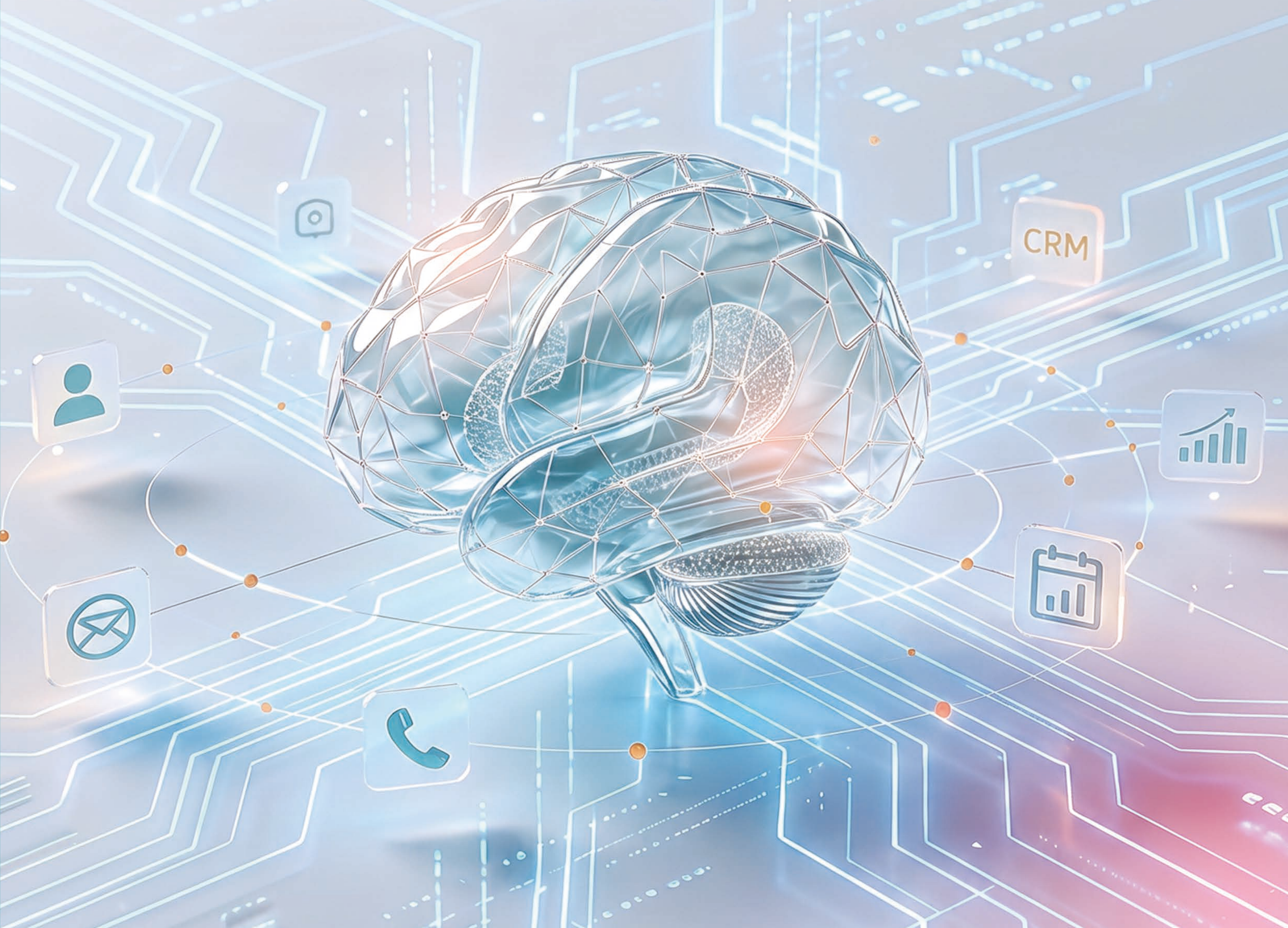
范式
PHANCY

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



2026 INTERIM REPORT

CONTENTS

2 Corporate Information

4 Financial Highlights

5 Business Review and Outlook

14 Management Discussion and Analysis

25 Other Information

38 Report on Review of Condensed Consolidated Financial Statements and Condensed Consolidated Financial Statements

84 Definitions

88 Glossary of Technical Terms

BOARD OF DIRECTORS

Executive Directors

Dr. Dai Wenyuan (戴文淵) *(Chairman, Chief Executive Officer and General Manager)*
Mr. Chen Yuqiang (陳雨強) *(Chief Research Scientist)*

Non-executive Directors

Dr. Yang Qiang (楊強)
Mr. Dou Shuai (竇帥)
Mr. Zhang Jing (張晶)

Independent Non-executive Directors

Mr. Li Jianbin (李建濱)
Mr. Liu Chijin (劉持金)
Ms. Ke Yele (柯燁樂)
Mr. Pan Jialin (潘嘉林)

Employee Representative Director

Mr. Chai Yifei (柴亦飛)

AUDIT COMMITTEE

Mr. Li Jianbin (李建濱) *(Chairman)*
Mr. Liu Chijin (劉持金)
Dr. Yang Qiang (楊強)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Ke Yele (柯燁樂) *(Chairperson)*
Dr. Yang Qiang (楊強)
Mr. Li Jianbin (李建濱)

NOMINATION COMMITTEE

Ms. Ke Yele (柯燁樂) *(Chairperson)*
Dr. Dai Wenyuan (戴文淵)
Mr. Liu Chijin (劉持金)

STRATEGY COMMITTEE

Dr. Dai Wenyuan (戴文淵) *(Convenor)*
Mr. Chen Yuqiang (陳雨強)
Dr. Yang Qiang (楊強)

REGISTERED OFFICE

Room 303, 3/F
Block A, Heying Center, Building 1, No. 10
Xiaoying West Road
Haidian District, Beijing
the PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1910, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Rongcheng (Hong Kong) CPA Limited
Registered Public Interest Entity Auditor
Units 4301-4307, 43/F
COSCO Tower
183 Queen's Road Central
Hong Kong

HONG KONG LEGAL ADVISER

Jingtian & Gongcheng LLP
Suites 3203-3209, 32/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

AUTHORIZED REPRESENTATIVES

Dr. Dai Wenyuan (戴文淵)
Ms. Yeung Siu Wai Kitty (楊小慧)

COMPANY SECRETARY

Ms. Yeung Siu Wai Kitty (楊小慧)

PRINCIPAL BANKERS

China Merchants Bank, Haidian Branch
No. 56, North 4th Ring Road West,
Beijing, the PRC

Industrial and Commercial Bank of China, Haidian West District Branch
No. 65, North 4th Ring Road West,
Beijing, the PRC

STOCK CODE

6682

COMPANY'S WEBSITE

phancy.ai

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	**3,765,294**	2,626,497
Gross profit	**1,233,351**	990,407
Operating profit/(loss)	**136,417**	(84,882)
Profit/(loss) before income tax	**126,214**	(75,349)
Profit/(loss) for the period	**128,346**	(73,894)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at June 30, 2026	As at December 31, 2025
	RMB'000	RMB'000
	(unaudited)	(audited)
Assets		
Non-current assets	**4,811,421**	2,324,031
Current assets	**7,319,125**	6,968,798
Total assets	**12,130,546**	9,292,829
Liabilities		
Non-current liabilities	**285,386**	203,603
Current liabilities	**2,705,114**	1,585,523
Total liabilities	**2,990,500**	1,789,126
Total equity and liabilities	**12,130,546**	9,292,829

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 (Model as a Service: "MaaS") 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.

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 an 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.

With respect to trade receivables and prepayments of the Group as at the end of the Reporting Period, the management would like to provide the following additional information:

Trade receivables

(1) Subsequent Settlement

As at June 30, 2026, the trade receivables of the Group amounted to RMB2,572.5 million, and the Group recorded provision for credit loss allowance, net on trade receivables of RMB235.2 million for the six months ended June 30, 2026. As of July 31, 2026, the Group had subsequently settled trade receivables amounting to around RMB445 million.

(2) Reason for increase of long aged or credit impaired receivables

The amount was mainly comprised of a trade receivable from a customer ("**Customer A**") with gross carrying amount of approximately RMB446 million as at June 30, 2026, which has been aged for over one year. As at the date of this report, the Directors assessed the expected credit loss for Customer A individually.

The Directors evaluated Customer A's circumstances and concluded that the slowdown in its payments was largely attributable to the relatively lengthy internal approval procedures rather than any lack of willingness or ability to repay debts. Customer A has a registered capital of RMB110 million and is primarily engaged in providing smart information system solutions for rail transit. The Group has obtained a formal repayment plan from Customer A. Besides, its main customers include subway construction companies, subway operation companies and system integrators, which are mainly local state-owned enterprises and listed companies with good credit record.

(3) **Actions that have been or will be taken to recover the credit impaired and long aged receivables**

The Group has taken the following actions to manage the credit impaired or long-aged trade receivables: (i) in general, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. To measure the expected credit loss, trade receivables have been grouped based on their nature and risk characteristics and then analysing their aging information and historical observed default rate before further incorporating forward-looking information that is reasonable and supportable, and available without undue cost or effort at the reporting date. For long-aged trade receivables, the Group individually analyses the causes such as any financial difficulties of the customers or other matters such as business disputes. In addition, the Group considered the historical settlement pattern of the customers, current business relationships and credit status of the customers for determining the credit risk; (ii) the Group has established a special team for collection of long-aged trade receivables, which implements measures to communicate with the customers via telephone, letter, email or on-site visit according to the credit risk of the customers. The Group will hold regular meetings on long outstanding trade receivables to monitor the collection progress; (iii) for customers who are currently in financial difficulties or with liquidity issues, the Group actively negotiates and formulates written installment repayment plans, which specify the repayment terms, amounts, and liabilities for breach of contract. The special team will follow up on repayment in accordance with the agreed repayment dates; and (iv) if there is still no substantive settlement after communication with the customers or when customers have experienced major business abnormalities, the Group will promptly commence legal proceedings (such as applying for a payment order, filing a lawsuit or commencing arbitration) to protect the interests of the Group's shareholders and creditors.

With respect to the accounts receivable from Customer A, the Group has currently taken the following measures: (1) negotiating with Customer A to establish a formal repayment plan and arranging personnel to follow up and collect the receivables on a regular basis; (2) continuously monitoring Customer A's financial condition and business operations through public information, industry conditions, and communications with the customer; and (3) making adequate provision for impairment of accounts receivable in accordance with the requirements of the relevant accounting standards.

(4) **Reason why the loss allowance was adequate**

The management is of the view that the loss allowance was adequate for the following reasons:

For those trade receivables aged over 1 year, the Directors evaluated the causes and concluded that it was mainly due to a slowdown in the collection progress of certain customers' downstream customers. The customers were not in financial difficulties so severe that they were unable to repay their debts. These customers are currently operating normally, with no major negative situations such as huge losses, business closures, or default of repayments. Their external credit ratings remain stable, and their long-term debt repayment ability has not materially deteriorated.

For certain customers with higher credit risk, the Group has assigned a dedicated team which regularly holds meetings with the customers and regularly reports to the management on the progress of collection of outstanding trade receivables.

Prepayments

(1) Subsequent Utilisation or Repayment

As at June 30, 2026, the prepayments of the Group amounted to RMB2,801.3 million. As of 31 July, 2026, the subsequent utilization or repayment amounted to around RMB902 million, representing approximately 32% of the carrying amount of prepayments as at June 30, 2026.

(2) Reasons for the Significant Increase in the Balance and the Counterparties' Creditworthiness

The Company's prepayments during the Reporting Period primarily comprised prepayments to suppliers for the purchase of AI compute resources. The Company's prepayments increased to RMB2,801.3 million as at June 30, 2026, primarily because the Company holds a long-term positive view of the future sales market and, based on strategic development needs, it is necessary to secure a stable supply of AI compute resources for a relatively long period in the future. By paying a relatively high proportion of prepayments, the Company can effectively enhance its bargaining power in securing production capacity.

The Company has conducted comprehensive assessments of the background, qualification, credibility and supply capability of its major suppliers. These suppliers are mainly large-scale enterprises which have no default records and very low credit risk. Based on financial condition analysis, no potential financial difficulties have been identified among these suppliers. During the period of cooperation, all suppliers have delivered products in accordance with the terms of the contract, and there has been no case of breach of contract. Under the terms of the contracts signed by both parties, in the event of a default by a supplier, the related losses shall be borne by the seller. In the event that a supplier fails to perform its supply obligations, the Company is entitled to demand the refund of the payment made in accordance with the Civil Code of the People's Republic of China.

(3) The Internal Controls in Place over the Prepayments

The internal control measures established by the Group for the prepayments are as follows: (i) before making a major advance payment, the procurement department conducts background checks on suppliers, including their business qualifications, operational status, reputation, history of cooperation, and contract performance capability, to assess the risk of non-delivery of products; (ii) the applicant department submits a procurement application through the system, which will be reviewed and approved sequentially by the applicant department head, procurement department, and finance department to assess the business necessity of the procurement and confirm it is within the approved annual budget; (iii) after receiving the invoice, the procurement department has to submit a payment application through the system, which will be reviewed in sequence by the applicant department head, internal audit department, and finance department. Payment may only be processed after obtaining all necessary approvals; (iv) at the end of each month (or quarter), the finance department, together with the procurement department, evaluates the recoverability of outstanding prepayments; (v) the finance department prepares monthly aging analyses of prepayment items. Any outstanding prepayments that exceed the estimated delivery time or the specified aging threshold will be reported to management for review and follow-up actions with suppliers; and (vi) at the end of the Reporting Period, the finance department reviews outstanding prepayments to assess for any indicator of impairment, including failure to fulfill contracts by suppliers, contract disputes, significant delay in goods or services delivery or deterioration of suppliers' financial position based on internal or external sources of information.

(4) **Reasons Why the Balance was Considered Fully Recoverable**

The Directors assessed the recoverability of the prepayments by reviewing the outstanding prepayments as at year end. For significant outstanding amounts of prepayments, the Directors will obtain internal or external sources of information to understand the financial position of the suppliers and any significant increase in credit risk of these suppliers.

For the prepayments as at the end of the Reporting Period, the Directors considered that the delivery of goods or services by the suppliers was executed in accordance with agreed timetable and no significant disputes with suppliers were noted. The Directors considered that the remaining amounts of prepayments would be utilised within the normal business operating cycle. As no impairment indicator was noted, the Directors considered that no impairment loss should be recognised for the prepayments.

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.

Significant Investments

As at June 30, 2026, the Group held an equity investment in Zhejiang Sunrise Intelligent Technology Co., Ltd. ("**Sunrise**") (the "**Investment**"). Sunrise is a joint stock company established in the PRC. Sunrise is an artificial intelligence computing chip company focusing on the research and development and commercialisation of high-performance GPUs and inference chips for multimodal scenarios. As at June 30, 2026, the investment cost of the Investment was approximately RMB429.1 million. As at June 30, 2026, the Group held 85,070,547 shares in Sunrise, representing approximately 6.76% of its total issued shares.

The Investment was classified as a financial asset at fair value through profit or loss in the Group's financial statements. As at June 30, 2026, the carrying amount of the Investment was approximately RMB656.5 million, representing approximately 5.4% of the Group's total assets as at that date.

For the six months ended June 30, 2026, the Group recognised a realised gain of approximately RMB19.1 million and an unrealised fair value gain of approximately RMB227.4 million in respect of the Investment, and did not receive any dividend.

The Group made the Investment to capture development opportunities in artificial intelligence computing infrastructure, explore potential synergies between Sunrise and the Group's artificial intelligence businesses, and achieve long-term capital appreciation. The Directors consider that the Investment has long-term development potential and is consistent with the Group's development strategy. The Group intends to continue to hold the Investment and will continue to review its performance and adjust its investment strategy as appropriate.

Save as disclosed above, as at June 30, 2026, the Group did not hold any other significant investment with a value representing 5% or more of the Group's total assets.

Information and Future Plans for Significant Investments and Capital Assets

Save as disclosed herein and in the Prospectus, as at the date of this report, 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 sale 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.

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 report.

CHANGES IN DIRECTORS' INFORMATION

(1) Mr. Yu Zhonghao resigned as an executive Director, vice chairman and senior vice president of the Company due to work arrangements with effect from May 26, 2026. Following his resignation, Mr. Yu Zhonghao ceased to act as an authorized representative (the "**Authorized Representative**") of the Company, pursuant to Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and Dr. Dai Wenyuan was appointed as an authorized representative with effect from the same date.

(2) With effect from June 9, 2026, the Board established the Strategy Committee, comprising Dr. Dai Wenyuan as its convenor and Mr. Chen Yuqiang and Dr. Yang Qiang as its members. On the same date, the Remuneration Committee was renamed as the Remuneration and Appraisal Committee.

(3) With effect from July 7, 2026, Dr. Dai Wenyuan ceased to be the chairman of the Nomination Committee but remained a member thereof, and Ms. Ke Yele was appointed as the chairperson of the Nomination Committee. Following the above changes, the Nomination Committee comprises Ms. Ke Yele (chairperson), Dr. Dai Wenyuan and Mr. Liu Chijin.

As at the date of this report, save as disclosed herein, there has been no change in the information of any Director required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SHARE SCHEMES

On September 19, 2024, the Company adopted the Equity Incentive Scheme and the Share Option Scheme. The Equity Incentive Scheme constitutes a share scheme under Chapter 17 of the Listing Rules involving the existing Shares of the Company, and the Share Option Scheme constitutes a share scheme under Chapter 17 of the Listing Rules involving the issuance of new Shares of the Company. For details of the Equity Incentive Scheme and Share Option Scheme, please refer to the 2025 annual report of the Company.

Share Option Scheme

Details of the options granted to the participants of the Share Option Scheme and the movements during the Reporting Period are set out below:

Grantee	Date of grant	Number of share options granted	Vesting period	Exercise period	Exercise price	Outstanding as at January 1, 2026	Granted during the Reporting Period	Vested during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2026
Director – Mr. Chai Yifei (Employee Representative Director)	November 25, 2025	1,559,100	Subject to the vesting conditions, in four equal tranches over four years, with 25% vesting on each of the first, second, third and fourth anniversaries of the relevant date of grant.	Four years from the relevant vesting date; any unexercised portion will lapse upon expiry.	HK$48.38 per H Share	1,559,100	–	–	–	–	–	1,559,100
Others – employees of the Group	November 19, 2024	5,124,445	Subject to achievement of performance targets, in four equal tranches over four years, with 25% vesting on each of the first, second, third and fourth anniversaries of the relevant date of grant.	Four years from the relevant vesting date; any unexercised portion will lapse upon expiry.	HK$41.19 per H Share	5,124,445	–	1,281,111	–	–	–	5,124,445
Others – employees of the Group	November 25, 2025	8,244,600	Subject to the vesting conditions, in four equal tranches over four years, with 25% vesting on each of the first, second, third and fourth anniversaries of the relevant date of grant.	Four years from the relevant vesting date; any unexercised portion will lapse upon expiry.	HK$48.38 per H Share	8,244,600	–	–	–	–	–	8,244,600
Others – five employees of the Group	April 1, 2026	4,120,000	Subject to the vesting conditions, in four equal tranches, with 25% vesting on each of the first, second, third and fourth anniversaries of the relevant date of grant.	Four years from each relevant vesting date.	HK$37.34 per H Share	–	4,120,000	–	–	–	–	4,120,000
Others – seven employees of the Group	May 26, 2026	4,200,000	Subject to the vesting conditions, in four equal tranches, with 25% vesting on each of the first, second, third and fourth anniversaries of the relevant date of grant.	Four years from each relevant vesting date.	HK$33.420 per H Share	–	4,200,000	–	–	–	–	4,200,000
Total	–	23,248,145	–	–	–	14,928,145	8,320,000	1,281,111	–	–	–	23,248,145

Notes:

(1) As at January 1, 2026, 14,928,145 share options were outstanding under the Share Option Scheme, being the balance of unexercised share options as at December 31, 2025.

(2) The share options granted on November 25, 2025 included 1,559,100 share options granted to Mr. Chai Yifei and 8,244,600 share options granted to employees of the Group.

(3) The share options are subject to individual performance target as set out in our employee incentive vesting assessment measures.

(4) On April 1, 2026 and May 26, 2026, the Company granted 4,120,000 share options to five employees of the Group and 4,200,000 share options to seven employees of the Group at exercise prices of HK$37.34 per H Share and HK$33.420 per H Share, respectively. Subject to the achievement of the relevant individual performance targets, each grant will vest in four equal tranches over four years, with 25% vesting in each year.

(5) The closing prices of the H Shares on the trading days immediately preceding April 1, 2026 and May 26, 2026, being the respective grant dates, were HK$35.16 per H Share and HK$34.66 per H Share. The fair values of the share options granted on April 1, 2026 and May 26, 2026 as at the date of grant were RMB9.55 per Share and RMB9.39 per Share, respectively. For a description of the option pricing model and details of the significant assumptions and inputs used, please refer to Note 24(c) to the condensed consolidated financial statements.

(6) The number of H Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period, divided by the weighted average number of Shares in issue (excluding treasury shares) during the Reporting Period, was approximately 1.6%.

(7) The number of H Shares available for future grant under the Share Option Scheme was 8,345,821 at the beginning of the Reporting Period and 25,821 at the end of the Reporting Period. During the Reporting Period, eligible participants under the Share Option Scheme are limited to employee participants and there is no service provider sublimit.

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 share repurchase demonstrates the Company's confidence in its business expectations and prospects, and will ultimately benefit the Company and create value for its shareholders.

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**	**Lowest price paid**	**Aggregate consideration (before expenses)**
		(HK$)	(HK$)	(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.

USE OF NET PROCEEDS FROM THE 2025 PLACING

On February 7, 2025, the Company entered into the 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 27,920,000 placing shares at HK$50.20 per H Share. The aggregate nominal value of the placing shares was RMB27,920,000. The closing price of the H Shares on February 6, 2025 was HK$56.80 per H Share. The 2025 Placing was intended to support the Company's continuous and stable business development, further consolidate its core competitiveness and ensure sustainable growth. The 2025 Placing was completed on February 13, 2025. The net proceeds, after deducting placing commission and related costs and expenses, were approximately HK$1,393.93 million, representing a net issue price of approximately HK$49.93 per H Share. For details, please refer to the Company's announcements dated February 7, 2025 and February 13, 2025.

The use of net proceeds from the 2025 Placing during the Reporting Period was as follows:

Use of proceeds	Approximate percentage of total net proceeds	Net proceeds from the 2025 Placing (HK$ million)	Unutilized amount as at January 1, 2026 (HK$ million)	Net proceeds utilized during the six months ended June 30, 2026 (HK$ million)	Unutilized amount as at June 30, 2026 (HK$ million)	Expected timeline for full utilization
Research and development of core products	30%	418.18	0	0	0	Not applicable
Business expansion	20%	278.79	0	0	0	Not applicable
Merger and acquisition opportunities	40%	557.57	167.04	167.04	0	Not applicable
General corporate purposes	10%	139.39	38.50	38.50	0	Not applicable
Total	100.0%	1,393.93	205.54	205.54	0	

The Company has utilized the net proceeds from the 2025 Placing in accordance with the intended purposes as set out in the announcements of the Company dated February 7, 2025 and February 13, 2025.

USE OF NET PROCEEDS FROM THE 2025 SUBSCRIPTION AND PLACING

On July 17, 2025, the Company entered into a subscription agreement and a placing agreement, pursuant to which the subscriber agreed to subscribe for, and the Company agreed to allot and issue, an aggregate of 25,900,000 new H Shares (with an aggregate nominal value of RMB25,900,000) at HK$50.50 per H Share for an aggregate consideration of approximately HK$1,307.95 million. The closing price of the H Shares on July 16, 2025 was HK$55.45 per H Share. The 2025 Subscription and Placing brings long-term development benefits to the Group, as it not only provides a good opportunity for additional fundraising to strengthen the Group's financial position, but also broadens the Company's Shareholder base and capital base and promotes the future growth and high-quality development of its business. The net proceeds from the 2025 Subscription and Placing were approximately HK$1,306.18 million, representing a net subscription price of approximately HK$50.43 per H Share. The 2025 Subscription and Placing was completed on August 14, 2025. For details, please refer to the Company's announcements dated July 17, 2025 and August 14, 2025.

The use of net proceeds from the July 2025 Subscription and Placing during the Reporting Period was as follows:

Use of proceeds	Approximate percentage of total net proceeds	Net proceeds (HK$ million)	Unutilized amount as at January 1, 2026 (HK$ million)	Net proceeds utilized during the six months ended June 30, 2026 (HK$ million)	Unutilized amount as at June 30, 2026 (HK$ million)	Expected timeline for full utilization
R&D investment in emerging fields such as embodied intelligence, smart devices, blockchain, real-world assets (RWA) and stablecoins	50%	653.09	653.09	326.54	326.54	By the end of 2027
– R&D of AI products and solutions for embodied intelligence	10%	130.62	130.62	130.62	0.00	
– R&D of AI products and solutions for smart devices	15%	195.93	195.93	195.93	0.00	
– R&D of AI products and solutions for RWA and stablecoins	25%	326.54	326.54	0.00	326.54	
Global business expansion and potential acquisitions of technology service providers supporting emerging businesses	40%	522.47	522.47	326.54	195.93	By the end of 2027
– Global business expansion	10%	130.62	130.62	130.62	0.00	
– Potential acquisitions of technology service providers supporting emerging businesses	30%	391.85	391.85	195.93	195.93	
• Potential acquisitions of technology service providers supporting embodied intelligence	6%	78.37	78.37	78.37	0.00	
• Potential acquisitions of technology service providers supporting smart devices	9%	117.56	117.56	117.56	0.00	
• Potential acquisitions of technology service providers supporting RWA and stablecoins	15%	195.93	195.93	0.00	195.93	
General corporate purposes	10%	130.62	130.62	130.62	0.00	By the end of 2027
Total	100.0%	1,306.18	1,306.18	**783.71**	**522.47**	

The Company has utilized the net proceeds from the 2025 Subscription and Placing in accordance with the intended purposes as set out in the announcements of the Company dated July 17, 2025 and August 14, 2025.

USE OF NET PROCEEDS FROM THE 2026 PLACING

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 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. The 2026 Placing was completed on April 29, 2026. For details, please refer to the Company's announcements dated April 22, 2026 and April 29, 2026.

The use of net proceeds from the 2026 Placing during the Reporting Period was as follows:

Use of proceeds	**Approximate percentage of total net proceeds**	**Net proceeds from the April 2026 Placing** (HK$ million)	**Unutilized amount as at April 29, 2026** (HK$ million)	**Net proceeds utilized during the period ended June 30, 2026** (HK$ million)	**Unutilized amount as at June 30, 2026** (HK$ million)	**Expected timeline for full utilization**
Advancing heterogeneous AI computing equipment based on heterogeneous GPUs	80%	1,244.51	1,244.51	640.50	604.00	By the end of 2028
Global business expansion and potential acquisitions of technology service providers supporting emerging businesses, including embodied intelligence and smart devices (collectively, the "**Emerging Businesses**")	20%	311.13	311.13	0.00	311.13	By the end of 2028
– Global business expansion	8%	124.45	124.45	0.00	124.45	
– Potential acquisitions of technology service providers that support the Emerging Businesses	12%	186.68	186.68	0.00	186.68	
• Potential acquisition of technology service providers that support embodied intelligence	6%	93.34	93.34	0.00	93.34	
• Vertical industry expansion	6%	93.34	93.34	0.00	93.34	
Total	**100%**	**1,555.63**	**1,555.63**	**640.50**	**915.13**	

The Company has utilized the net proceeds from the 2026 Placing in accordance with the intended purposes as set out in the announcements of the Company dated April 22, 2026 and April 29, 2026.

CHANGE OF THE ENGLISH NAME AND CHINESE NAME OF THE COMPANY, STOCK SHORT NAMES AND COMPANY LOGO

The English name of the Company was changed from “Beijing Fourth Paradigm Technology Co., Ltd.” to “Phancy Group Co., Ltd.” with effect from January 7, 2026. The Chinese name of the Company was changed 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”. The English stock short name for trading in the H Shares on the Stock Exchange was changed from “FOURTH PARADIGM” to “PHANCY”, and the Chinese stock short name was changed from “第四範式” to “範式智能”, with effect from 9:00 a.m. on January 20, 2026. The Company also adopted a new company logo with effect from March 20, 2026.

DIRECTORS’ AND CHIEF EXECUTIVES’ INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As far as the Company is aware, as at June 30, 2026, the interests and/or short positions (if applicable) of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in the Shares of the Company

Name	Position	Capacity/ nature of interest	Number of Shares interested	Approximate percentage of Domestic Shares	Approximate percentage of H Shares	Approximate percentage of total share capital
Dr. Dai[5][6]	Chairman, executive Director and chief executive officer	Beneficial owner	106,164,523 Domestic Shares (L)	53.38%	–	19.02%
		Interest in controlled corporations	41,013,463 Domestic Shares (L)	20.62%	–	7.35%
		Interest in controlled corporations	30,029,564 H Shares (L)	–	8.35%	5.38%
Mr. Chai Yifei[7]	Employee Representative Director	Beneficial owner	1,559,100 H Shares (L)	–	0.43%	0.28%

Notes:

(1) (L) – Long position.

(2) The percentage of Domestic Shares is calculated based on 198,869,237 Domestic Shares in issue as at June 30, 2026.

(3) The percentage of H Shares is calculated based on 359,423,396 H Shares in issue as at June 30, 2026, including 1,255,200 treasury shares.

(4) The percentage of the total share capital is calculated based on 558,292,633 Shares in issue as at June 30, 2026, including 1,255,200 treasury shares.

(5) As at June 30, 2026, Dr. Dai beneficially owned 106,164,523 Domestic Shares. In addition, Dr. Dai was deemed to be interested in 41,013,463 Domestic Shares through Beijing New Wisdom. Paradigm Investment, Paradigm Yinyuan and Nanjing Paradigm held 31,981,367, 5,052,824 and 3,979,272 Domestic Shares, respectively. Beijing New Wisdom is the sole general partner of Paradigm Investment and Paradigm Yinyuan and controls Nanjing Paradigm through its wholly-owned subsidiary, Beijing Paradigm New Wisdom, the sole general partner of Nanjing Paradigm. The spouse of Dr. Dai is also deemed to be interested in the Shares in which Dr. Dai is interested under the SFO.

(6) As at June 30, 2026, Paradigm Investment, Paradigm Yinyuan and Nanjing Paradigm held 22,936,567, 3,484,725 and 3,608,272 H Shares, respectively. By virtue of the SFO, each of Dr. Dai and Beijing New Wisdom was deemed to be interested in an aggregate of 30,029,564 H Shares.

(7) On November 25, 2025, the Company granted 1,559,100 share options to Mr. Chai Yifei under the Share Option Scheme adopted on September 19, 2024. As at June 30, 2026, none of such share options had been exercised.

Save as disclosed above, as at June 30, 2026, so far as was known to the Directors, none of the Directors or chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations which was required to be notified or recorded as described above.

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

As far as the Company is aware, as at June 30, 2026, the persons, other than the Directors or the chief executive of the Company, who had interests or short positions in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO and were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Interests in the Shares of the Company

Name of Shareholder	Capacity/nature of interest	Number of Shares interested	Approximate percentage of Domestic Shares/H Shares	Approximate percentage of total share capital
Beijing New Wisdom[(3)]	Interest in controlled corporations	41,013,463 Domestic Shares (L)	20.62%	7.35%
	Interest in controlled corporations	30,029,564 H Shares (L)	8.35%	5.38%
Paradigm Investment[(3)]	Beneficial owner	31,981,367 Domestic Shares (L)	16.08%	5.73%
	Beneficial owner	22,936,567 H Shares (L)	6.38%	4.11%
Paradigm Chuqi[(4)]	Interest in controlled corporations	31,981,367 Domestic Shares (L)	16.08%	5.73%
	Interest in controlled corporations	22,936,567 H Shares (L)	6.38%	4.11%
Xinhe No. 1[(5)]	Beneficial owner	12,077,978 Domestic Shares (L)	6.07%	2.16%
Shareholders of Xinhe No. 1[(5)]	Interest in controlled corporations	12,077,978 Domestic Shares (L)	6.07%	2.16%
Mr. Hu Yuanman[(5)]	Interest in controlled corporations	14,126,295 Domestic Shares (L)	7.10%	2.53%
Mr. Zhou Kui[(6)]	Interest in controlled corporations	18,941,724 Domestic Shares (L)	9.52%	3.39%

Notes:

(1) (L) – Long position.

(2) The percentage of Domestic Shares is calculated based on 198,869,237 Domestic Shares in issue as at June 30, 2026; the percentage of H Shares is calculated based on 359,423,396 H Shares in issue as at June 30, 2026, including 1,255,200 treasury shares; and the percentage of the total share capital is calculated based on 558,292,633 Shares in issue as at June 30, 2026, including 1,255,200 treasury shares.

(3) Paradigm Investment, Paradigm Yinyuan and Nanjing Paradigm are directly or indirectly controlled by Beijing New Wisdom. As at June 30, 2026, Paradigm Investment, Paradigm Yinyuan and Nanjing Paradigm held (i) 31,981,367, 5,052,824 and 3,979,272 Domestic Shares, respectively; and (ii) 22,936,567, 3,484,725 and 3,608,272 H Shares, respectively. By virtue of the SFO, Beijing New Wisdom was deemed to be interested in an aggregate of 41,013,463 Domestic Shares and 30,029,564 H Shares.

(4) Paradigm Chuqi (whose general partner is Beijing New Wisdom) is a limited partner holding more than one-third of the limited partnership interests in Paradigm Investment and is therefore deemed to be interested in the 31,981,367 Domestic Shares and 22,936,567 H Shares held by Paradigm Investment.

(5) Xinhe No.1 (Tianjin) Science and Technology Center (Limited Partnership) ("Xinhe No. 1") directly holds 12,077,978 Domestic Shares. The general partner of Xinhe No. 1 is Chunhua Mingde (Tianjin) Equity Investment Management Partnership Enterprise (Limited Partnership) ("Chunhua Mingde"), and the limited partner holding more than one-third of the partnership interest in Xinhe No. 1 is Chunhua Xinhe (Tianjin) Equity Investment Partnership Enterprise (Limited Partnership) ("Chunhua Xinhe"). The general partner of Chunhua Xinhe is Chunhua Mingde, and the limited partner holding more than one-third of the partnership interest in Chunhua Xinhe is Primavera Capital Fund III L.P. ("Primavera"), which is owned as to 66.70% by Hu Fred Zuliu.

The general partner of Chunhua Mingde is Chunhua (Tianjin) Equity Investment Management Co., Ltd. ("Chunhua Investment"), which is wholly owned by Hu Yuanman. By virtue of the SFO, Chunhua Xinhe, Primavera, Hu Fred Zuliu, Chunhua Mingde and Chunhua Investment (collectively, the "Xinhe No. 1 Shareholders"), together with Hu Yuanman, are deemed to be interested in the 12,077,978 Domestic Shares held by Xinhe No. 1.

Qiushi Xingde (Tianjin) Investment Center (Limited Partnership) ("Qiushi Xingde") is indirectly controlled by Hu Yuanman and directly holds 2,048,317 Domestic Shares. Accordingly, by virtue of the SFO, Hu Yuanman is deemed to be interested in an aggregate of 14,126,295 Domestic Shares.

(6) To the best knowledge of the Company, the general partner of Shenzhen HongShan Hanchen Equity Investment Partnership (L.P.) ("HongShan Hanchen") is Shenzhen HongShan Antai Equity Investment Partnership (L.P.) ("HongShan Antai"), and the limited partner which holds more than one-third of the partnership interest in HongShan Hanchen is Shenzhen HongShan Yuechen Investment Partnership (L.P.) ("HongShan Yuechen"). The general partner of HongShan Yuechen is HongShan Antai, and the limited partner holding more than one-third of the partnership interest in HongShan Yuechen is Shenzhen HongShan Yuchen Equity Investment Partnership (L.P.) ("HongShan Yuchen"). The general partner of HongShan Yuchen is HongShan Antai. The general partner of HongShan Antai is Shenzhen HongShan Huanyu Investment Consulting Co., Ltd. ("HongShan Huanyu"), which is owned as to 70% by Mr. Zhou Kui.

Beijing HongShan Mingde Equity Investment Center (Limited Partnership) ("HongShan Mingde") directly owns 6,352,978 Domestic Shares of the Company. Its general partner is Beijing HongShan Kunde Investment Management Center (Limited Partnership) ("HongShan Kunde"), and its limited partners holding more than one-third of the partnership interest in HongShan Mingde are Beijing HongShan Shengde Equity Investment Center (Limited Partnership) ("HongShan Shengde") and Beijing HongShan Kangde Equity Investment Center (Limited Partnership) ("HongShan Kangde"). The general partner of HongShan Kunde is Shanghai Huanyuan Investment Management Co., Ltd. ("Shanghai Huanyuan"), and Ningbo Meishan Bonded Port Area HongShan Huide Investment Management Partnership (Limited Partnership) ("HongShan Huide") is the general partner of HongShan Shengde and HongShan Kangde, respectively. The general partner of HongShan Huide is Shanghai Huanyuan, which is owned as to 70% by Mr. Zhou Kui.

Ningbo Meishan Bonded Port Area HongShan Zhisheng Equity Investment Partnership (Limited Partnership) ("HongShan Zhisheng") directly owns 4,112,972 Domestic Shares of the Company. Its general partner is Jiaxing HongShan Kunsheng Investment Management Partnership (Limited Partnership) ("HongShan Kunsheng"), and the limited partners who hold more than one-third of the partnership interest in HongShan Zhisheng are Ningbo Meishan Bonded Port Area HongShan Mingsheng Equity Investment Partnership (Limited Partnership) ("HongShan Mingsheng") and Ningbo Meishan Bonded Port Area HongShan Jiasheng Equity Investment Partnership (Limited Partnership) ("HongShan Jiasheng"). HongShan Kunsheng is the general partner of HongShan Mingsheng and HongShan Jiasheng, respectively, and the general partner of HongShan Kunsheng is Ningbo Meishan Bonded Port Area HongShan Huanjia Investment Management Co., Ltd. ("HongShan Huanjia"). HongShan Huanjia is owned as to 70% by Mr. Zhou Kui.

By virtue of the SFO, Mr. Zhou Kui is deemed to be interested in an aggregate of 18,941,724 Domestic Shares held by HongShan Hanchen, HongShan Mingde and HongShan Zhisheng.

Save as disclosed above, as at June 30, 2026, so far as was known to the Directors, no person (other than a Director or the chief executive of the Company) had any interest or short position in the Shares or underlying Shares which was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept under Section 336 of the SFO.

COMPETING INTERESTS

For the six months ended June 30, 2026, the Directors were not aware of any business or interest of any Director or controlling Shareholder (as defined in the Listing Rules), or any of their respective associates (as defined in the Listing Rules), that competed or might compete, either directly or indirectly, with the business of the Group, or any other conflict of interest which any such person had or might have with the Group.

PROPOSED A SHARE OFFERING

The Company intends to make an initial public offering of Renminbi-denominated ordinary shares (A Shares) and list them on the ChiNext Market of the Shenzhen Stock Exchange in the PRC. On March 25, 2026, the Company received a notice from the Beijing Regulatory Bureau of the China Securities Regulatory Commission agreeing to accept the filing registration in respect of the pre-listing tutoring for the Proposed A Share Offering. The Proposed A Share Offering and related resolutions were approved at the Company's extraordinary general meeting held on June 26, 2026. The Proposed A Share Offering remains subject to review and approval by the Shenzhen Stock Exchange, registration with the China Securities Regulatory Commission and other necessary approvals or procedures.

PROPOSED H SHARE FULL CIRCULATION

On May 8, 2026, at the request of certain Shareholders, the Company withdrew its original application for the conversion of 13,779,177 Domestic Shares into H Shares and the listing thereof. On June 2, 2026, the Board subsequently approved the proposed conversion of all 53,157,667 Domestic Shares held by the controlling Shareholder and certain other Shareholders into H Shares, representing approximately 9.52% of the total issued share capital of the Company as at that date, and submitted the relevant filing documents to the China Securities Regulatory Commission. As at the end of the Reporting Period, the proposed H Share full circulation remained subject to completion of the filing with the China Securities Regulatory Commission and approval by the Stock Exchange.

CONTINUING DISCLOSURE OBLIGATIONS UNDER THE LISTING RULES

The Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

By order of the Board
Phancy Group Co., Ltd.
Chairman
Dr. Dai Wenyuan

Beijing, the PRC

容诚 | RCHK

To the Board of Directors of Phancy Group Co., Ltd.
(a joint stock company incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Phancy Group Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 39 to 83, which comprise the condensed consolidated statement of financial position as of June 30, 2026 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board ("IAASB"). A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Rongcheng (Hong Kong) CPA Limited
Certified Public Accountants
Registered Public Interest Entity Auditors
Hong Kong
August 20, 2026

	Notes	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue	6	**3,765,294**	2,626,497
Cost of sales	9	**(2,531,943)**	(1,636,090)
Gross profit		**1,233,351**	990,407
Selling and marketing expenses	9	**(28,337)**	(189,054)
Administrative expenses	9	**(90,531)**	(86,437)
Research and development expenses	9	**(1,208,271)**	(893,431)
(Provision for)/reversals of credit loss allowance, net	9	**(233,549)**	14,383
Other income	7	**14,068**	41,633
Other gains, net	8	**449,686**	37,617
Operating profit/(loss)		**136,417**	(84,882)
Share of results of investments accounted for using the equity method	16	**(35,122)**	(19,673)
Finance income	10	**34,655**	30,625
Finance costs	10	**(9,736)**	(1,419)
Profit/(loss) before income tax		**126,214**	(75,349)
Income tax credit	11	**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)
Profit/(loss) attributable to:			
Owners of the Company		**118,869**	(66,973)
Non-controlling interests		**9,477**	(6,921)
		128,346	(73,894)

		Six months ended June 30,	
	Notes	**2026** **RMB'000** **(Unaudited)**	2025 RMB'000 (Unaudited)
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)	12		
Basic		**0.22**	(0.14)
Diluted		**0.22**	(0.14)

	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	13(a)	17,358	14,554
Property and equipment	14	1,661,693	291,037
Intangible assets	15	549,170	476
Investments accounted for using the equity method	16	510,809	718,071
Financial assets at fair value through profit or loss	17	1,322,741	711,131
Term bank deposits	22(c)	–	566,459
Other non-current assets	18	749,650	22,303
		4,811,421	2,324,031
Current assets			
Inventories	19	242,893	328,512
Contract assets	6(a)	537	1,266
Trade receivables	20	2,572,506	2,340,882
Prepayments and other receivables	21	2,465,802	1,090,751
Financial assets at fair value through profit or loss	17	592,080	832,353
Term bank deposits	22(c)	124,518	377,559
Restricted cash	22(b)	26,649	465
Cash and cash equivalents	22(a)	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	23	558,293	519,679
Treasury stock	24	(55,876)	(28,947)
Shares held for share award schemes	24	(26,089)	(255)
Reserves	24	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	13(b)	1,632	1,023
Deferred tax liabilities		28,895	6,337
Borrowings	27	237,000	178,500
Other liabilities	28	17,859	17,743
		285,386	203,603
Current liabilities			
Trade payables	25	907,837	1,172,241
Other payables and accruals	26	49,856	45,883
Contract liabilities	6(b)	291,777	305,031
Lease liabilities	13(b)	9,244	10,532
Borrowings	27	1,422,586	23,383
Other liabilities	28	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

On behalf of the Board

Dai Wenyuan
Director

Chen Yuqiang
Director

		Attributable to owners of the Company							
	Notes	Share capital RMB'000	Treasury stock RMB'000	Shares held for share award schemes RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)									
Balance at January 1, 2026		519,679	(28,947)	(255)	12,416,509	(5,381,429)	7,525,557	(21,854)	7,503,703
Comprehensive loss									
Profit for the period		–	–	–	–	118,869	118,869	9,477	128,346
Currency translation differences		–	–	–	(29,117)	–	(29,117)	–	(29,117)
Total comprehensive income/(loss) for the period		–	–	–	(29,117)	118,869	89,752	9,477	99,229
Transactions with owners in their capacity as owners									
Shares repurchase	24	–	(27,115)	–	–	–	(27,115)	–	(27,115)
Cancellation of shares	24	(186)	186	–	–	–	–	–	–
Recognition of equity-settled share-based payments	24	–	–	–	31,517	–	31,517	–	31,517
Placing of shares	23	38,800	–	–	1,334,747	–	1,373,547	–	1,373,547
Shares purchased and withheld for Share Scheme Trust	24	–	–	(28,073)	–	–	(28,073)	–	(28,073)
Vesting of awarded shares from Share Scheme Trust	24	–	–	2,239	(2,239)	–	–	–	–
Transfer from joint venture to a subsidiary upon acquisition of control	32	–	–	–	78,363	–	78,363	55,586	133,949
Acquisition of subsidiaries		–	–	–	–	–	–	66,817	66,817
Deemed disposal of associates	16	–	–	–	8,102	–	8,102	–	8,102
Change in ownership interest in subsidiary without loss of control		–	–	–	(9,710)	–	(9,710)	(12,290)	(22,000)
Partial disposal of a subsidiary		–	–	–	–	–	–	369	369
Total transactions with owners in their capacity as owners		38,614	(26,929)	(25,834)	1,440,780	–	1,426,631	110,482	1,537,113
Balance at June 30, 2026		558,293	(55,876)	(26,089)	13,828,172	(5,262,559)	9,041,941	98,105	9,140,046

		Attributable to owners of the Company							
	Notes	Share capital RMB'000	Treasury stock RMB'000	Shares held for share award schemes RMB'000	Reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)									
Balance at January 1, 2025		465,859	(18,107)	–	9,969,530	(5,355,163)	5,062,119	8,769	5,070,888
Comprehensive loss									
Loss for the period		–	–	–	–	(66,973)	(66,973)	(6,921)	(73,894)
Currency translation differences		–	–	–	(12,458)	–	(12,458)	–	(12,458)
Total comprehensive loss for the period		–	–	–	(12,458)	(66,973)	(79,431)	(6,921)	(86,352)
Transactions with owners in their capacity as owners									
Shares repurchase	24	–	(10,840)	–	–	–	(10,840)	–	(10,840)
Recognition of equity-settled share-based payments	24	–	–	–	23,274	–	23,274	–	23,274
Placing of shares	23	27,920	–	–	1,258,349	–	1,286,269	–	1,286,269
Transaction costs attributable to issue of shares	24	–	–	–	(905)	–	(905)	–	(905)
Shares purchased and withheld for Share Scheme Trust	24	–	–	(7,585)	–	–	(7,585)	–	(7,585)
Vesting of awarded shares from Share Scheme Trust	24	–	–	6,907	(6,907)	–	–	–	–
Partial disposal of an associates		–	–	–	(1,434)	–	(1,434)	–	(1,434)
Partial disposal of a subsidiary with loss of control		–	–	–	8,456	–	8,456	(19,110)	(10,654)
Total transactions with owners in their capacity as owners		27,920	(10,840)	(678)	1,280,833	–	1,297,235	(19,110)	1,278,125
Balance at June 30, 2025		493,779	(28,947)	(678)	11,237,905	(5,422,136)	6,279,923	(17,262)	6,262,661

	Notes	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Cash flows from operating activities			
Net cash used in operations		(2,383,847)	(444,719)
Interest received		23,800	6,041
Net cash used in operating activities		(2,360,047)	(438,678)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(2,237,387)	(3,313)
Proceeds from disposal of property and equipment		–	1,040
Placement of term bank deposits		–	(3,643,106)
Withdrawal of term bank deposits		796,140	3,933,808
Interest income received from term bank deposits		32,943	20,964
Purchases of short-term investments measured at fair value through profit or loss		(591,413)	(855,969)
Proceeds from disposal of short-term investments measured at fair value through profit or loss		1,293,712	775,707
Proceeds from disposal of long-term investments measured at fair value through profit or loss		50,000	72,155
Purchase of long-term investments measured at fair value through profit or loss		(487,302)	(500)
Acquisition of an investment accounted for using the equity method		(29,800)	(30,000)
Proceeds from partial disposal of investments accounted for using the equity method		–	43,600
Transfer from joint venture to a subsidiary upon acquisition of control, net of cash acquired	32	(150,386)	–
Acquisition of subsidiaries, net of cash acquired		39,243	–
Repayment of loan from a related party	34(b)	200,000	–
Partial disposal of investments accounted for using the equity method in prior years		8,000	–
Partial disposal of subsidiaries with loss of control		3,808	51,839
Net cash (used in)/generated from investing activities		(1,072,442)	366,225

	Notes	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
		Six months ended June 30,	
Cash flows from financing activities			
Payments for shares repurchased	24	(55,188)	(18,425)
Proceeds from placing of shares	23	1,373,547	1,286,269
Proceeds from borrowings		1,457,875	–
Repayment of borrowings		(1,000)	(4,000)
Interest expenses paid		(4,136)	(43)
Payment of lease liabilities		(5,311)	(7,218)
Advance from a related party		–	8,800
Payment of listing expenses capitalised or to be capitalised		–	(1,810)
Net cash generated from financing activities		2,765,787	1,263,573
Net (decrease)/increase in cash and cash equivalents		(666,702)	1,191,120
Cash and cash equivalents at the beginning of the period		1,997,010	858,618
Effects of exchange rate changes on cash and cash equivalents		(36,168)	(25,222)
Cash and cash equivalents at the end of the period		1,294,140	2,024,516

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 in Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "Group") are primarily engaged in operations of AI platform, and provision of Application Programming Interface ("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 Accounting 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 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of principal accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated financial statements, the significant judgments made by management in applying the Group's principal accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2025 Financial Statements.

5 FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group's policies on financial risk management were set out in the 2025 Financial Statements and there have been no significant changes in the financial risk management policies during the six months ended June 30, 2026.

5.2 Fair value estimation

The table below analyses the Group's financial instruments carried at fair value as at each balance sheet dates, by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets that are measured at fair value at June 30, 2026:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Unaudited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 17)	–	–	1,322,741	1,322,741
Short-term investments measured at fair value through profit or loss (Note 17)	14,211	–	577,869	592,080
	14,211	–	1,900,610	1,914,821

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at December 31, 2025:

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
(Audited)				
Assets				
Long-term investments measured at fair value through profit or loss (Note 17)	–	–	711,131	711,131
Short-term investments measured at fair value through profit or loss (Note 17)	3,011	310,032	519,310	832,353
	3,011	310,032	1,230,441	1,543,484

The following table presents the changes in level 3 instruments of long-term investments measured at fair value through profit or loss for the six months ended June 30, 2026 and 2025:

	Six months ended June 30,	
	2026 **RMB'000** **(Unaudited)**	2025 RMB'000 (Unaudited)
At the beginning of the period	**711,131**	459,968
Additions	**527,303**	500
Acquisition of subsidiary (Note 33)	**(118,295)**	–
Disposals	**(30,852)**	(72,155)
Changes in fair value	**233,454**	(5,338)
At the end of the period	**1,322,741**	382,975
Net unrealised gains/(losses) for the period	**233,454**	(5,338)

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table presents the changes in level 3 instruments of short-term investments measured at fair value through profit or loss for the six months ended June 30, 2026 and 2025:

	Six months ended June 30,	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
At the beginning of the period	519,310	475,234
Additions	97,862	115,968
Acquisition of subsidiary (Note 33)	95,839	–
Disposals	(506,021)	(72,155)
Changes in fair value	370,791	7,129
Currency translation differences	88	–
At the end of the period	577,869	526,176
Net unrealised gains for the period	370,791	7,129

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case-by-case basis. At least once every year, the team would use valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts were involved when necessary.

The valuation of the level 3 instruments mainly included long-term investments in unlisted equity securities and funds measured at fair value through profit or loss and short-term investments in funds measured at fair value through profit or loss (Note 17). As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including discounted cash flows and market approach etc.

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements:

	Fair values			Range of inputs		
Description	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)	Significant unobservable inputs	As at June 30, 2026	As at December 31, 2025	Relationship of unobservable inputs to fair values
Long-term investments measured at fair value through profit or loss:						
– Unlisted equity securities and preferred shares investments	1,008,949	333,684	Expected volatility	43.57%-61.84%	43.57%-61.84%	The higher the expected volatility, the lower the fair value
			Discount for lack of marketability ("DLOM")	10.00%-23.00%	10.00%-22.00%	The higher the DLOM, the lower the fair value
			Weighted average cost of capital ("WACC")	17.00%	N/A	The higher the WACC, the lower the fair value
– Fund investments (Note 1)	313,792	377,447	N/A	N/A	N/A	N/A
	1,322,741	711,131				
Short-term investments measured at fair value through profit or loss:						
– Fund investments (Note 1)	13,622	519,310	N/A	N/A	N/A	N/A
– Listed equity securities (Note 2)	564,247	–	Expected volatility	145.45%	N/A	The higher the expected volatility, the lower the fair value
			DLOM	4.72%-30.76%	N/A	The higher the DLOM, the lower the fair value
	577,869	519,310				

Notes:

1. The Group determines the fair values of its fund investments as at the reporting date based on the reported net asset values of the respective funds as provided and evaluated by fund managers.

2. Listed equity securities held by the Group are subject to post-IPO lock-up restrictions. The lock-up period is subject to 6 to 12 months. Due to such restrictions, the Group is unable to dispose of these securities freely during the lock-up period.

5 FINANCIAL RISK MANAGEMENT (continued)

5.2 Fair value estimation (continued)

If the fair values of the above long-term investments and short-term investments measured at fair value through profit or loss held by the Group had been 0.5% higher/lower, the profit before income tax for the six months ended June 30, 2026 would have been approximately RMB9,574,000 higher/lower (six months ended June 30, 2025: loss before tax approximately RMB4,746,000 lower/higher).

The Group believes that any reasonably possible change in assumptions used for the significant unobservable inputs would not significantly affect the profit or loss for the respective periods.

There were no transfers between levels 1, 2 and 3 of fair value hierarchy classifications during the six months ended June 30, 2026, and 2025.

The carrying amounts of the Group's financial assets that are not measured at fair value including cash and cash equivalents, restricted cash, term bank deposits, trade receivables and other receivables, and the Group's financial liabilities that are not measured at fair value, including borrowings, lease liabilities, trade payables, other payables and payable for acquisition of subsidiaries, approximate their fair values due to their short maturities or the financial assets/liabilities bear interests at interest rates that are close to the market interest rates.

6 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

6 SEGMENT INFORMATION AND REVENUE (continued)

(a) Contract assets

The Group has recognised the following assets related to contracts with customers:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Contract assets		
– Current portion	726	1,289
Less: Credit loss allowance	(189)	(23)
	537	1,266

Contract assets are generally the final payments of revenue contracts which are due at the end of the quality assurance period (1–3 years). Contract assets are recorded as the Group has no right on these amounts of consideration when the revenue is recognised.

(b) Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Contract liabilities	291,777	305,031

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Due to generally the short-term duration of the relevant contracts, a majority of the contract liabilities are recognised in the following year.

7 OTHER INCOME

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

8 OTHER GAINS, NET

	Six months ended June 30,	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Fair value changes on financial assets at fair value through profit or loss	600,857	5,546
– Listed equity securities	379,989	174
– Unlisted equity securities	190,893	(666)
– Preferred shares investments	–	(3,634)
– Fund investments	29,273	6,091
– Wealth management products	702	3,581
Foreign exchange (losses)/gains, net	(130,329)	11,233
Gain on disposal of financial assets at fair value through profit or loss	17,843	–
Gain on partial disposal of an investment accounted for using the equity method	–	12,582
Gain on partial disposal of a subsidiary with loss of control (Note 31)	677	6,375
Gain on remeasurements of pre-existing investments (Note 32 & 33)	31,880	–
Gain on disposals of property and equipment	–	33
Other tax and compensation paid	(30,841)	–
Others	(40,401)	1,848
	449,686	37,617

9 EXPENSES BY NATURE

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (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 (Note 14)	24,863	6,370
– Right-of-use assets (Note 13(a))	5,768	5,073
– Intangible assets (Note 15)	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 (Note)	233,549	(14,383)
Impairment provision for inventories	–	309
Others	24,208	12,975
	4,092,631	2,790,629

Note: Mainly include the (provision for)/reversals of credit loss allowance on contract assets, trade receivables, and other receivables (refer to Notes 6(a), 20 and 21 respectively).

10 FINANCE INCOME AND FINANCE COSTS

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Finance income:		
Interest income from bank deposits	33,262	28,982
Interest income from loan to a related party (Note 34(b))	121	101
Amortised amounts on receivable from the partial disposal of a subsidiary with loss of control	1,272	1,542
	34,655	30,625
Finance costs:		
Interest expense on lease liabilities (Note 13(b))	(292)	(401)
Interest expense on borrowings	(9,135)	(43)
Others	(309)	(975)
	(9,736)	(1,419)

11 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 RMB'000 (Unaudited)	2025 RMB'000 (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 a tax rate of 25% on the assessable profits for the respective year presented, based on the existing legislation, interpretations and practices in respect thereof.

(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) Preferential EIT rate

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.

(e) 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.

12 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 for 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)

13 LEASES

The Group leases certain of its offices under operating lease arrangements,which are negotiated for terms ranging from 1 year to 3 years.

13 LEASES (continued)

The condensed consolidated statement of financial position include the following amounts relating to leases:

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the six months ended June 30, 2026 and 2025 are as follows, respectively:

	Six months ended June 30,	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
At the beginning of the period	14,554	24,299
Additions	4,581	291
Transfer from joint venture to a subsidiary upon acquisition of control (Note 32)	3,991	–
Depreciation charge (Note 9)	(5,768)	(5,073)
Partial disposal of a subsidiary with loss of control	–	(191)
At the end of the period	17,358	19,326

(b) Lease liabilities

The carrying amounts of the Group's lease liabilities as at June 30, 2026 and December 31, 2025 are as follows, respectively:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Current	9,244	10,532
Non-current	1,632	1,023
	10,876	11,555

The condensed consolidated statement of comprehensive income show the following amounts relating to leases:

	Six months ended June 30,	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Depreciation charge of right-of-use assets (Note 9)	5,768	5,073
Interest expense (Note 10)	292	401
Expense relating to short-term leases	71	67

14 PROPERTY AND EQUIPMENT

The movement of property and equipment for the six months ended June 30, 2026 and 2025 is as below:

	Server and electronic equipment RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Building RMB'000	Total RMB'000
(Unaudited)					
Six months ended June 30, 2026					
Opening net book amount	80,477	8,890	11,027	190,643	291,037
Additions	1,388,551	–	–	–	1,388,551
Transfer from joint venture to a subsidiary upon acquisition of control (Note 32)	318	9,337	1,932	–	11,587
Acquisition of a subsidiary (Note 33)	–	10	–	–	10
Disposals	–	–	(4,581)	–	(4,581)
Disposal of a subsidiary	–	(48)	–	–	(48)
Depreciation charge (Note 9)	(19,040)	(2,567)	(1,111)	(2,145)	(24,863)
Closing net book amount	1,450,306	15,622	7,267	188,498	1,661,693
At June 30, 2026					
Cost	1,503,461	56,740	16,657	190,643	1,767,501
Accumulated depreciation	(53,155)	(41,118)	(9,390)	(2,145)	(105,808)
Net book amount	1,450,306	15,622	7,267	188,498	1,661,693
(Unaudited)					
Six months ended June 30, 2025					
Opening net book amount	16,810	15,458	2,417	–	34,685
Additions	13,034	–	3,413	–	16,447
Disposals	–	(1,007)	–	–	(1,007)
Partial disposal of a subsidiary with loss of control	(663)	(99)	(76)	–	(838)
Depreciation charge (Note 9)	(2,536)	(3,166)	(668)	–	(6,370)
Closing net book amount	26,645	11,186	5,086	–	42,917
At June 30, 2025					
Cost	54,876	44,888	10,689	–	110,453
Accumulated depreciation	(28,231)	(33,702)	(5,603)	–	(67,536)
Net book amount	26,645	11,186	5,086	–	42,917

14 PROPERTY AND EQUIPMENT (continued)

Depreciation charges were expensed in the following categories in the condensed consolidated statement of comprehensive income:

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Research and development expenses	**11,576**	4,075
Administrative expenses	**5,562**	2,176
Selling and marketing expenses	**87**	119
Cost of sales	**7,638**	–
	24,863	6,370

15 INTANGIBLE ASSETS

	Goodwill RMB'000	Software and copyright RMB'000	Technology RMB'000	Customer relationship RMB'000	Brand name RMB'000	Total RMB'000
(Unaudited)						
Six months ended June 30, 2026						
Opening net book amount	–	476	–	–	–	476
Transfer from joint venture to a subsidiary upon acquisition of control (Note 32)	289,910	10,829	–	259,611	–	560,350
Amortisation charge (Note 9)	–	(839)	–	(10,817)	–	(11,656)
Closing net book amount	289,910	10,466	–	248,794	–	549,170
At June 30, 2026						
Cost	289,910	46,196	–	259,611	–	595,717
Accumulated amortisation	–	(35,730)	–	(10,817)	–	(46,547)
Net book amount	289,910	10,466	–	248,794	–	549,170
(Unaudited)						
Six months ended June 30, 2025						
Opening net book amount	165,639	1,023	3,330	15,400	4,355	189,747
Partial disposal of a subsidiary with loss of control	(165,639)	–	(2,220)	(13,200)	(4,020)	(185,079)
Amortisation charge (Note 9)	–	(537)	(1,110)	(2,200)	(335)	(4,182)
Closing net book amount	–	486	–	–	–	486
At June 30, 2025						
Cost	–	34,765	–	–	–	34,765
Accumulated amortisation	–	(34,279)	–	–	–	(34,279)
Net book amount	–	486	–	–	–	486

The directors of the Company concluded that there were no impairment indicators identified during the six months ended June 30, 2026 and 2025. No impairment loss of goodwill and intangible assets is required to be recognised as of June 30, 2026 and 2025.

15 INTANGIBLE ASSETS (continued)

Amortisation charges were expensed off in the following categories in the condensed consolidated statement of comprehensive income:

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Administrative expenses	**294**	765
Research and development expenses	**545**	1,217
Selling and marketing expenses	**10,817**	2,200
	11,656	4,182

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2026	As at December 31, 2025
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Investments accounted for using the equity method		
– Associates	**510,809**	426,000
– Joint ventures	**–**	292,071
	510,809	718,071

16 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

	Six months ended June 30,	
	2026	2025
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At the beginning of the period	718,071	554,509
Addition (Note (a))	37,434	30,000
Transfer from partial disposal of a subsidiary with loss of control	–	168,627
Acquisition of a subsidiary (Note 33)	74,400	–
Transfer from joint venture to a subsidiary upon obtaining control (Note 32)	(292,076)	–
Disposals (Note (b))	–	(22,452)
Share of results	(35,122)	(19,673)
Deemed partial disposal of associates	8,102	–
Others	–	(11)
At the end of the period	510,809	711,000

Notes:

(a) During the six months ended June 30, 2026, the Group acquired certain equity interests of companies at a consideration of RMB37,434,000.

During the six months ended June 30, 2025, the Group acquired 15.87% equity interest of Shenzhen New Potential Energy Phase II Angel Venture Capital Enterprise (Limited Partnership) at a consideration of RMB30,000,000.

(b) During the six months ended June 30, 2025, the Group partially disposed of 12% equity interest of EpicHust Technology (Wuhan) Co., Ltd. to an independent third party at the consideration of approximately RMB33,600,000. A gain on disposal of an investment accounted for using the equity method amounted to approximately RMB12,582,000 was recognised in profit or loss during the six months ended June 30, 2025.

17 INVESTMENTS

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Non-current assets		
Long-term investments measured at fair value through profit or loss		
– Unlisted equity securities (Note (i))	1,008,949	333,684
– Fund investments (Note (ii))	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 (Note (iv))	578,458	3,011
– Wealth management products (Note (iii))	–	310,032
– Fund investments (Note (ii))	13,622	519,310
	592,080	832,353

Notes:

(i) Unlisted equity securities

The fair values of unlisted securities are measured using a valuation technique with unobservable inputs and hence classified as level 3 of the fair value hierarchy. The major assumptions used in the valuation for investment in private companies have been set out in Note 5.2.

As at June 30, 2026, the Group held an equity investment in Zhejiang Sunrise Intelligent Technology Co., Ltd. ("Sunrise"). Sunrise is a joint stock company established in the PRC. Sunrise is an artificial intelligence computing chip company focusing on the research and development and commercialisation of high-performance GPUs and inference chips for multimodal scenarios. As at June 30, 2026, the investment cost of the Sunrise was approximately RMB429.1 million. As at June 30, 2026, the Group held 85,070,547 shares in Sunrise, representing approximately 6.76% of its total issued shares, and recognised as long-term investment measured at fair value through profit or loss.

(ii) Fund investments

The Group invested in funds which focus on equity investment in unlisted companies and debt securities investments. The returns of the funds are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. The Group determines the fair values of the fund investments as at the reporting date based on the reported net asset values of the funds. These investments are within level 3 of the fair value hierarchy (Note 5.2).

(iii) Wealth management products

The wealth management products are mainly denominated in RMB and USD. The returns on all these wealth management products are not guaranteed and their contractual cash flows do not qualify for solely payments of principal and interest, hence they are measured at fair value through profit or loss. None of these investments are past due. The Group determines the fair value of the wealth management products based on the statement provided by the financial institutions. These investments are within level 2 of the fair value hierarchy (Note 5.2). The wealth management products are fully disposed during the six months ended June 30, 2026.

(iv) Listed equity securities

Listed equity securities in Hong Kong of RMB14,211,000 are measured at fair value based on quoted market prices at the reporting date, which is classified as level 1 fair value hierarchy.

Certain portions of Group's listed equity securities in Hong Kong, amounting to RMB564,247,000 are subject to post-IPO lock-up restrictions which prohibit disposal prior to the expiry of the lock-up period, which is classified as level 3 fair value hierarchy, details please refer to Note 5.2.

18. OTHER NON-CURRENT ASSETS

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Prepayment for cloud computing services	81,070	22,303
Prepayment for property and equipment	668,580	–
	749,650	22,303

19 INVENTORIES

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Raw materials	4,607	–
Work-in-process	20,588	–
Finished goods	1,640	42,779
Contract fulfilment cost	223,951	292,802
	250,786	335,581
Less: provision for impairment	(7,893)	(7,069)
	242,893	328,512

Finished goods are mainly server and other related hardware products to be delivered to customers with a quick turnover. Contract fulfilment cost are recognised from the costs incurred to fulfil contracts of customised AI applications development services, which will be recognised to cost of sales mainly within 3–6 months when the Group's related performance obligations are satisfied and hence the related service contract revenue is recognised.

Provision for impairment was recognised for the amount by which the carrying amount of the inventories exceeds its net realisable value.

20 TRADE RECEIVABLES

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

21. PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Prepayments to suppliers	**2,051,611**	525,142
Deductible value-added input tax	**301,886**	204,354
Deductible corporate income tax	**311**	–
Other receivables from third party customers	**247**	247
Rental, bidding and other deposits	**10,177**	21,461
Consideration receivables from the partial disposal of subsidiaries with loss of control	**77,975**	81,997
Consideration receivables from the partial disposal of investments accounted for using the equity method	**22,000**	30,000
Prepayments and receivables from related parties (Note 34(b))	**–**	224,441
Others	**6,472**	9,748
	2,470,679	1,097,390
Less: credit loss allowance (Note (a))	**(4,877)**	(6,639)
	2,465,802	1,090,751

Note:

(a) The expected credit losses of other receivables that are measured at amortised cost including deposits and other receivables from third party customers were measured as either 12 months or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

22. CASH AND BANK BALANCES

(a) Cash and cash equivalents

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Cash at bank and in hand	**1,294,140**	1,997,010

22. CASH AND BANK BALANCES (continued)

(a) Cash and cash equivalents (continued)

Cash and cash equivalents are denominated in the following currencies:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
RMB	**705,709**	348,372
USD	**388,536**	1,519,598
HKD	**198,078**	128,161
Singapore Dollar	**1,790**	861
Euro	**14**	18
Others	**13**	–
	1,294,140	1,997,010

(b) Restricted cash

Restricted cash are all denominated in Renminbi. As at June 30, 2026 and December 31, 2025, the restricted cash was held at bank as deposit guarantees and other security deposits.

(c) Term bank deposits

Term bank deposits are all denominated in RMB.

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Included in current assets		
Short-term bank deposits	**–**	356,158
Long-term bank deposits maturing within one year	**124,518**	21,401
	124,518	377,559
Included in non-current assets		
Long-term bank deposits	**–**	566,459

Short-term bank deposits are bank deposits with original maturities over three months but within twelve months and redeemable on maturity. Long-term bank deposits are bank deposits with original maturities over twelve months and redeemable on maturity ranging from 3 to 5 years. The effective interest rate for the short-term bank deposits was 4.05% per annum for the year ended December 31, 2025. The effective interest rates for the long-term bank deposits were from 2.9% to 3.9% per annum for the six months ended June 30, 2026 (year ended December 31, 2025: 2.15% to 3.90%).

23 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares RMB'000
Authorised and issued:		
As January 1, 2025	465,858,733	465,859
Placing of shares (Note)	53,820,000	53,820
As of December 31, 2025 and January 1, 2026	519,678,733	519,679
Placing of shares (Note)	38,800,000	38,800
Cancelling of shares (Note 24(a))	(186,100)	(186)
As of June 30, 2026 (unaudited)	558,292,633	558,293

Note:

On April 29, 2026, a total of 38,800,000 placing shares were placed at HKD40.36 per share, with total proceeds of approximately HKD1,565,968,000 (equivalent to approximately RMB1,373,547,000), comprising RMB38,800,000 of share capital and RMB1,334,747,000 of share premium.

On February 13, 2025, a total of 27,920,000 Placing Shares have been successfully placed by the Placing Agents at the Placing Price of HK$50.20 per Placing Share pursuant to the terms and conditions of the Placing Agreement. The total placing price is therefore amounted to HK$1,401,584,000 (approximately to RMB1,286,269,000), comprising of RMB27,920,000 share capital and RMB1,258,349,000 of share premium (Note 24).

On August 14, 2025, a further 25,900,000 placing shares were placed at HKD50.50 per share, with total proceeds of approximately HKD1,307,950,000 (equivalent to approximately RMB1,188,377,000), comprising RMB25,900,000 of share capital and RMB1,162,477,000 of share premium.

24 TREASURY STOCK, SHARES HELD FOR SHARE AWARD SCHEMES AND RESERVES

	Treasury stock RMB'000	Shares held for share award schemes RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Total RMB'000
(Unaudited)							
Balance at January 1, 2026	(28,947)	(255)	10,795,926	1,632,100	(17,245)	5,728	12,416,509
Currency translation differences	–	–	–	–	(29,117)	–	(29,117)
Shares repurchase (Note (a))	(27,115)	–	–	–	–	–	–
Cancellation of shares (Note (a))	186	–	–	–	–	–	–
Placing of shares (Note 23)	–	–	1,334,747	–	–	–	1,334,747
Shares purchased and withheld for Share Scheme Trust (Note (b))	–	(28,073)	–	–	–	–	–
Vesting of awarded shares from Share Scheme Trust (Note (b))	–	2,239	–	(2,239)	–	–	(2,239)
Recognition of equity-settled share-based payments (Notes (b) and (c))	–	–	–	31,517	–	–	31,517
Transfer from joint venture to a subsidiary upon acquisition of control (Note 32)	–	–	–	78,363	–	–	78,363
Deemed disposal of associates	–	–	–	–	–	8,102	8,102
Change in ownership interest in subsidiary without loss of control	–	–	–	–	–	(9,710)	(9,710)
Balance at June 30, 2026	(55,876)	(26,089)	12,130,673	1,739,741	(46,362)	4,120	13,828,172

24 TREASURY STOCK, SHARES HELD FOR SHARE AWARD SCHEMES AND RESERVES (continued)

	Treasury stock RMB'000	Shares held for share award schemes RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Currency translation reserve RMB'000	Other reserve RMB'000	Total RMB'000
(Unaudited)							
Balance at January 1, 2025	(18,107)	–	8,370,096	1,597,720	(4,014)	5,728	9,969,530
Currency translation differences	–	–	–	–	(12,458)	–	(12,458)
Shares repurchase (Note (a))	(10,840)	–	–	–	–	–	–
Placing of shares (Note 23)	–	–	1,258,349	–	–	–	1,258,349
Transaction costs attributable to issue of shares	–	–	(905)	–	–	–	(905)
Shares purchased and withheld for Share Scheme Trust (Note (b))	–	(7,585)	–	–	–	–	–
Vesting of awarded shares from Share Scheme Trust (Note (b))	–	6,907	–	(6,907)	–	–	(6,907)
Recognition of equity-settled share-based payments (Notes (b) and (c))	–	–	–	23,274	–	–	23,274
Partial disposal of an associate	–	–	(1,434)	–	–	–	(1,434)
Partial disposal of a subsidiary with loss of control	–	–	8,456	–	–	–	8,456
Balance at June 30, 2025	(28,947)	(678)	9,634,562	1,614,087	(16,472)	5,728	11,237,905

Notes:

(a) In May 2024, June 2024, July 2024 and April 2025, the Company has repurchased 688,300 ordinary shares on the Hong Kong Stock Exchange with an aggregate consideration of approximately RMB28,947,000. Out of the shares repurchased, 186,100 ordinary shares were repurchased for cancellation.

In February 2026, the Company has further repurchased 753,000 ordinary shares on the Hong Kong Stock Exchange with an aggregate consideration of approximately RMB27,115,000.

As of June 30, 2026, the 186,100 repurchased shares have been cancelled. The Company accounts for the repurchased ordinary shares under the cost method and includes such treasury stock as a component of the shareholders' equity.

24 TREASURY STOCK, SHARES HELD FOR SHARE AWARD SCHEMES AND RESERVES (continued)

Notes: (continued)

(b) On April 8, 2025, the Company set up a Share Scheme Trust ("the Trust"), in which was administrated by a third party trustee. H shares of the Company will be purchased by the Trust from the open market from time to time in satisfaction of the share awards. The consideration, including any directly attributable incremental cost, is presented as "Shares held for share award schemes" and the amount is deducted from total equity. When the Trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for share award schemes", with a corresponding adjustment made to "Share-based payment reserve". During the six months ended June 30, 2026, the Share Scheme Trust purchased and withheld 1,200,000 (for the six months ended June 30, 2025: 188,200) ordinary shares of the Company for an amount of approximately HK$32,304,000 (equivalent to approximately RMB28,073,000) (for the six months ended June 30, 2025: HK$8,246,000 (equivalent to approximately RMB7,585,000)), which had been deducted from equity.

On June 2, September 1 and November 25, 2025, the Company granted a total of 235,607 RSUs (the "RSUs) to the awardees in accordance with the H-Share RSU Scheme of the Company adopted on September 19, 2024. On June 2026, the Company further granted a total 80,256 RSUs to the awardees in accordance with the H-Share RSU Scheme. The RSUs were granted without service conditions and performance condition, and vested and matured immediately upon grant. During the six months ended June 30, 2026, the Share Scheme Trust transferred 80,256 ordinary shares of the Company to the share awardees upon vesting of the RSUs.

The total expenses recognised in profit or loss for the aforementioned share-based payments are RMB2,239,000 for the six months ended June 30, 2026 (for the six months ended June 30, 2025: RMB6,907,000).

(c) On September 19, 2024, the Board of Directors of the Company approved and adopted the establishment of the 2024 share option scheme ("2024 Share Option Scheme") with the purpose of attracting, motivating, retaining and rewarding certain employees. The share options granted to employees were subject to a service condition and a performance condition and will be vested in equal installments from the grant date to 4 years. An evaluation is made each year as to likelihood of performance condition being met.

On November 25, 2025, the Company granted an aggregate of 9,803,700 share options to eligible persons comprising employees of the Group include an employee representative director of the Company to subscribe for H Shares of the Company at HK$48.38 per H Share subject to the acceptance of the share options by the grantees.

On April 1 and May 26, 2026, the Company granted an aggregate of 4,120,000 and 4,200,000 share options to eligible persons comprising employees of the Group include an employee representative director of the Company to subscribe for H Shares of the Company at HK$37.34 and 33.42 per H Share subject to the acceptance of the share options by the grantees, respectively.

The exercise period shall be valid for 4 years from the date of vesting, with any unexercised portion automatically lapsing upon expiry of the 4-year term. The share options granted to the grantees were subject to fulfillment of the individual performance target as set out in the employee incentive vesting assessment measures of the Company and will be vested in equal installments over 4 years from the grant date. An evaluation is made each year as to the likelihood of performance condition being met. The share options shall be subjected to the clawback mechanism as set out in the terms of the Share Option Scheme, and in particular, the lapse of the share options upon termination of employment of the grantees.

Movement in the number of share options granted is set out as below:

	Number of Share options
Outstanding as of January 1, 2025	5,124,445
Granted during the year	9,803,700
Outstanding as of December 31, 2025 and January 1, 2026	14,928,145
Granted during the period	8,320,000
Outstanding as of June 30, 2026	23,248,145

24 TREASURY STOCK, SHARES HELD FOR SHARE AWARD SCHEMES AND RESERVES (continued)

Notes: (continued)

(c) (continued)

Fair value of share options

Based on fair value of the underlying ordinary shares, the Group has used Binomial option-pricing model to determine the fair value of share options granted in 2024 and 2025, and the Black-Scholes model for those granted during the six months ended June 30, 2026. Key assumptions are set as below:

	At date of grant November 25, 2025	At date of grant November 19, 2024
Fair value of ordinary shares (HKD)	47.70	36.60
Exercise price (HKD)	48.38	41.19
Risk-free interest rate	3.51%	3.2%
Dividend yield	0%	0%
Expected volatility	43.43%	44.04%
Expected terms	4.00	3.88

For share options granted on April 1, 2026:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Fair value of share options (HKD)	6.24	10.01	12.66	14.45
Exercise price (HKD)	37.34	37.34	37.34	37.34
Risk-free interest rate	2.24%	2.24%	2.26%	2.27%
Dividend yield	0%	0%	0%	0%
Expected volatility	39.78%	45.27%	46.94%	46.42%
Expected terms	1.00	2.00	3.00	4.00

For share options granted on May 26, 2026:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Fair value of share options (HKD)	6.08	10.05	12.39	14.57
Exercise price (HKD)	33.42	33.42	33.42	33.42
Risk-free interest rate	2.64%	2.64%	2.71%	2.77%
Dividend yield	0%	0%	0%	0%
Expected volatility	38.22%	44.89%	44.98%	45.92%
Expected terms	1.00	2.00	3.00	4.00

The risk-free rates have been derived based on the yield to maturity of HK Treasury Bonds with a term close to the expected maturity date as of the valuation date. The dividend yield is 0% because there has been no dividend paid out by the Company to date and the Company does not expect to pay any dividends in the near future. The expected volatility is estimated based on the annualised standard deviation of the daily return of the historical stock prices of the Company and those of the comparable companies with a time horizon close to the expected return.

The total expenses recognised in profit or loss for the aforementioned share-based payments are RMB29,278,000 for the six months ended June 30, 2026 (for the six months ended June 30, 2025: RMB16,367,000).

25 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 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (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

26 OTHER PAYABLES AND ACCRUALS

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Payroll payables	15,365	21,730
Listing expenses payables	–	2,514
Other taxes payables	7,075	11,888
Expense reimbursement payable to employees	897	869
Payable to third party hardware suppliers	1,300	1,300
Payable to a related party (Note 34(c))	5,087	–
Accrued expenses and others	20,132	7,582
	49,856	45,883

The carrying amounts of other payables approximated their fair values as at June 30, 2026 and December 31, 2025. Other payables were primarily denominated in RMB.

27 BORROWINGS

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

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
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 June 30, 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 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.

28 OTHER LIABILITIES

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Payable for acquisition of subsidiaries	20,000	18,840
Receipt in advance	3,814	9,613
Deferred income (Note)	11,263	17,743
Provisions	6,596	–
	41,673	46,196
Presented as:		
Non-current	17,859	17,743
Current	23,814	28,453
	41,673	46,196

Note: Deferred income represented government grants provided for in connection with the Group's contributions to technology development and investments in local business districts. Such amounts are recognised at their fair value where there is a reasonable assurance that the grants will be received and the Group will comply with all attached conditions. During the six months ended June 30, 2026, the Group recognised income of RMB6,810,000 (six months ended June 30, 2025: RMB2,105,000).

29 COMMITMENTS

Capital commitments contracted for at the balance sheet date but not yet incurred are as follows:

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
Investments	174,671	4,000

30 DIVIDENDS

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

31 DISPOSAL OF SUBSIDIARIES WITH LOSS OF CONTROL

Partial disposal of equity interest in Beijing Ideal Information Technology Co., Ltd. ("Beijing Ideal") with loss of control

On June 30, 2025, the Group entered into an equity transfer agreement with Shenzhen Zhongzheng Guangzhi Information Co., Ltd for the transfer of 10%equity interest in Beijing Ideal, a subsidiary of the Company, with a consideration of RMB36,000,000. The transaction was completed on June 30, 2025 with an aggregate net gain of approximately RMB6,375,000, and the Group's ownership interest in Beijing Ideal decreased from 56.84% to 46.84%. Upon completion of the partial disposal, Beijing Ideal ceased to be a subsidiary of the Company and the Group continues to have significant influence on Beijing Ideal through the Group's representative in the board of directors of Beijing Ideal. Accordingly, the Group's remaining 46.84% equity interest in Beijing Ideal with a fair value of approximately RMB168,627,000 was transferred as an investment accounted for using the equity method.

The consideration of the transaction will be paid by instalments prior to December 31, 2026. As of June 30, 2025, consideration in cash of RMB20,000,000 had been received by the Group in accordance with the agreed payment schedule. As at June 30, 2025, the current portion of remaining receivables arising from the equity transfer amounted to RMB16,000,000.

32 TRANSFER FROM JOINT VENTURE TO A SUBSIDIARY UPON ACQUISITION OF CONTROL

On January 20, 2026, the Group further acquired a 39.58% equity interest in Wake UP from other shareholders at a total consideration of RMB278,363,000. Following completion of the transaction, the Group's ownership interest in Wake UP rose from 45% to 84.58%. As the Group obtained control over Wake UP, Wake UP became a directly non-wholly owned subsidiary, having previously been accounted for as a joint venture.

32 TRANSFER FROM JOINT VENTURE TO A SUBSIDIARY UPON ACQUISITION OF CONTROL (continued)

The fair value of the identifiable assets and liabilities of Wake UP at the date of acquisition is as follows:

	Notes	RMB'000
Net assets acquired:		
Property, plant and equipment	14	11,587
Right-of-use assets	13(a)	3,991
Intangible assets	15	270,440
Trade and other receivables		89,355
Inventories		28,400
Cash and cash equivalents		49,614
Deferred tax liabilities		(25,781)
Borrowing		(22,000)
Trade and other payables		(39,486)
Contract liabilities		(5,609)
Total identifiable net assets at fair value		360,511
Total consideration		278,363
Add: Investment in joint venture	16	292,076
Add: Gain on remeasurement	8	24,396
Add: Non-controlling interest		55,586
Less: Fair value of new assets acquired		(360,511)
Goodwill arising from acquisition	15	289,910
Net cash outflow arising on acquisition:		
Cash consideration paid		200,000
Cash and cash equivalents acquired		(49,614)
		150,386

33 ACQUISITION OF SUBSIDIARIES

Acquisition of equity interest in Beijing Paradigm Artificial Intelligence Equity Investment Fund (Limited Partnership) ("Beijing Paradigm AI Fund")

On March 31, 2026, the Group further acquired a 19.72% equity interest in Beijing Paradigm AI Fund from shareholder of Beijing Paradigm AI Fund at a total consideration of RMB38,436,000. Following completion of the transaction, the Group's ownership interest in Beijing Paradigm AI Fund rose to 71.40%. As the Group had majority members in decision committee of Beijing Paradigm AI Fund, and obtained control over Beijing Paradigm AI Fund, Beijing Paradigm AI Fund became a non-wholly owned subsidiary, having previously been accounted for as a financial assets at fair value through profit or loss. The consideration for the equity transfer comprises cash of RMB23,962,000 and recognised as other payables of RMB14,474,000.

The fair value of the identifiable assets and liabilities of Beijing Paradigm AI Fund at the date of acquisition is as follows:

	Notes	RMB'000
Net assets acquired:		
Investment in accounted for using the equity method	16	74,400
Financial assets at fair value through profit or loss		278,320
Cash and cash equivalents		63,270
Other payables		(2,710)
Total identifiable net assets at fair value		413,280
Total consideration		38,436
Add: Non-controlling interest		66,584
Add: Financial assets at fair value through profit or loss		300,776
Less: Fair value of new assets acquired		(413,280)
Gain on remeasurement	8	(7,484)
Net cash inflow arising on acquisition:		
Cash consideration paid		(23,962)
Cash and cash equivalent		63,270
		39,308

34 RELATED PARTY BALANCES/TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Names and relationships with related parties

The following companies are related parties of the Group that had transactions and/or balances with the Group during the six months ended June 30, 2026 and 2025.

Names of the major related parties	**Relationship**
Yijing Zhilian (Wuxi) Technology Co., Ltd. (“Yijing Zhilian”)	Associate of the Group
Beijing Data Element Intelligent Technology Co., Ltd. (“Data Element”)	Associate of the Group
Zhongneng Shibei Technology and its consolidated subsidiaries (“Zhongneng Shibei Technology”)	Associate of the Group (a subsidiary of the Group prior to April 2024)
EpicHust Technology and its consolidated subsidiaries. (“EpicHust Technology”)	Associate of the Group (a subsidiary of the Group prior to August 2024)
Beijing Ideal	Associate of the Group (a subsidiary of the Group on or prior to June 2025)
Wake UP	Joint venture of the Group (a prior to February 2026)
Lianxu Qi	Non-controlling shareholder and management of the Group
Beijing Paradigm Private Fund Management Co., Ltd. (“Paradigm Private Fund”)	Associate of the Controlling-person

34 RELATED PARTY BALANCES/TRANSACTIONS (continued)

(b) Major transactions with related parties

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
(i) Sales of goods and services		
EpicHust Technology	–	12
	–	12
(ii) Purchases of goods and services		
Data Element	1,708	–
Wake UP	2,967	3,105
Paradigm Private Fund	2,535	–
	7,210	3,105

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
(iii) Loan to related parties		
Loan to Zhongneng Shibei Technology:		
At the beginning of the period	444	35,326
Waiver of balance	(444)	–
Interest income (Note 10)	–	101
At the end of the period	–	35,427
Loan to EpicHust Technology:		
At the beginning of the period and at the end of the period	–	10,000
Loan to Wake UP:		
At the beginning of the period	223,997	–
Interest income (Note 10)	121	–
Payments	(200,000)	–
Acquisition of subsidiaries	(24,118)	–
At the end of the period	–	–

34 RELATED PARTY BALANCES/TRANSACTIONS (continued)

(b) Major transactions with related parties (continued)

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
(iv) Advance from a non-controlling shareholder:		
Lianxu Qi:		
At the beginning of the period	–	8,500
Additions	–	8,800
Partial disposal of a subsidiary with loss of control	–	(17,300)
At the end of the period	–	–

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
(i) Trade receivables from related parties		
Zhongneng Shibei Technology	731	731
Beijing Ideal	–	65
Wake UP	–	9,357
	731	10,153
(ii) Prepayments and other receivables from related parties		
Zhongneng Shibei Technology	–	444
Wake UP	–	223,997
	–	224,441
(iii) Trade payables to related parties		
Yijing Zhilian	–	789
Data Element	661	236
Zhongneng Shibei Technology	–	139
	661	1,164

34 RELATED PARTY BALANCES/TRANSACTIONS (continued)

(c) Major balances with related parties

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
(iv) Contract liabilities from related parties		
Zhongneng Shibei Technology	427	348
EpicHust Technology	150	80
Beijing Ideal	386	87
	963	515

	As at June 30, 2026 RMB'000 (Unaudited)	As at December 31, 2025 RMB'000 (Audited)
(v) Other payables to related parties		
Paradigm Private Fund	5,087	–
	5,087	–

(d) Key management personnel compensation

The remuneration of directors, supervisors and other key management personnel is as follows:

	Six months ended June 30, 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Wages, salaries and bonuses	5,539	6,266
Contributions to pension plans	153	259
Other social security costs, housing benefits and other employee benefits	253	381
Share-based payment expenses	11,043	–
	16,988	6,906

35 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.

In this report, unless the context otherwise requires, the following expressions shall have the meanings set out below. These 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 industry as the Company.

"2025 Placing"	the conditional placing of the placing shares by the placing agents on the terms and subject to the conditions set out in the placing agreement dated February 7, 2025 between the Company and the placing agents in relation to the placing under the general mandate
"2025 Subscription and Placing"	the conditional subscription and placing by the subscriber and placing agent on the terms and subject to the conditions set out in the subscription agreement dated July 17, 2025 between the Company and the subscriber, and the placing agreement dated July 17, 2025 between the Company and the placing agent in relation to the placing under the general mandate
"2026 Placing"	the conditional placing of the placing shares by the placing agents on the terms and subject to the conditions set out in the placing agreement dated April 22, 2026 between the Company and the placing agents in relation to the placing under the general mandate
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Beijing New Wisdom"	Beijing New Wisdom Pilot Management Consulting Co., Ltd. (北京新智領航管理諮詢有限公司), a limited liability company established in the PRC on April 9, 2020 and the sole general partner of our employee incentive platforms, which is owned as to 99.0% and 1.0% by Dr. Dai and his spouse, respectively, and is one of our controlling Shareholders
"Beijing Paradigm New Wisdom"	Beijing Paradigm New Wisdom Enterprise Management Co., Ltd. (北京範式新智企業管理有限公司), a limited liability company established in the PRC on January 12, 2023, the sole general partner of Nanjing Paradigm and a wholly-owned subsidiary of Beijing New Wisdom
"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
"HongShan"	HongShan funds and entities engaged in investment-related activities and principally focused on companies located in or connected with China
"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

"Nanjing Paradigm" or "Nanjing Phancy"	Nanjing Paradigm Enterprise Management Consulting Partnership (Limited Partnership) (南京範式企業管理諮詢合夥企業（有限合夥）), a limited partnership established in the PRC on December 29, 2022, of which Beijing Paradigm New Wisdom is the sole general partner
"Paradigm Chuqi"	Tianjin Paradigm Chuqi Management Consulting Partnership (Limited Partnership) (天津範式出奇管理諮詢合夥企業（有限合夥）), a limited partnership established in the PRC on April 21, 2021, of which Beijing New Wisdom is the sole general partner, and one of our controlling Shareholders. Paradigm Chuqi holds more than one-third of the limited partnership interests in Paradigm Investment
"Paradigm Investment" or "Phancy Investment"	Paradigm (Tianjin) Management Consulting Partnership (Limited Partnership) (範式（天津）管理諮詢合夥企業（有限合夥）), formerly known as Paradigm (Ningbo Free Trade Zone) Investment Partnership (Limited Partnership), a limited partnership established in the PRC on March 29, 2018, of which Beijing New Wisdom is the sole general partner, and one of our employee incentive platforms and controlling Shareholders
"Paradigm Yinyuan" or "Phancy Yinyuan"	Tianjin Paradigm Yinyuan Management Consulting Partnership (Limited Partnership) (天津範式隱元管理諮詢合夥企業（有限合夥）), a limited partnership established in the PRC on April 21, 2021, of which Beijing New Wisdom is the sole general partner, and one of our controlling Shareholders
"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
"Supervisor(s)"	member(s) of the Supervisory Committee of the Company
"treasury share(s)"	has the meaning ascribed thereto under the Listing Rules
"United States" or "U.S."	the United States of America, its territories, possessions and all areas subject to its jurisdiction
"U.S. dollar", "US$" or "USD"	United States dollar, the lawful currency of the United States
"%"	Per cent.

For ease of reference, the names of PRC laws and regulations, governmental authorities, institutions, natural persons or other entities (including our subsidiaries) referred to in this report have been included in both Chinese and English. In the event of any inconsistency, the Chinese names shall prevail.

Any discrepancies in any table between totals and sums of individual amounts listed therein are 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