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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)

BUSINESS PERFORMANCE FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2026

This announcement is made by Phancy Group Co., Ltd. (the "**Company**" or "**Phancy**", together with its subsidiaries, the "**Group**") on a voluntary basis.

BUSINESS REVIEW

For the first three quarters of 2026, being the nine months ended September 30, 2026 (the "**Period**"), benefiting from the continued increase in demand for enterprises' AI resource management efficiency enhancement and the accelerated implementation of AI large language model inference scenarios, the Company's business has shown a strong accelerated growth momentum. Total revenue reached RMB6.747 billion, representing a year-on-year increase of 53.3%, far exceeding the growth rate in the same period last year. Gross profit was RMB2.260 billion, representing a year-on-year increase of 39.4%, with the growth rate also showing a significant increase compared to the same period last year. Gross profit margin was 33.5%, and remained generally stable during the Period, with a steady increase compared to the first half of 2026.

During the Period, the Company's business grew rapidly, while its cost and expense structure continued to be optimized, with the operating expense ratio for the first three quarters of 2026 decreasing by over 2 percentage points compared to the first half of 2026. Compared with the first half of the year, operating cash flow as of the third quarter improved significantly, with a shortened cash collection cycle. The Company maintained very low financial leverage, with its RMB borrowing cost ranging from 2.25% to 2.80% in the third quarter, representing a further decrease compared to the first half of the year.

By business line, in the first three quarters of 2026: Revenue from AI Platform amounted to approximately RMB5,392 million, representing a year-on-year growth of 32.0%. The gross profit margin of the AI Platform recorded a steady increase in the third quarter compared to the first half of the year. As of the end of the third quarter, the orders on hand for this business amounted to approximately RMB9.0 billion, representing a significant increase both year-on-year and quarter-on-quarter. While maintaining a stable gross profit margin, this business continued to achieve accelerated growth with continuously improving profitability, and steadily expanded its market share. As customers across various sectors place increasing emphasis on AI sovereignty, data security, as well as corporate internal control and governance, the Group is fully confident in the sustained and rapid development as well as the broad market prospects of this asset-light business of the Company.

Revenue from API amounted to approximately RMB1,014 million, representing a year-on-year growth of 1,556%. Following an increase in the first half of 2026 compared to 2025, the gross profit margin of the API business continued to improve significantly in the third quarter compared to the first half of the year. The gross profit margin and return on capital of this business of the Company are already at the forefront of the industry, yet there remains considerable room for improvement. As of the end of the third quarter, the available computing power for this business reached 40,000 PFLOPS, representing an increase of 42.9% compared to the end of the first half of the year. Given customers' continuously strong demand for Tokens, the Group remains optimistic about the upside potential of this business's profit margin and the sustainability of its growth.

The AI Platform business, which currently accounts for the majority of the Group's revenue, is characterized by an asset-light model, steady growth, and a stable gross profit margin. Meanwhile, the financial cost of the API business, which maintained ultra-rapid growth, is lower than the industry average, and the Group is confident in continuing to drive its growth. These two businesses mutually complement each other on both operational and financial levels, laying a solid foundation for the Company's long-term, steady and rapid development as well as the steady enhancement of its profitability.

Product Progress

Tokens will become increasingly affordable, whereas the capability to solve problems using Tokens will become increasingly valuable.

As data security and compliance risks receive growing attention, demand from large domestic enterprises for private deployment (private Tokens) has surged and scaled up rapidly, emerging as an essential demand. In addition, with the rapid development of AI Agents driving a 10-fold to 100-fold surge in Token consumption, enterprises are experiencing rising demand for enterprise-grade management of computing power and Tokens (covering organizational structure, internal control governance, metering and billing, authorization and authentication, among others) on the one hand, while holding higher expectations for model inference efficiency on the other. However, as more and more domestic chip manufacturers accelerate the launch of new products, enterprise customers urgently need solutions that can effectively manage the adaptation and optimisation of multiple chips and multiple large language models.

To meet enterprise customers' increasingly diverse AI resource management needs, Phancy, in addition to continuing to deepen its expertise in computing hardware resource management (such as heterogeneous computing power scheduling powered by HAMi vGPU), has also launched new products such as ModelSphere, covering model adaptation, inference performance tuning, and overall Token management and scheduling, thereby continuously enhancing customer stickiness.

In September this year, the Ministry of Industry and Information Technology officially published the first batch of candidate demonstration enterprises for the National Emerging Industry Development Demonstration Bases. In the key AI track, Phancy was successfully selected on the strength of its capabilities in AI infrastructure and model optimization and efficiency enhancement, ranking among the first batch of only 18 industry-leading enterprises nationwide.

Furthermore, in late September this year, IDC, an authoritative global IT market research firm, released the report titled "China AI Computing Power Management Platform Technical Capability Assessment, 2026", conducting a comprehensive evaluation of mainstream AI computing power management platform technology providers in the current Chinese market. Leveraging its deep expertise in heterogeneous computing power management, fine-grained virtualization, and agent-oriented computing services, Phancy ranked first in overall score. More notably, Phancy was the only vendor to achieve full marks across all four dimensions: computing resource management, compute operations, technical architecture, and delivery services.

R&D Progress: High-Efficiency, Cost-Efficient Small-Parameter Foundation Models

On November 18 this year, Phancy has released and will open-source its first two foundation models – Phai-A1 and Phai-M1 – targeting intelligent agents (Agent) and visual content creation (MovieFlow), respectively. The most prominent feature of this series of models is their exceptional cost-effectiveness:

Born from real-world scenarios and built for actual demand. Our R&D approach differs from the traditional path of "building a large language model first and finding application scenarios later": we start from real-world scenarios to accumulate data, understand the actual problems users need to solve, and then train foundation models in a targeted manner. Instead of blindly stacking parameters, every bit of training investment is dedicated to the capabilities users truly need – this is the primary source of our cost-effectiveness.

Equivalent capability at a lower cost. Each model focuses on its respective domain without redundant "all-encompassing" capabilities, resulting in significantly lower computing power consumption for both training and inference compared to general-purpose large language models performing the same tasks. Coupled with the continuous optimization of inference efficiency by the Company's computing power factory (including automated tuning by RSI agents), the cost for customers continues to decline. The open-source model further lowers the barrier to adoption, enabling more enterprises to truly afford and effectively utilize AI within their budgets.

Forming a closed loop with the Company's existing businesses. The flywheel of "scenarios → data → models → re-serving scenarios" keeps spinning: the more the models are used, the more accurate they become; the longer they run, the lower the cost drops, continuously amplifying cost-effectiveness over time.

In terms of application scenarios, the two models respectively cover the two domains where AI is being commercialized fastest today: Phai-A1 serves enterprise-grade intelligent agents, undertaking the automated decomposition and execution of complex tasks to support production-grade enterprise applications, with a focus on enhancing inference efficiency and long-context processing capabilities. Meanwhile, Phai-M1 serves the production and creation of visual and video content, focusing on live-action film and video as well as AI short drama scenarios, enhancing visual quality and audio-visual synchronization capabilities, and integrating seamlessly with the Company's one-stop AI film and video production workflow platform to lower the production barrier in the professional content industry.

Based on a leading domestic computing power platform, Phancy has completed the full-process training of Phai-A1 from post-training to reinforcement learning, achieving deep synergy between model training and domestic computing power platform. This also makes Phancy one of the very few enterprises in China capable of completing full-process training from model post-training to reinforcement learning based on this domestic computing power platform, further demonstrating Phancy's comprehensive strengths in self-developed models, domestic computing power synergy, and enterprise-grade AI technology deployment.

Corporate Vision: From AI for Everyone to Everyone for AI

Phancy turns twelve this year. Twelve years ago, the Company had fewer than 10 people working in a rented apartment, discussing what the Company's mission and vision should be whenever we had a spare moment. Creating our slogan back then was a painstaking process, because everyone cared deeply about it. We spent many afternoons in discussion and ruled out numerous candidate proposals. We clearly remember one afternoon when the three English words "AI for Everyone" appeared on the whiteboard, and everyone said in unison: "This is our slogan!"

Twelve years ago, AI was a rarity. When we talked to clients about AI, the most common responses we received were "We have no budget for AI," "We have never heard of AI," and "What can AI do?" What has driven us forward all along is not that others told us AI was the future, but that we could see the future ourselves. Back then, we needed to truly make AI "for Everyone" and enable the market to see its value. And that is precisely what we did: we stepped into every industry to bring AI to the service of more people. Today, behind every bank transfer people make, every meal purchased at a fast-food restaurant, and every kilowatt-hour of electricity consumed at home lies the dedication of Phancy's people over the past twelve years.

Today, twelve years later, despite occasional fluctuations in the external environment, the main trajectory of technological development has remained unchanged. AI has entered a new stage. With the advancement of large models and intelligent agents, AI applications are flourishing everywhere, and everyone is using AI to varying degrees every day. It can be said that "AI for Everyone" has already been realized.

Over recent years, the bottleneck in AI has gradually shifted from a shortage of applications to a shortage of infrastructure. Chips, computing power, computing power management, models, Agents, Skills, and AI safety have gradually become the new core focal points. Our presence in infrastructure has also deepened over the years, and every improvement in infrastructure has driven a greater supply of AI applications. In the face of such changes, we need to rethink the next step for AI: how can we make AI even better?

Standing at the milestone of our twelfth anniversary, we would like to share Phancy's new vision for the future: Everyone for AI.

We hope that over the next twelve years, Phancy will provide a more solid foundation for the development and operation of AI, dedicating itself to resolving every bottleneck in AI's rapid advancement. When everyone makes AI a little better, AI will in turn make our lives better.

The next twelve years will not be any easier than the past twelve. Yet throughout its journey, Phancy has always been challenging the impossible. The three words we wrote on the whiteboard in that rented apartment twelve years ago have come true today. The new vision we write down today will be fulfilled over the next twelve years. Let us walk hand in hand to deliver a more solid foundation and more trustworthy AI to the next era.

Everyone for AI!

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, November 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.