Statements**") as set out in the 2025 annual report of the Company dated March 30, 2026, which have been prepared in accordance with IFRS Accounting Standards.

3 PRINCIPAL ACCOUNTING POLICIES

The accounting policies and methods of computations used in the preparation of the Interim Financial Information are consistent with those used in the preparation of the 2025 Financial Statements, except for the adoption of amended IFRS Accounting Standards as set out below.

Application of amendments to IFRS Accounting Standards

The following amendments to standards are mandatory for the first time for the Group's financial year beginning on January 1, 2026:

Amendments to IFRS 9 and IFRS 7	– Amendments to the classification and measurement of financial instruments – Contracts referencing nature-dependent electricity
Annual Improvement to IFRS Standards 2022-2024 (Volume 11)	– Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7

The Group has assessed the impact of the adoption of the above amendments and considered that there was no significant impact on the Group's results and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION AND REVENUE

The Group's business activities primarily involve the operation of AI platform, and provision of API and Agentic AI services in the PRC.

The Group's chief operating decision-maker ("**CODM**") has been identified as the Chief Executive Officer, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As substantially all of the Group's non-current assets are located in the PRC and substantially all of the Group's revenue are derived from the PRC based on the delivery location of the goods and services, no geographical information is presented.

For the six months ended June 30, 2026, revenue from contracts with customers of approximately RMB3,087,697,000 (for the six months ended June 30, 2025: RMB2,374,422,000) was from operations of AI Platform, and revenue of approximately RMB677,597,000 (for the six months ended June 30, 2025: RMB252,075,000) was from provision of API and Agentic AI services.

The Group's revenues derived from the transfer of goods and services at a point in time and over time are analysed as follows:

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Point in time	**3,746,020**	2,621,780
Over time	**19,274**	4,717
	3,765,294	2,626,497

5 OTHER INCOME

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Government grants *(Note)*	**6,810**	2,105
Value-added tax and other tax refunds	**7,258**	39,488
Others	**–**	40
	14,068	41,633

Note: Government grants primarily relate to grants in connection with the Group's contributions to technology development and investments in local business districts. Those grants are not stipulated with any unfulfilled conditions or contingencies.

6 EXPENSES BY NATURE

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expenses	**106,695**	132,976
Share-based compensation expenses	**31,517**	23,274
Cloud service and other technical service fees	**983,115**	258,982
Technology service fees	**531,363**	826,809
Cost of finished goods sold	**2,129,579**	1,361,677
Advertising and marketing expenses	**1,980**	155,143
Depreciation and amortisation		
– Property and equipment	**24,863**	6,370
– Right-of-use assets	**5,768**	5,073
– Intangible assets	**11,656**	4,182
Other professional fees	**5,889**	13,030
Business travel expenses	**2,449**	4,212
Provision for/(reversals of) credit loss allowance, net	**233,549**	(14,383)
Impairment provision for inventories	**–**	309
Others	**24,208**	12,975
	4,092,631	2,790,629

7 INCOME TAX CREDIT

The income tax credit of the Group for the six months ended June 30, 2026 and 2025 are analysed as follows:

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax	**(1,091)**	–
Deferred income tax	**3,223**	1,455
Income tax credit	**2,132**	1,455

Income tax credit are recognised based on management's best knowledge of the income tax rates that would be applicable to the full financial year.

Notes:

(a) Enterprise income tax in the PRC ("EIT")

The income tax provision of the Group in respect of its operations in the PRC was calculated at tax rate of 25% on the assessable profits for the respective year presented, based on the existing legislation, interpretations and practices in respect thereof.

Certain of the Group's PRC incorporated subsidiaries are entitled to preferential EIT rate of 15%. These subsidiaries were approved as High and New Technology Enterprise ("**HNTE**") in December 2016 and December 2019 respectively, with their HNTE qualifications subsequently renewed in December 2019, November 2022 and October 2025. Accordingly, they are eligible for the 15% preferential EIT rate for the periods December 2016 to October 2026 and December 2019 to October 2028 respectively, subject to continued compliance with HNTE criteria.

(b) Hong Kong Profits Tax

The entity incorporated in Hong Kong is subject to Hong Kong Profits Tax of which the tax rate is 8.25% for assessable profits in the first Hong Kong Dollar ("**HKD**") 2 million and 16.5% for any assessable profits in excess of HK$2 million.

No provision for Hong Kong Profits Tax was made as the Group had no estimated assessable profit that was subject to Hong Kong Profits Tax during the periods presented.

(c) Singapore income tax

The entity incorporated in Singapore is subject to Singapore income tax at a rate of 17% for taxable income earned in Singapore.

No provision for Singapore income tax was made as the Group had no estimated assessable profit that was subject to Singapore income tax during the periods presented.

(d) Super Deduction for research and development expenses

As announced by the State Taxation Administration of the PRC in March 2023, all enterprises engaging in research and development activities would entitle to claim 200% of their research and development expenses as Super Deduction from January 1, 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits.

8 PROFIT/(LOSS) PER SHARE

The basic profit/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective periods. In determining the weighted average number of ordinary shares in issue, treasury stock and shares held for share award schemes are excluded from the calculation.

Diluted profit per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares for the six months ended June 30, 2026. There were no potential ordinary shares issued during the six months ended June 30, 2025. Hence, diluted loss per share was same as basic loss per share for the six months ended June 30, 2025.

	Six months ended June 30,	
	2026	2025
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to owners of the Company *(RMB'000)*	**118,869**	(66,973)
Weighted average number of ordinary shares in issue excluding treasury stock and shares held for share award schemes *(thousand shares)*	**531,814**	486,584
Effect of dilutive potential ordinary shares held for share award schemes *(thousand shares)*	**767**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share *(thousand shares)*	**532,581**	486,584
Basic profit/(loss) per share for profit/(loss) attributable to owners of the Company *(expressed in RMB per share)*	**0.22**	(0.14)
Diluted profit/(loss) per share for profit/(loss) attributable to owners of the Company *(expressed in RMB per share)*	**0.22**	(0.14)

9 INVESTMENTS

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Non-current assets		
Long-term investments measured at fair value through profit or loss		
– Listed equity securities	**–**	–
– Unlisted equity securities	**1,008,949**	333,684
– Fund investments	**313,792**	377,447
	1,322,741	711,131
Current assets		
Short-term investments measured at fair value through profit or loss		
– Listed equity securities	**578,458**	3,011
– Wealth management products	**–**	310,032
– Fund investments	**13,622**	519,310
	592,080	832,353

10 TRADE RECEIVABLES

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Third parties	**3,102,061**	2,633,458
Less: credit loss allowance	**(529,555)**	(292,576)
	2,572,506	2,340,882

The carrying amounts of the Group's trade receivables are mainly denominated in RMB and USD.

Movements on the Group's credit loss allowance for trade receivables are as follows:

	Six months ended June 30,	
	2026	2025
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
At the beginning of the period	**(292,576)**	(280,928)
(Provision for)/reversals of credit loss allowance, net	**(235,184)**	14,372
Acquisition of subsidiary	**(2,358)**	–
Partial disposal of a subsidiary with loss of control	**–**	602
Write off receivables as irrecoverable	**76**	–
Exchange differences	**487**	–
At the end of the period	**(529,555)**	(265,954)

The Group generally allows a credit period within 90 days to its customers. Aging analysis of the gross amount of trade receivables based on invoice date is as follows:

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
Up to 3 months	**1,501,522**	970,446
3 to 6 months	**454,288**	511,539
6 months to 1 year	**286,966**	237,756
Over 1 year	**859,285**	913,717
	3,102,061	2,633,458

11 TRADE PAYABLES

Trade payables primarily include payables for inventories and outsourcing service fees. As at June 30, 2026 and December 31, 2025, the carrying amounts of trade payables were primarily denominated in RMB and USD.

Trade payables and their aging analysis based on invoice date are as follows:

	As at June 30, 2026	As at December 31, 2025
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Up to 3 months	**381,273**	640,124
3 to 6 months	**21,892**	142,634
Over 6 months	**504,672**	389,483
	907,837	1,172,241

12 BORROWINGS

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Included in current liabilities		
Guaranteed borrowings *(Note (a))*	**209,375**	–
Secured borrowings *(Note (b))*	**2,166**	–
Unsecured borrowings *(Note (c))*	**1,211,045**	23,383
	1,422,586	23,383
Included in non-current liabilities		
Secured borrowings *(Note (b))*	**237,000**	–
Unsecured borrowings *(Note (c))*	**–**	178,500
	237,000	178,500

Notes:

(a) As at June 30, 2026, RMB209,375,000 was guaranteed by the Company with an effective interest rate of 5.4% per annum (December 31, 2025: nil).

(b) As at June 30, 2026, secured borrowings comprised short-term secured borrowings of RMB1,166,000 bearing fixed interest at 2.5% per annum, as well as secured borrowings of RMB238,000,000 bearing fixed interest at 2.5% per annum with maturity dates in December 2028, of which RMB1,000,000 was classified as current liabilities. There were no secured borrowings at December 31, 2025.

As at 30 June 2026, the Group's 45% equity interest (3,986,997 shares) in Shenzhen Wake UP Technology Co., Ltd ("**Wake UP**") was pledged as collateral for the Group's bank borrowings.

(c) As at June 30, 2026, unsecured borrowings comprised short-term unsecured borrowings of RMB1,211,045,000 (December 31, 2025: RMB21,883,000) bearing fixed interest at from 2.3% to 2.8% (December 31, 2025: 2.5%)per annum. At December 31, 2025, unsecured borrowings of RMB180,000,000 bearing fixed interest at 2.5% per annum with maturity dates from June 2026 to December 2028, of which RMB1,500,000 was classified as current liabilities.

13 DIVIDENDS

No dividends have been paid or declared by the Company during each of the six months ended June 30, 2026 and 2025.

14 EVENTS AFTER THE END OF THE REPORTING PERIOD

On August 7, 2026, Phancy Beijing (the lessee), a direct wholly owned subsidiary of the Company, entered into a sales and leaseback agreement with an independent third party (the lessor) in relation to the transfer of the leased servers and accessories by the lessee to the lessor and the leaseback thereof by the lessee from the lessor. The total asset transfer consideration is RMB691,875,000, with a 60-month floating-rate lease. The Company provided a joint and several guarantee, and the subsidiary pledges its service income receivables as security. The leased assets may be repurchased at RMB1 when the lease expires.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

In the first half of 2026, despite the uncertainties in the global economy, our industry position and brand influence in the AI field continued to grow and our business scale maintained steady expansion. Our total revenue increased by 43.4% year-on-year to RMB3,765.3 million as compared with the first half of 2025.

While achieving stable growth in revenue, we focused on cost control and resource optimization, striving to promote the continuous improvement of the Group's operational efficiency. During the first half of 2026, we recorded profit for the period of RMB128.3 million, marking a turnaround from a loss in the corresponding period of 2025 to a profit. Adding back share-based compensation expenses, our adjusted net profit for the period was RMB159.9 million, compared with an adjusted net loss of RMB50.6 million for the same period in 2025.

Revenue

The Company currently operates three core business lines, namely AI Platform, API business and Agentic AI business. During the Reporting Period, our total revenue amounted to RMB3,765.3 million (same period in 2025: RMB2,626.5 million), representing a year-on-year increase of 43.4%. The following table sets forth a breakdown of our revenue by business segment for the periods indicated.

	Six months ended June 30, 2026 *RMB million* **(unaudited)**	Six months ended June 30, 2025 *RMB million* (unaudited)	Change
AI Platform	**3,087.7**	2,374.4	30.0%
API business	**463.9**	48.3	860.8%
Agentic AI business	**213.7**	203.8	4.9%
Total	**3,765.3**	2,626.5	43.4%

AI Platform

During the Reporting Period, revenue from the AI Platform business amounted to RMB3,087.7 million (same period in 2025: RMB2,374.4 million), representing a year-on-year increase of 30.0%, mainly due to the increasing demand in the overall AI market and the empowerment of our products through the Company's large model and generative AI capabilities.

API Business

During the Reporting Period, revenue from the API business amounted to RMB463.9 million (same period in 2025: RMB48.3 million), representing a year-on-year increase of 860.8%. Revenue from the API business as a percentage of total revenue increased from 1.8% for the six months ended June 30, 2025 to 12.3% for the six months ended June 30, 2026, mainly due to the surge in demand for Tokens.

Agentic AI Business

During the Reporting Period, revenue from the Agentic AI business amounted to RMB213.7 million (same period in 2025: RMB203.8 million), representing a year-on-year increase of 4.9%, which remained stable.

Cost of Sales

Our cost of sales consists primarily of (i) cost of finished goods sold, primarily representing procurement cost of hardware components from third-party vendors; (ii) cloud service and computing costs; (iii) employee benefit expenses, representing wages and benefits of our implementation and maintenance personnel for our enterprise AI solutions; and (iv) others.

During the Reporting Period, our cost of sales amounted to RMB2,531.9 million (same period in 2025: RMB1,636.1 million), representing a year-on-year increase of 54.8%. Our cost of sales increased in line with the growth in our total revenue, mainly driven by our hardware procurement costs and computing costs.

Gross Profit and Gross Profit Margin

For the first half of 2026, our gross profit increased from RMB990.4 million for the same period in 2025 to RMB1,233.4 million, representing a year-on-year increase of 24.5%. Our gross profit margin changed from 37.7% for the same period in 2025 to 32.8%, mainly due to the increase in computing costs.

Selling and Marketing Expenses

During the Reporting Period, our selling and marketing expenses amounted to RMB28.3 million (same period in 2025: RMB189.1 million), representing a year-on-year decrease of 85.0%, mainly due to the reduction in advertising and marketing expenses and employee benefit expenses.

Administrative Expenses

During the Reporting Period, our administrative expenses amounted to RMB90.5 million (same period in 2025: RMB86.4 million), representing a year-on-year increase of 4.7%, mainly due to the increase in share-based payment expenses.

Research and Development Expenses

As always, we have continued to invest in our core technology R&D to maintain our leading position in the industry and our technological advancement. Our R&D expenses amounted to RMB1,208.3 million (same period in 2025: RMB893.4 million), representing a year-on-year increase of 35.2%.

(Provision for)/Reversals of Credit Loss Allowance, Net

Our (provision for)/reversals of credit loss allowance, net mainly includes the credit loss allowance on trade receivables, contract assets and other receivables.

During the Reporting Period, our credit loss allowance, net amounted to RMB233.5 million, compared with a reversal of RMB14.4 million for the same period in 2025, mainly due to an increase in credit loss allowance measured individually for long-aged receivables and the growth in accounts receivable balances for business expansion. We made prudent loss allowances in accordance with our accounting policies and relevant internal control procedures and will continue to closely monitor the collection of receivables.

Other Income

Our other income consists primarily of (i) government grants; and (ii) value-added tax and other tax refunds.

During the Reporting Period, our other income amounted to RMB14.1 million (same period in 2025: RMB41.6 million). The decrease was mainly due to a decrease in value-added tax refunds received.

Other Gains, Net

Our other gains, net consist primarily of (i) fair value changes on financial assets at fair value through profit or loss; (ii) net foreign exchange gains/(losses); (iii) gain on remeasurement of pre-existing investment; and (iv) gain on disposal of financial assets at fair value through profit or loss.

During the Reporting Period, our other gains, net, amounted to RMB449.7 million (same period in 2025: RMB37.6 million), representing a year-on-year increase of 1,095.4%, mainly due to the increase in fair value of the Company's investment projects.

Operating Profit/(Loss)

As a result of the foregoing, during the Reporting Period, our operating profit amounted to RMB136.4 million (same period in 2025: loss of RMB84.9 million).

Finance Income

During the Reporting Period, our finance income amounted to RMB34.7 million (same period in 2025: RMB30.6 million), representing a year-on-year increase of 13.2%, mainly due to the increase in interest income received on bank deposits.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB9.7 million (same period in 2025: RMB1.4 million), representing a year-on-year increase of 586.1%, mainly due to the addition of borrowings in the first half of 2026.

Profit/(Loss) for the Period

As a result of the foregoing, during the Reporting Period, our profit for the period amounted to RMB128.3 million (same period in 2025: loss of RMB73.9 million).

Non-IFRS Measures

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit/(loss) (a non-IFRS measure) as an additional financial measure that is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and from company to company by eliminating the potential impact of certain items. We believe that this measure provides useful information to investors in understanding and evaluating our consolidated results of operations in the same manner as our management. However, our presentation of adjusted net profit/(loss) (a non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

Adjusted Profit/(Loss) for the Period

We define adjusted profit/(loss) for the period as profit/(loss) for the period adjusted by adding back share-based compensation expenses.

The following table reconciles the non-IFRS measures presented for the periods indicated to the most directly comparable financial measures prepared in accordance with IFRS.

	Six months ended June 30, 2026 *RMB'000* **(unaudited)**	Six months ended June 30, 2025 *RMB'000* (unaudited)	Change
Profit/(loss) for the period	**128,346**	(73,894)	Turnaround to profit
Share-based compensation expenses	**31,517**	23,274	35.4%
Adjusted net profit/(loss)	**159,863**	(50,620)	Turnaround to profit
Profit/(loss) for the period attributable to owners of the Company	**118,869**	(66,973)	Turnaround to profit
Share-based compensation expenses	**31,517**	23,274	35.4%
Adjusted net profit/(loss) attributable to owners of the Company	**150,386**	(43,699)	Turnaround to profit

Liquidity and Financial Resources

We have historically funded our cash requirements principally from capital contributions from Shareholders. After the Global Offering, we intend to finance our future capital requirements through equity financing activities and debt financing activities in a balanced manner.

As at June 30, 2026, the Group's total borrowings amounted to RMB1,659.6 million (December 31, 2025: RMB201.9 million), which were denominated in USD and RMB and bore interest at fixed rates ranging from 2.3% to 5.4%, of which RMB1,422.6 million was due within one year and RMB237.0 million was due after one year.

Cash and Bank Balances

As at June 30, 2026, the Group's cash and cash equivalents, term bank deposits and restricted cash amounted to approximately RMB1,445.3 million in aggregate (December 31, 2025: RMB2,941.5 million). The Group's cash and cash equivalents were primarily denominated in USD and RMB, while its term bank deposits and restricted cash were denominated in RMB.

Liquid Cash Resources

The Group's liquid cash resources comprise cash and cash equivalents, short-term and long-term bank deposits, short-term investments measured at fair value through profit or loss and restricted cash. As at June 30, 2026, the Group's liquid cash resources amounted to approximately RMB2,037.4 million (December 31, 2025: RMB3,773.8 million).

Net Current Assets

Our net current assets decreased from RMB5,383.3 million as at December 31, 2025 to RMB4,614.0 million as at June 30, 2026, primarily due to increase in current liabilities.

Current Ratio

As at June 30, 2026, our current ratio (current assets divided by current liabilities) was approximately 2.7, compared with 4.4 as at December 31, 2025.

Capital Management and Gearing Ratio

As at June 30, 2026, our gearing ratio (total borrowings divided by total equity attributable to equity holders of the Company) was approximately 18.4% (December 31, 2025: 2.7%). We will consider debt and equity financing in light of the Group's future business plans and the macroeconomic environment and will continue to optimize our capital structure.

Capital Commitments

As at June 30, 2026, our capital commitments in respect of equity investments amounted to approximately RMB174.7 million (December 31, 2025: RMB4.0 million).

Contingent Liabilities

As at June 30, 2026, the Group did not have any material contingent liabilities.

Pledge of Assets

As at June 30, 2026, save for restricted cash of RMB26.6 million, which was primarily used for deposit guarantees and other security deposits and the 45% equity interest in Shenzhen Wake UP Technology Co., Ltd ("**Wake UP**") pledged as collateral for the Group's bank borrowings, the Group did not have any material assets pledged.

Foreign Exchange Risk Management

The functional currency of the Company and its principal subsidiaries is RMB, and a substantial portion of the Group's revenue is derived from operations in the PRC. Foreign exchange risk primarily arises from recognized assets and liabilities denominated in currencies other than the functional currencies of the relevant Group entities. Fluctuations in exchange rates between RMB and other currencies may affect the Group's financial position and results of operations. The Group is primarily exposed to fluctuations in USD/RMB and HK$/RMB exchange rates. As at June 30, 2026, the Group did not hold any financial instruments for hedging purposes; nor did it hold any foreign currency investments hedged by currency borrowings or other hedging instruments.

Credit Risk

We are exposed to credit risk in relation to cash and cash equivalents, restricted cash, term bank deposits, investments in debt instruments measured at fair value through profit or loss, trade receivables, other receivables and contract assets. The carrying amounts of each class of the above financial assets and contract assets represent our maximum exposure to credit risk in relation to financial assets and contract assets.

To manage the risk of investments in cash and cash equivalents, restricted cash, term bank deposits, and debt instruments measured at fair value through profit or loss, we only transact with state-owned banks and reputable or licensed financial institutions. These financial institutions have no recent default records.

To manage the risk arising from trade receivables and contract assets, we have established a policy to ensure that sales are granted only to parties with good credit records. Our management conducts ongoing credit evaluations of such clients based on their financial condition, past history, and other relevant factors. We typically grant credit periods not exceeding 90 days for these transactions.

With respect to other receivables, the management has periodically conducted an overall evaluation and individual assessments of the recoverability of other receivables based on past settlement records and past experience. Given the favorable payment history with debtors and their past cooperative relationships, the management believes that the inherent credit risk associated with the outstanding other receivables owed by them to the Group is relatively low.

Fund and Working Capital Management

Our funds and liquidity management are centrally carried out by our finance department. Our finance department is generally responsible for the overall management and implementation of funds, including formulating the capital management policy for our Group, guiding, coordinating and standardizing the fund management of regional companies, making annual funding plans, reviewing and summarizing annual capital budgets, and overseeing and assessing fund management of each regional company. We have also adopted sophisticated fund management policies and implemented a set of rules and guidelines on fund management to enhance the effectiveness and efficiency of fund management, thereby ensuring our financial security and reducing the cost of capital.

To manage our idle cash on hand, we primarily purchase and redeem wealth management products using them as our "cash pool" from which we could readily access cash as needed and generate a higher yield than bank deposits. The underlying financial assets of the wealth management products in which we invested primarily consist of low-risk wealth management products issued by state-owned banks or other high-quality reputable banks in China. The purchase amount will be determined based on our surplus funds. Our procedures for purchasing and managing such products comply with our financial policies governing business operations, accounting and record-filing.

We are committed to safeguarding overall financial security and maintaining a strong cash position and a healthy debt profile with strong repayment ability. By adopting a full, reasonable and professional assessment mechanism and preparing annual and monthly funding plans, we have established prudent fund management principles, which allow us to efficiently manage market risks.

Material Acquisitions and Disposals

During the Reporting Period, we did not make any material acquisitions or disposals of subsidiaries, associates or joint ventures.

Information and Future Plans for Significant Investments and Capital Assets

Save as disclosed herein and in the Prospectus, as at the date of this announcement, we did not have plans for significant investments and capital assets.

Employees and Remuneration Policy

As at June 30, 2026, we had 541 employees in total (December 31, 2025: 619). Our success depends on our ability to attract, retain and motivate qualified personnel. During the Reporting Period, the total staff costs of the Group amounted to approximately RMB138.2 million, including wages, salaries, bonuses, share-based compensation expenses, pension costs, other social security costs, housing benefits and other employee benefits. We provide various incentives and benefits to our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees.

As required under PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans.

To maintain the quality, knowledge and skill levels of our workforce, we provide continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills. We also provide training programs to our employees from time to time to ensure their awareness of and compliance with our policies and procedures in various aspects.

Prior to the Listing, the Board approved and adopted the Employee Incentive Scheme on April 25, 2021. After the Listing, the Company adopted the Equity Incentive Scheme on September 19, 2024, comprising the H-Share Scheme and the Partnership Plan. The Company also adopted the Share Option Scheme on September 19, 2024. We have granted, and may in the future grant, options or share-based incentive awards to employees to recognize and incentivize their contributions to our growth and development.

Placing of New H Shares Under General Mandate

On April 22, 2026, the Company entered into a placing agreement with the placing agents, pursuant to which the placing agents agreed to procure, on a best-effort basis, not less than six placees to subscribe for an aggregate of 38,800,000 new H Shares at HK$40.36 per H Share. The aggregate nominal value of the placing shares was RMB38,800,000. The closing price of the H Shares on April 21, 2026 was HK$45.84 per H Share. The 2026 Placing was completed on April 29, 2026. The gross proceeds and net proceeds were approximately HK$1,565.97 million and HK$1,555.63 million, respectively, representing a net issue price of approximately HK$40.09 per H Share. The 2026 Placing was intended to support the Company's continuous and stable business development, further consolidate its core competitiveness and ensure sustainable growth. For details, please refer to the Company's announcements dated April 22, 2026 and April 29, 2026.

Subsequent Events

On August 7, 2026, Phancy Beijing (the lessee), a direct wholly owned subsidiary of the Company, entered into a sales and leaseback agreement with an independent third party (the lessor) in relation to the transfer of the leased servers and accessories by the lessee to the lessor and the leaseback thereof by the lessee from the lessor. The total asset transfer consideration was RMB691,875,000, with a 60-month floating-rate lease. The Company provided a joint and several guarantee, and the subsidiary pledged its service income receivables as security. The leased assets may be repurchased at RMB1 when the lease expires.

OTHER INFORMATION

Corporate Governance

The Board is committed to achieving good corporate governance standards.

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

The Company has adopted the principles and code provisions under Part II of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices.

In the opinion of the Directors, during the Reporting Period, the Company has complied with all code provisions set out in the CG Code save for code provision C.2.1 of the CG Code as set out below:

Pursuant to code provision C.2.1 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from, the requirement that the responsibilities of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. The Company has not separated the roles of the Chairman and the Chief Executive Officer, and Dr. Dai currently holds both positions. Dr. Dai has assumed the role of Chief Executive Officer of the Company since 2015. He has extensive experience in the business operations and management of the Group and in the AI industry. Given his experience, personal qualifications and role in the Company, the Board believes that Dr. Dai is the most suitable Director to identify strategic opportunities and serve as the core of the Board due to his comprehensive understanding of our business as the Chief Executive Officer. The Board also believes that having the same individual serve as both Chairman and Chief Executive Officer can (i) ensure unified leadership within the Group; (ii) enable more effective and efficient execution of the Board's overall strategic planning and initiatives; and (iii) facilitate the flow of information between management and the Board. The Board considers that the current arrangement will not impair the balance of power and authority and will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider separating the roles of Chairman of the Board and Chief Executive Officer of the Company at an appropriate time, taking into account the circumstances of the Group as a whole.

The Company will continue to review and monitor its corporate governance practices on a regular basis to ensure compliance with the CG Code and to maintain its high standards of corporate governance practices.

Model Code for Securities Transactions

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. After the Company made specific enquiries of the Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Reporting Period.

The Company's employees who are likely to be in possession of unpublished inside information of the Company are also subject to the Model Code. No incident of non-compliance with the Model Code by employees was noted by the Company during the Reporting Period and up to the date of this announcement.

Interim Dividend

The Board has resolved not to declare any interim dividend for the six months ended June 30, 2026 (six months ended June 30, 2025: nil).

Audit Committee

The Board has established the Audit Committee comprising two independent non-executive Directors and one non-executive Director, namely Mr. Li Jianbin, Mr. Liu Chijin and Dr. Yang Qiang. Mr. Li Jianbin is the chairman of the Audit Committee and possesses the appropriate professional qualifications required under Rules 3.10(2) and 3.21 of the Listing Rules. The Audit Committee has adopted written terms of reference setting out its duties and responsibilities, which are available on the websites of the Company and the Stock Exchange.

The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2026. It has also discussed and reviewed the accounting policies and practices adopted by the Group and matters relating to risk management, internal control and financial reporting with the management and the external auditor.

Review of Interim Financial Information

Rongcheng (Hong Kong) CPA Limited, the independent auditor of the Company, has reviewed the interim financial information of the Group for the six months ended June 30, 2026 in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The comparative information in the interim condensed consolidated statement of financial position is based on the audited financial statements as at December 31, 2025.

Purchase, Sale or Redemption of Listed Securities

During the Reporting Period, the Company repurchased an aggregate of 753,000 H Shares on the Stock Exchange on February 25, 2026 and February 26, 2026 for aggregate consideration before expenses of HK$30,377,014, and such repurchased H Shares were held as treasury shares. On June 5, 2026, the Company cancelled 186,100 H Shares repurchased between May 20 and May 23, 2024. As at June 30, 2026, the Company held 1,255,200 H Shares as treasury shares.

The Company intends to use the 1,255,200 treasury shares held as at June 30, 2026 for employee incentives, sale or transfer to raise working capital or such other purposes as the Board may determine.

Month	**Number of Shares repurchased**	**Highest price paid** *(HK$)*	**Lowest price paid** *(HK$)*	**Aggregate consideration (before expenses)** *(HK$)*
February 2026	753,000	41.40	39.84	30,377,014
Total	**753,000**			**30,377,014**

During the Reporting Period, the trustee of the H-Share Scheme purchased an aggregate of 1,200,000 H Shares on the Stock Exchange in accordance with the rules of the H-Share Scheme and the terms of the trust deed, for an aggregate consideration (excluding transaction costs) of HK$32,303,646.01.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including any sale or transfer of treasury shares) during the Reporting Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.4paradigm.com). The interim report of the Company for the Reporting Period, which sets out all the information required under the Listing Rules, will be published on the respective websites of the Stock Exchange and the Company in accordance with the requirements under the Listing Rules in due course.

ACKNOWLEDGEMENT

The Board would like to express its sincere gratitude to the Shareholders, the Group's management team, employees, business partners and customers for their support and contribution to the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings. These expressions and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as the Company.

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"China" or "PRC"	the People's Republic of China
"CNCF"	Cloud Native Computing Foundation
"Company" or "Phancy"	Phancy Group Co., Ltd. (範式智能技術集團股份有限公司), the H Shares of which are listed on the Main Board of the Stock Exchange (stock code: 6682)
"Director(s)"	the director(s) of the Company

"Dr. Dai"	Dr. Dai Wenyuan (戴文淵), the chairman of the Board, an executive Director, the chief executive officer and one of our controlling Shareholders
"Employee Incentive Scheme"	the employee incentive scheme of the Company approved and adopted by the Board on April 25, 2021, the principal terms of which are summarized in "Statutory and General Information — Further Information about our Directors, supervisors, Senior Management and Substantial Shareholders — 5. Employee Incentive Scheme" in Appendix VI to the Prospectus; it does not constitute a share scheme under Chapter 17 of the Listing Rules
"Equity Incentive Scheme"	the equity incentive scheme of the Company approved by the Shareholders on September 19, 2024
"Global Offering"	the global offering of the H Shares as described in the Prospectus
"Group" or "we"	the Company and its subsidiaries (or the Company and any one or more of its subsidiaries, as the context may require)
"H Share(s)"	the overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards, including standards, amendments and interpretations issued by the International Accounting Standards Board and International Accounting Standards and interpretations issued by the International Accounting Standards Committee
"Listing"	the listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	September 28, 2023, the date on which the H Shares were listed and permitted to commence trading on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the options market) operated by the Stock Exchange, which is independent from and operates in parallel with GEM of the Stock Exchange
"Phancy Beijing"	Fourth Paradigm (Beijing) Data & Technology Co., Ltd. (第四範式(北京)技術有限公司), a limited liability company established under PRC law and a direct wholly-owned subsidiary of the Company
"Prospectus"	the prospectus issued by the Company on September 18, 2023 in connection with the Hong Kong public offering under the Global Offering
"Reporting Period"	the six months ended June 30, 2026
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each
"Share Option Scheme"	the share option scheme of the Company approved by the Shareholders on September 19, 2024
"Shareholder(s)"	holder(s) of the Shares
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"treasury share(s)"	has the meaning ascribed thereto under the Listing Rules
"U.S. dollar", "US$" or "USD"	United States dollar, the lawful currency of the United States
"United States" or "U.S."	the United States of America, its territories, possessions and all areas subject to its jurisdiction
"%"	per cent.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiary) have been included in this announcement in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail.

Any difference between the arithmetical sum of individual figures and the aggregated figures in the tables in the announcement is due to rounding.

GLOSSARY OF TECHNICAL TERMS

"AI"	artificial intelligence, simulation of human intelligence by machines
"AIGS"	AI-Generated Software
"AIoT"	artificial intelligence of things, combining the connectivity of IoT with data-driven insights derived from AI
"algorithm"	a formulaic procedure for solving a problem through a sequence of specified actions
"cloud"	the computers and connections that support cloud computing
"computing power cloud"	the practice of storing computer data and programs across multiple servers accessible through the internet
"enterprise AI"	AI technologies and software applied by enterprises to address their business needs and drive their digital and automation transformation
"IDC"	International Data Corporation
"IoT"	internet of things
"IT"	information technology
"machine learning"	the scientific study of algorithms and statistical models that computer systems use to effectively perform specific tasks without being explicitly programmed to do so
"platform-centric"	an AI solution featuring an AI development platform in addition to AI applications and underlying computing infrastructure
"R&D"	research and development

By order of the Board
Phancy Group Co., Ltd.
範式智能技術集團股份有限公司
Dr. Dai Wenyuan
Chairman and Executive Director

Hong Kong, August 20, 2026

As at the date of this announcement, the executive Directors are Dr. Dai Wenyuan and Mr. Chen Yuqiang; the non-executive Directors are Dr. Yang Qiang, Mr. Dou Shuai and Mr. Zhang Jing; the independent non-executive Directors are Mr. Li Jianbin, Mr. Liu Chijin, Ms. Ke Yele and Mr. Pan Jialin; and the employee representative Director is Mr. Chai Yifei.