

Third Question to Pharos:

Unpacking the Business
Closed-Loop vs. Layer 1 Public
Chains

World's First "Chain-Equity Coexistence"

Token Ticker: PROS

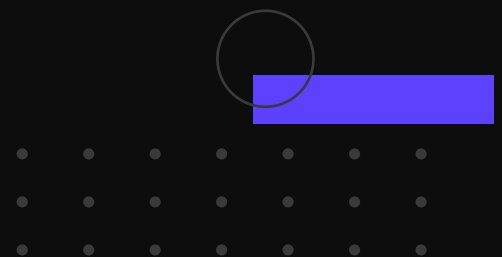
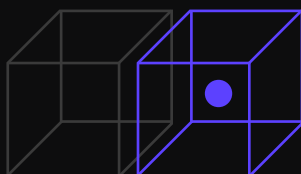
Token Rating: Outperform

Latest Closing Price: 0.39 USD

Total Supply: 1 Billion

Fully Diluted Valuation at Latest Closing Price: 388.5 million USD

12-Month Upside Potential : >100%



Abstract

Traditional Layer 1 blockchains have long been constrained by a single-revenue-stream business model. Their valuations are deeply tied to the liquidity tides of the crypto market, leaving them highly vulnerable to cyclical volatility. These persistent pain points are catalyzing a paradigm shift in web3 infrastructure. We believe that the next Alpha opportunity in the Layer 1 sector will belong to infrastructures capable of capturing real-world cash flows from the traditional economy.

This report provides a deep-dive analysis of Pharos, a high-performance Layer 1 blockchain powered by a unique "Double Helix" business model. On one hand, Pharos uniquely embodies a dual identity: a Web3 underlying network and a Web2 commercial entity with an independent P&L. This setup not only consolidates its baseline revenue from traditional L1 gas fees but also expands on-chain monetization. It achieves this through two innovative scenarios: acting as the utility payment medium for AI compute demand, and serving as the foundational clearing and settlement infrastructure for the A2A economy. On the other hand, through strategic partnerships with Web2 industrial giants, Pharos successfully captures endogenous cash flows generated from real-world infrastructure service fees, revenue sharing, and stock dividends.

Investment Highlights

We are highly optimistic about the Pharos' disruptive penetration as an AI compute payment medium, its technical barrier in A2A foundational infrastructure, and its promising prospects for balance sheet reconstruction under the "Chain-Equity Coexistence" architecture.

Multi-Trillion AI Agent & Compute Infra Market: Deeply anchoring the native token PROS as the core payment medium for AI compute procurement. Through strategic partnership with ZAN, a "20% hard discount" mechanism locks in organic B2B/B2C buying demand, significantly reducing token velocity. Concurrently, Pharos' deep integration with the x402 protocol strategically positions the network as the foundational clearing and settlement infrastructure for "ultra-high-frequency, micro-payment" Agent-to-Agent (A2A) economics, capturing next-generation dividends.

"Web2 Entity + Web3 Eco" Dual-Drive Force Dominating the Smile Curve: Eco front partners with Ant Digital to embed Pharos' tech stack into high-frequency supply chain finance and cross-border payments, securing stable service fees, while incubating RealFi project Faroo to bridge on-chain staking and assets and overseas data center O&M, converting high-certainty physical business into on-balance-sheet profits

"Chain-Equity Coexistence" and Real-World Dividends Powering Absolute Deflation of PROS: Unique capital structure bridging Web2/Web3 and primary/secondary markets. By strategically holding a 10.71% stake in GCL New Energy (00451.HK), Pharos systematically channels fiat cash dividends from the real economy to buy back and burn PROS tokens. This programmatic mechanism completely shatters the valuation ceiling of traditional Web3 projects, forging a robust value floor for the token asset.

I. The L1 Public Chain Trap: A "Single-Leg Model" Trapped in Speculative Taxes

The commercial essence of traditional public chains is that of a "block space lessor," with revenue streams fundamentally driven by two sources:

Foundational Gas Fees: Native tokens must be spent as network resources (e.g., Ethereum's Base Fee and Priority Fee) whenever users execute transfers, deploy smart contracts, or engage in DeFi interactions.

MEV & Staking Economics: Validator nodes capture surplus returns by reordering transactions, while retail investors lock up tokens to reap network inflationary rewards and a cut of transactional fees.

Pharos preserves this classic public chain monetization model. As a high-performance Layer 1, it supports universal activities including on-chain dApp interactions, DeFi operations, and RWA liquidity transfers. The resulting native Gas consumption serves as Pharos' baseline operational engine and token deflation foundation, cementing its foundational L1 valuation. However, this traditional model is inherently cannibalistic: once a bear market hits and on-chain activity cools, Gas revenue suffers a precipitous decline. Lacking access to external value from the real economy beyond the crypto ecosystem, TVL remains heavily reliant on "hot money" temporarily sustained by aggressive token inflation subsidies. This monolithic revenue structure prevents traditional public chains from establishing business fundamentals capable of navigating market cycles.

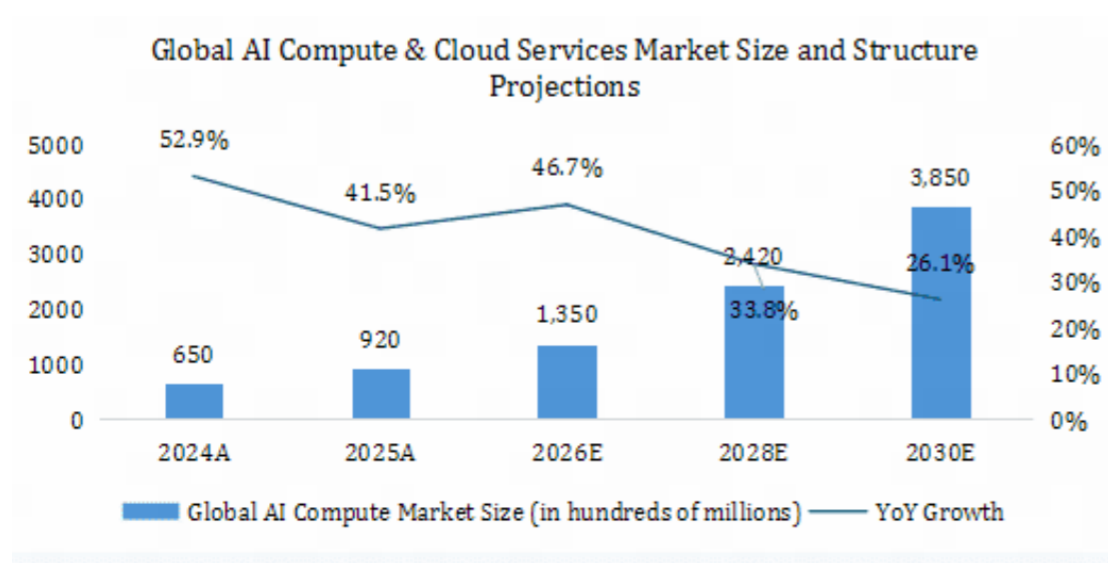
II. Upgrade and Paradigm Shift: Pharos' Five-Dimensional Business Model

Pharos' advanced business model operates as a "five-dimensional closed loop" dual-driven by the Web2 real economy and the on-chain Agent economy. It preserves the foundational attributes of traditional public chains while penetrating deep-tier technologies to unlock diversified streams of cash flow and asset appreciation.



(i) A New Payment Medium for AI Tokens

Entering 2026, the global compute market has completed a structural shift from "training-focused" to "inference-dominated." With the widespread commercialization of multimodal large models and embodied AI, compute has thoroughly evolved into an underlying commodity akin to "electricity and water." Keenly capturing this macro trend, Pharos has anchored PROS as the non-discretionary settlement medium for the global compute consumption market. According to IDC and Gartner reports, as AI Agents replace traditional Apps as the new traffic distribution entry points, the global AI compute and cloud inference market is undergoing a second wave of exponential expansion. Data reveals that the global AI compute market reached \$92 billion in 2025 and is projected to surge to \$385 billion by 2030, representing a massive 5-year CAGR of 33.1%. Within this massive incremental market, the pain points of fragmented compute procurement for long-tail developers and SMEs such as cross-border exchange rate losses and restricted payment channels—have become increasingly prominent in 2026.



Source: IDC Worldwide AI Spending Guide (Industry Outlook), IDC Worldwide, Quarterly AI Infrastructure Tracker (Press Release)

Targeting this highly predictable market opportunity, Pharos has pioneered a "PROS-enabled hard discount" mechanism. Through a deep partnership with ZAN, \$PROS and USDC are designated as the exclusive crypto payment methods on ZAN's newly launched MaaS (Model as a Service) platform, offering developers a 20% hard discount for their first month when paying with PROS. Compared to fiat or other mainstream cryptocurrencies, paying with PROS offers a substantial cost advantage. This strategy mirrors Binance's BNB fee deduction logic, but targets the far larger and highly sticky global AI compute and LLM (e.g., Gemini, Claude, ChatGPT, DeepSeek) consumption market.

In 2026, this strategy not only attracts a massive wave of Web2 and Web3 developers to adopt PROS payments, but also injects "real-world consumption buying pressure" into the secondary market, completely independent of crypto speculation. This compute-driven velocity sink locks up substantial amounts of PROS in the payment pipeline, drastically reducing token velocity and directly transmitting compute sector growth into token valuation.

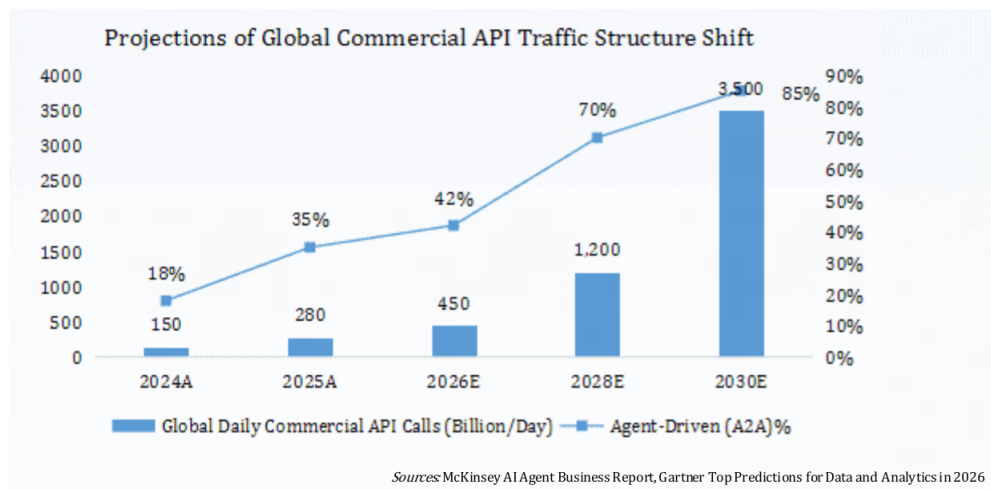
Sustained Buying Pressure: To lower operational overhead for AI services (e.g., Agent construction and Skills execution), compute buyers, dApp developers, and users are highly incentivized to systematically acquire and hold PROS in the secondary market.

Lockups and Reduced Velocity: High-frequency compute consumption and deposit pre-funding lock vast amounts of PROS within the payment loop, neutralizing chaotic market circulation and delivering direct, rigid, and sustainable demand-side value backing for PROS as a RealFi utility asset.

(ii) A2A Settlement Infrastructure under the Agentic Economy Paradigm

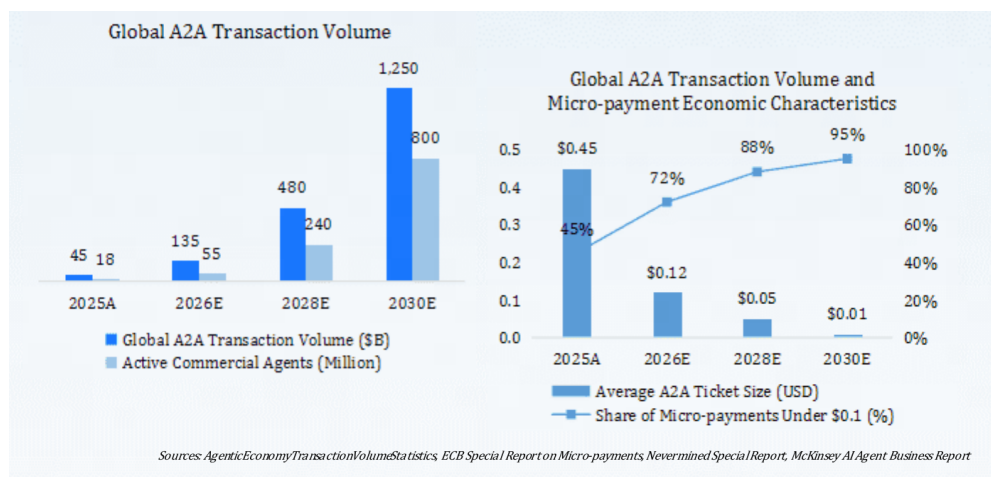
As large language models evolve into AI Agents, a consensus is emerging across tech and crypto economic sectors: the future internet's traffic and capital flows will be dominated by Agents, marking the dawn of the Agent-to-Agent (A2A) economy.

According to McKinsey's AI Agent Business Report and the Gartner 2026 Industry Survey, the traffic structure of global core SaaS and data APIs is undergoing a fundamental shift. AI Agents are no longer merely "assistants" but have actively taken over client-side internet interactions, with automated agents initiating over 35% of all commercial API calls in 2025. By 2030, agent-driven requests are projected to exceed 85% of all internet queries. This machine-level, high-frequency interaction demands an exponential leap in the TPS (Transactions Per Second) capacity of underlying clearing networks.



Shifts in traffic structure have directly catalyzed new demands for capital flow. Transactions between AI Agents exhibit distinct "ultra-high-frequency, micro-payment"

characteristics. For instance, when two Agents call each other's weather data, a single settlement amount can be as low as \$0.01 or even less. As shown below, the total transaction volume of the A2A economy is projected to cross the \$100 billion threshold in 2026, yet the average ticket size per transaction exhibits a precipitous decline, with up to 72% of transactions expected to fall below the \$0.10 micro-payment mark. The high fixed fees of traditional Visa or Stripe networks would directly lead to "fee inversion" (where processing fees exceed the transaction principal), strangling the A2A business model. Leveraging low gas consumption, ultra-high concurrency, and smart-contract-native real-time streaming payments, Pharos has emerged as the viable foundational clearing infrastructure capable of carrying these hundreds of billions of dollars in annual micro-payments. Every minute Agent call translates into organic protocol revenue at the foundational layer of Pharos, forging an exceptionally deep value moat.



(iii) RealFi Alliance & RWA Ecosystem Incubation: Hybrid Yield Forging New Token Value Scenarios

A persistent pain point for traditional Layer 1s is fleeting on-chain TVL and the absence of real yield backing. To address this, Pharos strategically incubated the inaugural RealFi alliance project, Faroo, as a cornerstone of its ecosystem liquidity infrastructure. Faroo pioneers a "Hybrid Yield" mechanism, effectively disrupting the traditional Web3 reliance on single-source inflationary staking rewards. Via the Faroo RWA Hybrid Vault, users locking \$PROS capture both on-chain staking rewards and RWA revenue shares pegged to specific enterprise market performances. This launch unlocks unprecedented RWA interest-bearing scenarios for \$PROS holders, vastly expanding token utility. By leveraging real external yields to lock circulating supply, it establishes a composable liquidity base for the broader RealFi ecosystem, achieving a win-win for both staking and liquidity and liquidity solution

(iv) Web2 External Dividend Feedback via Top-Tier Strategic Partnerships

Pharos is not merely a blockchain network, but a commercial entity with an independent P&L. By deeply binding its Web3 technical architecture with the real-world operations of leading Web2 technology and industrial capital, Pharos has pioneered an external cash flow feedback path unattainable for traditional public chains.

The ecosystem revenue generated from its commercial partnerships primarily consists of:

Tech Collaboration with Leading Giants (e.g., Ant Digital Technologies): Leveraging Ant Digital Technologies' expertise in industrial blockchain, privacy computing, and digital infrastructure, Pharos seamlessly embeds its public chain tech stack into the core pathways of mainstream supply chain finance, cross-border trade, and real-world asset tokenization (RWA), securing technical service fees and transaction cuts.

Strategic Partnership with New Energy Giants (e.g., GCL New Energy): Introducing

real-world business scenarios spanning green energy and next-gen infrastructure (such as compute centers and energy grids). Pharos deeply participates in the digital transformation and compute O&M projects of Web2 giants, translating real physical-world operations into on-balance-sheet revenue for Pharos. According to the listed company's announcements, Pharos, acting as the underlying blockchain infrastructure, fully penetrates the digital O&M and distributed power network businesses of GCL New Energy's (00451.HK, now renamed Era Digital Holdings) 20GW renewable energy assets and overseas compute center projects, charging foundational infrastructure tech fees and capturing agreed-upon infrastructure profit shares.

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(v) Equity Premium Feedback: Building an On-Balance-Sheet Asset Safety Cushion to Navigate Public Chain Cycles

Via the share swap agreement, Pharos holds a 10.71% strategic stake in the listed company (00451.HK). Following the listed entity's successful pivot to "digital energy + AI compute," Pharos will directly capture business dividends at the equity level. Crucially, the capital gains (stock price appreciation) driven by the Web2 capital market's valuation rerate of Era Digital Holdings directly bolster Pharos' corporate balance sheet.

Cash flows from the Web2 real economy will be systematically channeled to buy back and burn PROS tokens in the secondary market. This grants Pharos a dual-financing leverage unavailable to traditional public chains: it can simultaneously capture high-liquidity premiums via Web3 tokenomics and secure low-cost capital from compliant, traditional institutions via Web2 strategic equity partnerships.



III. Conclusion

As a high-performance public chain and a commercial entity with an independent P&L, Pharos secures traditional gas fees and MEV baselines while shattering pure-crypto valuation constraints through a five-dimensional path: First, AI Compute Payment Medium. Introducing a 20% PROS discount mechanism in the global AI compute market to lock in non-discretionary retail and institutional buying demand; Second, A2A Clearing Layer. Adapting to the x402 protocol as the foundational clearing and settlement layer for high-frequency micro-payments in the A2A economy; Third, RealFi Liquidity Loop. Incubating Faroo to pioneer a Hybrid Yield mechanism, merging native \$PROS staking with real-world RWA dividends to lock up secondary market supply; Fourth, Web2 Commercial Revenue. Embedding its tech stack into GCL New Energy's 20GW physical assets and overseas compute center O&M to capture infrastructure fees, transaction cuts, and profit shares; Fifth, Compliant Equity Feedback Loop. Holding a 10.71% strategic stake in the listed company to reap physical asset appreciation and cash dividends.

This "chain-equity coexistence" capital structure evolves the network from a "purely on-chain zero-sum game" to a tangible industrial loop driven by fiat inflows and agent utility. The downside is protected by Web2 physical assets and continuous fiat-denominated technical service fees powering programmatic buybacks (safety cushion), while the upside captures the infinite convexity and premium of AI compute arbitrage and the A2A machine economy. Pharos delivers the gold standard for the paradigm shift in blockchain infrastructure.

