

Conversely, financial institutions, large enterprises, and public service clients, who usually require fewer cabinets and no customization, can be served under the retail model. This model involves multiple customers sharing the same facility. Retail contracts are generally shorter in duration but come with higher pricing per cabinet.

The entry barriers of internet data centre industry are high. These barriers include:

- **Limited Suitable Locations:** The scarcity of appropriate sites for building data centres due to land acquisition, power supply, and regulatory challenges.
- **Network Effect Platform:** The advantage that leading players have by offering interconnected data centres that provide various benefits and create a network effect.
- **Development and Operational Expertise:** The specialized knowledge required to develop and operate data centres, including land sourcing, regulatory compliance, and technical infrastructure setup.
- **Operating Track Record:** The importance of a proven history of reliable operations and security for data centre providers.
- **Customer Relationships:** The sticky nature of customer relationships due to the high cost of relocation and the preference for staying with the same provider.
- **Financial Strength:** The significant capital investment needed to develop and maintain high-performance data centres.

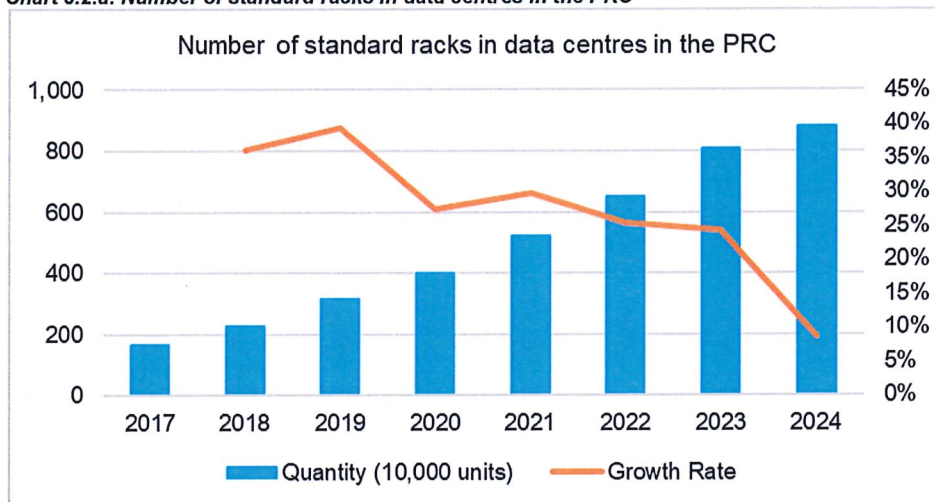
These factors make it difficult for new competitors to enter the market, thus defining the competitive landscape of the data centre industry.

According to iResearch, the primary PRC data centre markets are located in key economic centres, including areas around Shanghai, Beijing, Shenzhen, Guangzhou, Hong Kong, etc., which are referred to as tier 1 markets. Due to limited land availability and restrictions on power supply permissions in tier 1 markets, data centre operators have been developing facilities on the outer edge of these areas to fulfil customer requirements for larger-scale IT deployments and allow for future expansion while maintaining acceptable network latency levels. According to Insight and Info, an independent market research provider, in 2022, the proportion of data centres in the eastern developed provinces, i.e. the tier 1 market, was 68%, while the proportions in the central, western, and north-eastern regions were 15%, 12%, and 6%, respectively. From 2020 to 2023, the newly added racks were also mainly concentrated in the areas surrounding tier 1 cities. The proportion of newly added cabinets in the regions surrounding Beijing, Shanghai, and Guangzhou accounted for as high as 68%.

Beyond tier 1 markets, data centre providers are expanding into other regions using different models, such as build-to-suit, to cater to customers' needs for storing less critical data and applications in larger volumes and at lower costs.

According to the Ministry of Industry and Information Technology, in 2024, the number of standard racks in the PRC exceeded 8.8M, representing a 16.5% increase from 2023, effectively supporting computing power resource allocation and data circulation with a total computing power of 280 EFLOPS. By March 2025, the number of standard rack surpassed 9M. Amid the booming demand for artificial intelligence, general purpose computing centres are trending towards being upgraded to intelligent computing centres. Below chart shows the historical number of standard racks in data centres in the PRC.

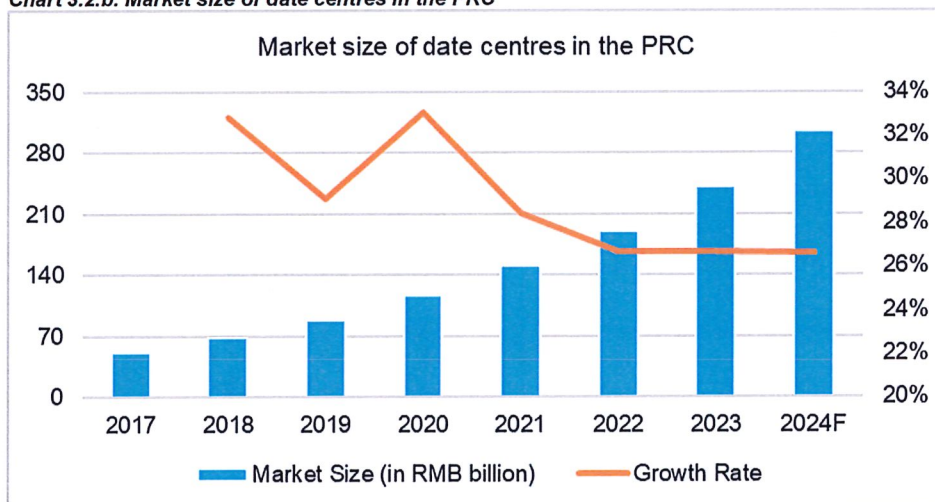
Chart 3.2.a: Number of standard racks in data centres in the PRC



Source: China Academy of Information and Communications Technology (CAICT, a scientific research Institute directly under the Ministry of Industry and Information Technology of the PRC)

Since 2017, the market size of the data centre industry in the PRC has achieved double-digit growth. In 2023, the market size reached approximately RMB240.7B, with a year-on-year growth of 26.68%. It is projected to reach RMB304.8B in 2024. Below chart exhibits the market size of data centres in the PRC.

Chart 3.2.b: Market size of data centres in the PRC



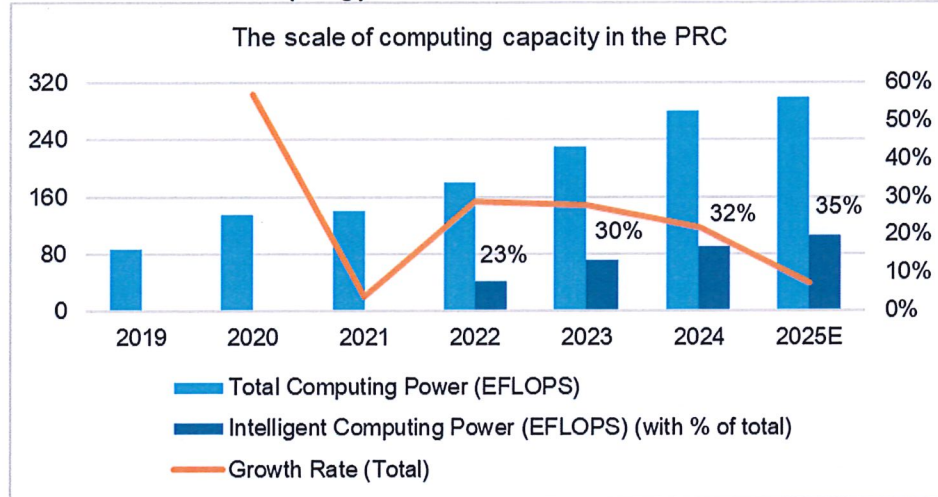
Source: CAICT

The growth is driven by factors: such as strong policy support from the national "New Infrastructure" strategy and the "Digital China" initiative has provided a powerful impetus for the industry; increasing demand for digital transformation across regions and industries has continuously driven up the market demand for data centres; technological advancements have led to the development of high-density and high-power data centres.

AIDC, as the "super engine" of the computing power era, has become a key driving force for the development of artificial intelligence and the digital transformation of various industries. With the further development of AI-related technologies, the investment and construction of intelligent computing industries in various regions of the PRC, and the release of computing power of large models on end sides, it is expected that by 2028, the market size of intelligent computing power in the PRC will approach RMB2,500B.

According to the “Action Plan for the High-Quality Development of Computing Power Infrastructure”, the target total computing scale from 2023 to 2025 were set to 220, 260 and 300 EFLOPS each year, with intelligent compute proportion of 25%, 30% and 35%, respectively. Below table shows the actual and forecast scale of computing power in the PRC. It shows that the actual total computing power scale and the actual intelligent computing power proportion both surpassed the target set by MIIT. The action plan also proposed quantitative targets such as the establishment of 50 individual intelligent computing centres by 2025.

Chart 3.2.c: The scale of computing power in the PRC



Source: Qianzhan Industrial Research Institute

Traditional data centres rely on manual management, while AIDCs use AI for intelligent resource scheduling, fault prediction, and energy optimization. This boosts data centre efficiency and cuts operational costs. AIDCs also offer flexibility in scaling computing resources to meet business demands, providing elastic computing services.

While artificial intelligence generated content (AIGC) has been dominating media and market attention, the “next big thing” has been developing rapidly in the background in the PRC, in the form of super-scale AI infrastructure. It involves, among other things, a national computing power network; data centre clusters from Guangdong to Inner Mongolia and from Gansu in the West to Anhui in the East; centres for the development/training of large language models; and abundant green energy integrated with massive energy storage facilities. What is rapidly emerging is a gigantic national network connecting smart grids, intelligent network routing and energy storage.

Computing power centre industry in the PRC is in a comprehensive construction phase, but faces challenges like uneven design and construction quality, low energy efficiency, and insufficient security. A multi-dimensional evaluation standard system is needed. From the eight major computing power hubs of the “East Data West Computation” project to the ten national data centre clusters and various computing centres nationwide, China is building an efficient, green, and collaborative computing power network. These centres meet domestic data processing demands and support AI, scientific research, and industrial simulation. With technological progress and policy support, computing power centres will play a bigger role in economic and social development in the PRC.

4. Basis and Methodology

4.1. Basis of Valuation

In valuing the Target Company, we have prepared our Valuation on the basis of "market value" as defined in International Valuation Standards 2025, i.e. *the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion*".

4.2. Valuation Standards

Our Valuation has been prepared in accordance with the International Valuation Standards issued by the International Valuation Standards Council.

4.3. Sources of Information

The primary sources of information that we have relied on in the preparation of this report, include:

- Consolidated audited financial statements for FY22A - FY24A of the Target Group;
- Audited financial statements of 1Q25A of the Target Group;
- Financial projections from April 2025 - FY31P (i.e. the Forecast Period) of the Target Group as prepared by the Target Management;
- Discussions with Management and the Target Management regarding the background and other relevant information of the Target Group; and
- S&P Capital IQ and other public available sources of market data.

We have not attempted to verify any of the information provided to us or contained in this report. We also have no reasons to believe that any material fact has been withheld from us. Moreover, we do not warrant our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

We hereby reserve our rights to revise this Valuation Report, if required and appropriate, should there be any updated information or otherwise made available to us that we consider to be relevant to the Valuation.

4.4. Limiting Conditions and Assumptions

Our Valuation has been primarily based on the financial information of the Target Group and other information provided by Management and a number of limiting conditions and assumptions, as set out in section 8.1. Limiting Conditions and 8.2. Assumptions. In the event any of the information, figures or accounts we have relied upon have been misstated or actual events do not accord with one or more of the assumptions, the resulting valuation of the Target Group may vary substantially from the figures as set out in this report.

You are recommended not to rely on the Valuation unless you have read carefully and fully understood the limiting conditions and assumptions.

4.5. Valuation Approach

4.5.1. Generally Accepted Approaches

We have considered three generally accepted approaches, including the Income Approach, the Market Approach and the Cost Approach in the Valuation:

- Income Approach: The Income Approach measures the value of an asset by the present value of its future economic benefits. These benefits can include earnings, cost savings, tax deductions and proceeds from its disposition.

- **Market Approach:** The Market Approach is a valuation technique based on the principle of substitution. For the valuation of a company, public companies in the same general industry as the subject company are selected to provide valuation guidelines, i.e. valuation multiples for such guideline companies then are determined and analysed. On the other hand, valuation multiples implied from merger and acquisition transactions of private companies may also be considered.
- **Cost Approach:** The Cost Approach, also known as the Asset-based Approach, provides an indication of value based on the principle that the assets and liabilities as a whole represent the value of a company. The assumption is that when each of the elements of working capital, tangible and intangible assets, is individually valued, their sum represents the value of a company and equals the value of its invested capital.

Please note that these three valuation approaches are fundamentally different and may generate substantially different valuation results.

4.5.2. Selected Approach

Among the abovementioned valuation approaches, the selection of a valuation approach is based on, among other criteria, the quantity and quality of the information provided, access to available data, supply of relevant market transactions, type and nature of the subject asset, purpose and objective of the valuation and professional judgment and technical expertise.

The Cost Approach was not adopted in valuing the Target Company as it does not consider the future economic benefits generated from the operation of the Target Group's business. The Cost Approach is inadequate in reflecting the value of its equity interests deriving from its ongoing business and any potential growing prospect.

The Market Approach was not adopted as it may not adequately capture the specific characteristics and value drivers of the Target Group's business. Different companies have different stages of development and strategic planning in terms of technological innovation, market expansion and customer resources, resulting in significant differences in their future earnings expectations and risk levels. In the course of the Valuation, neither any publicly available transaction of enterprises that were comparable in terms of the uniqueness of the Target Group's business model and its stage of development of AI Businesses observed, nor any closely comparable publicly traded entity with business development and operating characteristics similar to those of the Target Group suitable for the market approach could be identified as at the Valuation Date.

As a result of the above, the Income Approach was adopted in valuing the Target Company based on historical financial and operating data, forecasts of future financial projections with relatively clear cost components and matching relationship with its business revenues. It is agreed that the Target Company's market value can be better estimated based on forecasts of fundamental conditions in the future using the discounted cash flow analysis under the income approach, and the reliance on the discounted cash flow analysis to derive the market value of the Target Company in the Valuation are in the interests of the shareholders and the stakeholders as a whole.

4.5.3. Valuation Methodology

Under the Income Approach, the Discounted Cash Flow ("DCF") method is adopted.

The DCF method begins with an estimation of the annual cash flows, which a market participant would expect the asset to generate over a discrete projection period.

The expected FCFE for each year is determined as follows:

$$FCFE = NI + NCE - NCI - Inv_{FA} - Inv_{NWC} + Net\ Borrowing$$

Where:

FCFE	=	free cash flow to equity
NI	=	net income after tax
NCE	=	non-cash expenses
NCI	=	non-cash incomes
Inv _{FA}	=	investment in capital expenditure
Inv _{NWC}	=	investment in net working capital

The estimated cash flows for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows.

The present values of the estimated cash flows are then added to the present value equivalent of the residual value of the asset (if any) at the end of the discrete projection period to arrive at an estimate of the value of the specific asset. The present value of the expected free cash flow is calculated as:

$$PVFCFE = \frac{FCFE}{(1+r)^1} + \frac{FCFE}{(1+r)^2} + \dots + \frac{FCFE}{(1+r)^n}$$

Where:

PVFCFE	=	present value of free cash flows to equity
FCFE	=	free cash flow to equity
r	=	discount rate
n	=	number of year of the projection

4.5.4. Guideline Companies

In applying the DCF method, the estimated FCFE for each of the years in the discrete projection period are then converted to their present value equivalent using a rate of return appropriate for the risk of achieving the asset's projected cash flows, or the discount rate.

The appropriate discount rate for the Target Group was determined with reference to the business nature and financial information of publicly listed companies that are considered to be comparable to the Target Group ("Guideline Companies").

In short, we follow the below principles when searching for Guideline Companies of the Target Group:

- The Guideline Companies engage in the computing centre construction and operation per our understanding based on their company descriptions provided by S&P Capital IQ. Such business activities are the principal or one of the principal business activities of these companies;
- The principal business of Guideline Companies is domiciled in the PRC or Hong Kong;

- The Guideline Companies are listed in Shanghai Stock Exchange (SSE), Shenzhen Stock Exchange (SZSE) or Hong Kong Exchanges and Clearing Limited (HKEX); and
- The Guideline Companies' shares were actively traded in the market and have sufficient relevant financial information which are publicly available.

Details of the exhaustive list of Guideline Companies based on the above criteria are summarized in section 8.3. Guideline Companies.

4.5.5. Discount Rate

In order to estimate the market value of the Target Group and perform an overall reasonability assessment, it is required to determine the appropriate discount rate for the Target Group. We have adopted the cost of equity as the discount rate applicable to the FCFE.

The cost of equity was determined using the Capital Asset Pricing Model ("CAPM"). CAPM calculates a required return based on risk measurement. It describes the relationship between the risk of a particular asset, its market price and the expected return to the investor, that investors required additional return to compensate for additional risks associated.

In the valuation, CAPM was modified to reflect the size premium and company-specific risk premium associated with the Target Group. The cost of equity under the modified CAPM was computed using the formula below:

$$R_e = R_f + \beta \times MRP + RP_s + RP_U$$

Where:

R_e	=	cost of equity
R_f	=	risk-free rate
β	=	beta coefficient
MRP	=	market risk premium
RP_s	=	size premium
RP_U	=	company-specific risk premium

The beta coefficient (β) measures the risk of an asset relative to the overall market and reflects the sensitivity of an asset's value to economic variables or risks that affect the values of all risky assets.

In the Valuation, the beta coefficient of the Target Group was determined based on the median of the unlevered adjusted betas of the Guideline Companies, with adjustment for corporate tax rates and leverage compositions.

The adjusted betas of the Guideline Companies were derived from the corresponding raw betas, modified by the assumption that a security's beta moves toward the market average over time with the following generally accepted formula:

$$Adjusted\ Beta = \frac{1}{3} + \frac{2}{3} \times Raw\ Beta$$

The unlevered beta was calculated to consider the differences in corporate tax rates and leverage compositions of the Target and the Guideline Companies by using the following formula:

$$\text{Unlevered Beta} = \frac{\text{Levered Beta}}{[1 + (1 - T_c)] \times \frac{D}{E}}$$

Where:

E	=	value of the firm's equity
D	=	value of the firm's debt
T _c	=	corporate tax rate

The unlevered betas were calculated according to the share price movement of the Guideline Companies and reflected the average risks associated with the Guideline Companies' business and their risk-free cash. Therefore, the betas of the Guideline Companies' business were calculated based on the unlevered betas with cash adjustments in the formula as below:

$$\text{Business Beta} = \frac{\text{Unlevered Beta}}{(1 - \frac{\text{Cash}}{E + D})}$$

Where:

E	=	value of the firm's equity
D	=	value of the firm's debt
Cash	=	cash and cash equivalents of the firm

4.5.6. Parameters of Discount Rate

The main components adopted in the calculation of cost of equity are elaborated as follows:

Parameters	Figure	Source
Risk-free rate	1.86%	The 10-year PRC Government bond yield as at the Valuation Date extracted from S&P Capital IQ.
Market risk premium (U.S)	6.84%	The expected equity risk premium, 5.0%, of the U.S. in "Kroll Lowers its Recommended U.S. Equity Risk Premium to 5.0%" issued by Kroll in June 2024. It was then adjusted by additional PRC country risk premium of 1.84%, based on average result of Relative Equity Market Approach comparing market returns between the PRC and the U.S., i.e. 2.73%, and Country Bond Approach with reference to the research issued in January 2025 by Dr. Aswath Damodaran, a Professor of Finance at Stern School of Business at New York University, i.e. 0.94%.
Weight of debt	18.94%	The median of the weight of debt in the capital structure of the Guideline Companies.
Weight of equity	81.06%	One minus the weight of debt.
Relevered Beta	1.405	Derived by re-levering the median of the 3-year daily unlevered beta of the Guideline Companies after cash adjustment.
Size premium	4.47%	Reference to 2024 CRSP Deciles Size Study issued by Kroll, which reflects the additional required return attributed to the smaller size of the company that is not captured by the CAPM.

Company Specific Risk Premium	2.00%	Based on our judgement on our perceived additional risk associated with the operation of the Target Group, including the limited operation history in AI business which started since the second half of 2024 and the uncertainty of renewal contracts after current contracts expired in 3-5 years.
Cost of Equity (rounded)	18.00%	The cost of equity was calculated based on the CAPM method and parameters discussed above.

Source: Moore's analysis, market data

4.5.7 Terminal Value

Under the DCF method, a 7-year forecast period is adopted. Given that the current sales contracts signed by the Target Group are for durations of 3-5 years, as contract terms over 5 years would be impractical under normal business negotiation, the Target Management expected that it will take additional time to reflect on the renewal process and achieve a stable development stage. Consequently, the Cash Flow Projection covers a 7-year financial projection is adopted. For the forecast period over 5 years, as a fact that there is not any signed contract covering, the Cash Flow Projection is provided by the Management after comprehensive analysis and consideration of various factors, including the existing sales contract records, market research on operation parameters such as utilization rate, industry development and the business plan, together of which forming the projection basis.

In the Valuation, we have adopted the Gordon Growth Model approach in determining the terminal value for the expected economic values of the Target Group beyond the Forecast Period with a terminal growth rate of 2%, with reference to the long-term inflation rate of the PRC sourced from IMF.

4.5.8. DLOM

The discount for lack of marketability is a downward adjustment to the value of an investment to reflect its reduced level of marketability. The concept of marketability deals with the liquidity of an ownership interest, that is, how quickly and easily it can be converted into cash if the owner chooses to sell.

DLOM reflects that there is no ready market for shares in a closely held company. Ownership interests in closely held companies are typically not readily marketable compared to similar interests in publicly listed companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly listed company.

The value of non-marketable interest can be calculated from marketable interest using the following formula:

$$\text{Value of Non – Marketable Interest} = \text{Value of Marketable Interest} \times (1 - \text{DLOM})$$

According to the Stout Restricted Stock Study published by Business Valuation Resources, LLC in early 2025, DLOM is estimated as the percentage difference between the private placement price per share and the market trading price per share. 779 relevant private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through the first quarter of 2024 have been examined in the Stout Restricted Stock Study. Premium in the market for restricted stock, which is considered as the result of an investment opportunity not available to other investors or an unidentifiable relationship with the seller has been excluded. We adopted the median discount rate of 15.60% calculated from the 779 transactions from the Stout Restricted Stock Study as DLOM for the valuation.