

SECURITIES AND EXCHANGE COMMISSION

FORM 20-F/A

Annual and transition report of foreign private issuers pursuant to sections 13 or 15(d) [amend]

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ChinaCache International Holdings Ltd.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A
(Amendment No. 1)

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934

or

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021.

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

or

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 001-34873

ChinaCache International Holdings Ltd.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

**No 8 Zhuyuan 3rd Street, Area 3,
Tianzhu Comprehensive Bonded Zone
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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American depositary shares, each representing 16 ordinary shares	None
Ordinary shares, par value US\$0.0001 per share*	None

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

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Indicate the number of outstanding shares of each of the issuer’s classes of capital or common stock as of the close of the period covered by the annual report.

436,816,529 ordinary shares, par value US\$0.0001 per share, as of December 31, 2021

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act.

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

EXPLANATORY NOTE

This Amendment No. 1 on Form 20-F/A (the “Amendment”) amends the Annual Report on Form 20-F for the year ended December 31, 2021 of ChinaCache International Holdings Ltd. (“ChinaCache”), as originally filed with the U.S. Securities and Exchange Commission, or the SEC, on May 17, 2022 (the “Original Filing”). ChinaCache is filing the Amendment to include the updated audit opinion and consent letters from Marcum Bernstein & Pinchuk LLP, ChinaCache’s former auditor.

The Original Filing is being amended by this Amendment to include updated audit opinion on page F- 2 and as exhibits: (i) the Consent of Marcum Bernstein & Pinchuk LLP, (ii) the Letter dated as of June 13, 2022 from Marcum Bernstein & Pinchuk LLP. This Amendment does not affect any other parts of, or exhibits to, the Original Filing, nor does it reflect events occurring after the date of the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and any documents filed with or furnished to the SEC by ChinaCache subsequent to May 17, 2022.

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INTRODUCTION

In this annual report, except where the context otherwise requires and for purpose of this annual report only:

- “ADSs” refers to American depository shares, each of which represents 16 ordinary shares;
- “Beijing Blue I.T.” means Beijing Blue I.T. Technologies Co., Ltd.;
- “Beijing Jingtian” means Beijing Jingtian Technologies Co., Ltd.;
- “ChinaCache,” “we,” “us,” “our company,” and “our” refer to ChinaCache International Holdings Ltd., its subsidiaries and its consolidated variable interest entities;
- “China” or “PRC” refers to the People’s Republic of China, excluding, for purposes of this annual report only, Taiwan, Hong Kong and Macau;
- “ChinaCache Beijing” means ChinaCache Network Technology (Beijing) Co., Limited;
- “ChinaCache Hong Kong” means ChinaCache Networks (Hong Kong) Limited;
- “ChinaCache Shouming” means ChinaCache Shouming Technology (Beijing) Co., Limited;
- “RuiShen BJ” means RuiShen Technology (Beijing) Co., Ltd.;
- “ShenRong BJ” means ShenRong Technology (Beijing) Co., Limited;
- “ShenRong HongKong” means ShenRong Technology (HongKong) Limited;
- “ChinaCache U.S.” means ChinaCache North America, Inc.;
- “ChinaCache UK” means ChinaCache Networks (UK) Limited;
- “Variable interest entities,” or “VIEs,” refer to Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, four domestic PRC companies in which we do not have equity interests but whose financial results have been consolidated into our consolidated financial statements in accordance with U.S. GAAP due to our having effective control over, and our being the primary beneficiary of, the four companies;
- “Renminbi” or “RMB” refers to the legal currency of China;
- “U.S.” refers to the United States of America;
- “U.S. GAAP” refers to generally accepted accounting principles in the U.S.;
- “US\$,” “dollars” or “U.S. dollars” refers to the legal currency of the U.S.;
- “Xin Run” means ChinaCache Xin Run Technology (Beijing) Co., Limited; and
- all discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.



SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to our current expectations and views of future events. The forward-looking statements are contained principally in the items entitled “Information on the Company,” “Risk Factors,” “Operating and Financial Review and Prospects,” “Financial Information” and “Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigations Reform Act of 1995. You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions, although not all forward-looking statement contain these words. Forward-looking statements include, but are not limited to, statements relating to:

- our goals and strategies;
- our expansion plans;
- our future business development, financial condition and results of operations;
- the expected growth of the content and application delivery services market;
- our expectations regarding demand for, and market acceptance of, our services;
- our expectations regarding keeping and strengthening our relationships with customers;
- our plans to invest in research and development to enhance our solution and service offerings; and
- general economic and business conditions in the regions where we provide our solutions and services.

We would like to caution you not to place undue reliance on forward-looking statements and you should read these statements in conjunction with the risk factors disclosed in “Item 3 Key Information — D. Risk Factors.” Those risks are not exhaustive. We operate in an emerging and evolving environment. New risk factors emerge from time to time and it is impossible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement. We do not undertake any obligation to update or revise the forward-looking statements except as required under applicable law. You should read this annual report and the documents that we reference in this annual report completely and with the understanding that our actual future results may be materially different from what we expect.

PART I.

VIE Structure and Risks Relating to Our Corporate Structure

ChinaCache International Holdings Ltd. is not an operating company but a Cayman Islands holding company with operations primarily conducted by its subsidiaries and variable interest entities, or VIEs, and VIEs' subsidiaries. Foreign ownership in the business involving value-added telecommunications service (except for e-commerce, domestic conferencing, store-and-forward, and call center services), is subject to significant restrictions under current PRC laws, rules and regulations. In order to provide certain value-added telecommunication services in China while ensuring compliance with PRC laws and regulations, our wholly-owned or controlled PRC subsidiaries entered into a series of contractual arrangements with the VIEs and their shareholders. The contractual agreements are designed to provide us economic exposure and control over such services to the VIEs' value-added telecommunication services in China where PRC law prohibits, restricts or impose conditions on direct equity investment in the VIEs. For a detailed description about these contractual arrangements, see "Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our Consolidated Variable Interest Entities."

As a result of such series of contractual arrangements, ChinaCache International Holdings Ltd. and its relevant wholly-owned and controlled subsidiaries become the primary beneficiary of the VIEs for accounting purposes and treat them as PRC consolidated entities under U.S. GAAP. We consolidate the financial results of the VIEs and their subsidiaries in our consolidated financial statements in accordance with U.S. GAAP. Neither we nor our investors own any equity ownership in, direct foreign investment in, or control through such ownership/investment of the VIEs. These contractual arrangements have not been tested in a court of law in the PRC. As a result, investors in our ADSs are not purchasing equity interest in the VIEs or their subsidiaries but instead are purchasing equity interest in ChinaCache, a Cayman Islands holding company.

Our contractual arrangements with the VIEs and their respective shareholders have not been tested in a court of law in the PRC and foreign investors may never be allowed to hold equity interests in the VIEs and their subsidiaries under PRC laws and regulations. Chinese regulatory authorities could in the future disallow these agreements, which would likely affect our operations in China. For a detailed description of the risks associated with our corporate structure, please refer to risks disclosed under "Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure" in this annual report on Form 20-F.

We and the VIEs face various legal and operational risks and uncertainties related to doing business in China, including complex and evolving PRC laws and regulations. For example, we and the VIEs face risks associated with regulatory approvals on offshore offerings, the use of variable interest entities, anti-monopoly regulatory actions, and oversight on cybersecurity and data privacy, as well as the lack of inspection by the Public Company Accounting Oversight Board, or PCAOB, on our independent registered public accounting firm, which may impact our ability to conduct certain businesses, accept foreign investments, or list on a United States or other foreign exchange. These risks could result in a material adverse change in our operations and the value of our ADSs, significantly limit or completely hinder our ability to offer or continue to offer securities to investors, or cause such securities to significantly decline in value or become worthless.

Permissions Required from the PRC Authorities for Our Operations

We conduct our business primarily through our subsidiaries and consolidated variable interest entities in China. Our operations in China are governed by PRC laws and regulations. As of the date of this annual report, our PRC subsidiaries and consolidated variable interest entities have obtained the requisite licenses and permits from the PRC government authorities that are material for the business operations of our subsidiaries and our consolidated variable interest entities in China, including, among others, the value-added telecommunications operation licenses. Given the uncertainties of interpretation and implementation of relevant laws and regulations and the enforcement practice by relevant government authorities, we may be required to obtain additional licenses, permits, filings or approvals for business operations in the future. For more detailed information, see "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — If we fail to acquire, obtain or maintain applicable telecommunications

licenses, or are deemed by relevant governmental authorities to be operating outside the terms of our existing license, our business would be materially and adversely affected.”

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Furthermore, in connection with our issuance of securities to foreign investors, under the current PRC laws, regulations and regulatory rules, as of the date of this annual report, we, our PRC subsidiaries and consolidated variable interest entities, (i) are not required to obtain permissions from the China Securities Regulatory Commission, or the CSRC, (ii) are not required to go through cybersecurity review by the Cyberspace Administration of China, or the CAC, and (iii) have not been asked to obtain such permissions by any PRC authority.

However, the PRC government has recently indicated an intent to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers. For more detailed information, see “Item 3. Key Information — D. Risk Factors — Risks related to Doing Business in China — The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval.”

Risks Associated with Being Based in or Having the Majority of our Operations in China

Recently, the PRC government initiated a series of regulatory actions and guidelines to regulate business operations in China with little advance notice, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas, regulating overseas securities offering and listing, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement, which may impact our ability to conduct business, accept foreign investments, or list on an U.S. or other foreign exchange.

- On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.
- The PRC Data Security Law, which was promulgated by the Standing Committee of PRC National People’s Congress, or the SCNPC, on June 10, 2021 and became effective on September 1, 2021, outlines the main system framework of data security protection. The Personal Information Protection Law, which was promulgated by the SCNPC on August 20, 2021 and became effective on November 1, 2021, outlines the main system framework of personal information protection and processing. Given that these laws were recently promulgated or issued, their interpretation, application and enforcement are subject to substantial uncertainties.
- On December 28, 2021, the CAC and 12 other PRC regulatory authorities jointly issued the revised Cybersecurity Review Measures, which became effective on February 15, 2022. The Cybersecurity Review Measures provides, among others, (i) the purchase of cyber products and services by critical information infrastructure operators, or the CIIOs, and the network platform operators, which engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the network platform operators with personal information of over one million users that seek for listing on a foreign stock exchange are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. In addition, the Cybersecurity Review Measures provides that the relevant competent governmental authorities may initiate a cybersecurity review against the relevant CIIOs and network platform operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. However, the Cybersecurity Review Measures does not provide any explanation or interpretation of “affect or may affect national security”, and PRC authorities may have broad discretion in interpreting and enforcing these laws and regulations. We cannot predict the impact of the Cybersecurity Review Measures, if any, at this stage, and we will closely monitor and assess the statutory developments in this regard.

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- On August 17, 2021, the State Council promulgated the Regulations on Protection of Security of Critical Information Infrastructure, which took effect on September 1, 2021, pursuant to which, the relevant governmental authorities are responsible for stipulating rules for the identification of critical information infrastructures with reference to several factors set forth in the regulations, and further identify the CIIO in the related industries in accordance with such rules. The relevant authorities shall also notify operators identified as the CIIO. However, as these regulations were newly issued and the governmental authorities may further enact detailed rules or guidance with respect to the interpretation and implementation of such regulations, it remains unclear whether we will be identified as a CIIO. As of the date of this annual report, we have not received any notice from any authorities identifying us as a CIIO or requiring us to undertake a cybersecurity review.
- On November 14, 2021, the CAC published the draft Regulations for the Administration of Cyber Data Security, or the Draft Data Security Regulations, for public comments until December 13, 2021. The Draft Data Security Regulations require that data processors conducting the following activities to apply for cybersecurity review: (i) merger, reorganization or division of Internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (ii) listing abroad of data processors processing over one million users' personal information; (iii) listing in Hong Kong which affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. Where data processors conduct merger, reorganization separation, or otherwise, the data recipient shall continue to perform its data security protection obligations, and the data processor shall report to the local competent department if personal information of more than one million people is involved. The Draft Data Security Regulations also require data processors processing important data or being listed outside China shall carry out data security assessment annually by itself or through a third-party data security service provider and submit assessment report to local agency of the CAC before January 31 each year. As the Draft Data Security Regulations was issued for public comments only, its provisions and anticipated adoption or effective date may be subject to change and thus its interpretation and implementation remain substantially uncertain. We cannot predict the impact of the Draft Data Security Regulations, if any, at this stage, and we will closely monitor and assess any development in the rulemaking process. If the Draft Data Security Regulations is adopted in current form, the CAC and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of these regulations. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. If the enacted version of the Draft Data Security Regulations requires any clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties, or suspension of our non-compliant operations, among other sanctions, which could materially and adversely affect our business and results of operations.
- On December 24, 2021, the CSRC, published the draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the draft of the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) for public consultation. Pursuant to such draft rules, PRC domestic companies directly or indirectly offer securities or list on overseas markets, including (i) Chinese companies limited by shares and (ii) overseas enterprises with business mainly conducted in China and intends to use its domestic equity, assets, income or other similar interests to offer securities or list on overseas markets, shall submit filing materials to CSRC within three working days after the submission of the application documents for an initial public offering overseas. For issuance of listed securities overseas after listings on the overseas market, filing materials should be submitted to CSRC within three working days after the completion of the issuance. Failure to complete the filing required by the regulatory requirements may expose the domestic company to a warning or a fine of RMB1 million to RMB10 million. For serious cases, the domestic company may be ordered to suspend the relevant business, cease operation or revoke relevant business or qualification licenses. However, uncertainty remains as to the final form of these regulations and their interpretation and implementation upon promulgation.

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- The State Anti-Monopoly Bureau, the anti-monopoly enforcement agency in the PRC, has in recent years strengthened enforcement under the Anti-Monopoly Law, including conducting investigations and levying significant fines with respect to concentration of undertakings, cartel activity, monopoly agreements and abusive behavior by companies with market dominance. In February 2021, the Anti-Monopoly Committee of the State Council published the Guideline that aims at specifying some of the circumstances under which an activity of internet platforms may be identified as monopolistic act as well as setting out merger controlling filing procedures involving variable interest entities. On October 23, 2021, the SCNPC issued the draft amendments to the Anti-Monopoly Law, which proposes to increase the fines for illegal concentration of business operators to no more than ten percent of its last year’s sales revenue if the concentration of business operator has or may have an effect of excluding or limiting competitions, or a fine of up to RMB5 million if the concentration of business operator does not have an effect of excluding or limiting competition. The draft also proposes that the relevant authorities shall investigate a transaction where there is any evidence that the concentration has or may have the effect of eliminating or restricting competitions, even if such concentration does not reach the filing threshold. We cannot assure you that we will not be affected, either directly or indirectly, by the strengthened enforcements actions taken by the authority. In addition, in order to comply with existing and new anti-monopoly laws, regulations and guidance which are constantly evolving, we may need to devote additional resources and efforts, which may adversely affect our business, growth prospects, and the value of our ADSs, and any incompliance or associated inquiries, investigations and other governmental actions may divert significant management time and attention and our financial resources, bring negative publicity, subject us to liabilities or administrative penalties, and materially and adversely affect our financial condition, operations and business prospects.

For a detailed description of risks related to doing business in China, see “Item 3. Key Information — D. Risk Factors — Risks related to Doing Business in China” and “Item 4. Information on the Company — B. Business Overview — Regulation” in this annual report on Form 20-F.

We and the VIEs are also subject to risks and uncertainties related to our corporate structure, including, but not limited to, the following:

- We believe that our corporate structure and contractual arrangements are not in violation with the current applicable PRC laws and regulations. As of the date of this annual report, we believe that our PRC subsidiaries and the VIEs are not subject to permission requirements from the CSRC, the CAC, nor any other PRC government authorities to approve these contractual arrangements. However, PRC laws and regulations governing the approval of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. Accordingly, the PRC regulatory authorities may take a view that is contrary to the view of our PRC counsel. There can be no assurance that the PRC government authorities such as the Ministry of Commerce, or the MOFCOM, the Ministry of Industry and Information Technology, or the MIIT, or other authorities that regulate our business and other participants in the telecommunications industry, would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the approval of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions regarding our corporate structure and contractual arrangements from the CSRC, CAC or any other PRC government authorities. If we inadvertently conclude that approvals are not required, or if these regulations change or are interpreted differently and we are required to obtain approval in the future, our shares may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries that conduct all or substantially all of our operations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulation, and rules relating to the agreements that establish the variable interest entities structure for our operations in China, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the variable interest entities, and consequently, significantly affect our

financial condition and results of operations. If the PRC government finds that the contractual arrangements with the variable interest entities do not comply with relevant PRC laws, regulations, and rules, of these laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties or be forced to relinquish our interest in the variable interest entities.”;

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- We rely on contractual arrangements with the VIEs and their shareholders for our business operations, and these contractual arrangements may not be as effective as direct ownership in providing us with control over the VIEs. We rely on the performance by the VIEs and their shareholders of their obligations under the contracts to exercise control over the VIEs. The shareholders of the VIEs may not act in the best interests of us or may not perform their obligations under these contracts. Such risks exist throughout the period in which we intend to operate certain portion of our business through the contractual arrangements with the VIEs. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — We rely on contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ and their respective shareholders for our China operations, which may not be as effective as direct ownership in providing operational control.”;
- Any failure by the VIEs or their shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business. If the VIEs or their shareholders fail to perform their respective obligations under the contractual arrangements, we may have to incur substantial costs and expend additional resources to enforce such arrangements. We may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective under PRC law. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — We rely on contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ and their respective shareholders for our China operations, which may not be as effective as direct ownership in providing operational control.”; and
- The shareholders of the VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition. The shareholders of the VIEs may breach, or cause the VIEs to breach, or refuse to renew, the existing contractual arrangements we have with them and the VIEs, which would have a material adverse effect on our ability to effectively control the VIEs and receive economic benefits from them. If we cannot resolve any conflict of interest or dispute between us and these shareholders, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — The shareholders of our consolidated variable interest entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.”

Risks Associated with the Holding Foreign Companies Accountable Act

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. Under the HFCAA, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years, the SEC will prohibit our securities from being traded on a U.S. national securities exchange, or in the over-the-counter trading market in the U.S. The Public Company Accounting Oversight Board, or PCAOB, is currently unable to conduct inspections on accounting firms in the PRC without the approval of the Chinese government authorities. The auditor and its audit work in China may not be inspected fully by the PCAOB. Inspections of other auditors conducted by the PCAOB outside China have at times identified deficiencies in those auditors' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating the PRC auditor's audits and its quality control procedures. As a result, our securities will not be permitted for trading "over-the-counter", which would substantially impair our investor's ability to sell or purchase our securities when they wish to do so and would significantly affect our ability to raise capital on terms acceptable to us, or at all, which would have a material adverse impact on our business, financial condition and prospects. In June 2021, the United States Senate passed a bill that would amend the HFCAA to accelerate the imposition of trading prohibitions once an issuer is identified from three years to two years, and a companion bill was introduced in the U.S. House of Representatives on December 14, 2021. If this bill amending the HFCAA is approved by both houses of Congress and signed by the President, our securities could be subject to a trading prohibition following our filing of a second consecutive annual report on Form 20-F. The process for implementing trading prohibitions pursuant to the HFCAA will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate as a result of a position taken by a non-U.S. government, or the Relevant Jurisdiction, and such identified auditors, the PCAOB Identified Firms. The first list of PCAOB Identified Firms was included in a release by the PCAOB on December 16, 2021, or the PCAOB December 2021 Release. Our independent registered public accounting firm, Shanghai Perfect C.P.A. Partnership, is located in and organized under the laws of the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, and therefore our auditors are not currently inspected by the PCAOB.

If our auditor is unable to meet the PCAOB inspection requirement in time, our securities will not be permitted for trading "over-the-counter". The HFCAA also imposes additional certification and disclosure requirements for Commission Identified Issuers, and these requirements apply to issuers in the year following their listing as Commission Identified Issuers. The additional requirements include a certification that the issuer is not owned or controlled by a governmental entity in the Relevant Jurisdiction, and the additional requirements for annual reports include disclosure that the issuer's financials were audited by a firm not subject to PCAOB inspection, disclosure on governmental entities in the Relevant Jurisdiction's ownership in and controlling financial interest in the issuer, the names of Chinese Communist Party, or CCP, members on the board of the issuer or its operating entities, and whether the issuer's article's include a charter of the CCP, including the text of such charter.

Transfers of Cash through Our Organizations

ChinaCache is a holding company with no operations of its own. We conduct our operations primarily through our subsidiaries, our VIEs and their subsidiaries. As a result, ChinaCache's ability to pay dividends to the shareholders and to service any debt it may incur may depend upon dividends paid by our subsidiaries and license and service fees paid by our VIEs. If any of our subsidiaries incurs debt on its own behalf in the future, the instruments governing such debt may restrict its ability to pay dividends to ChinaCache. In addition, our PRC subsidiaries are permitted to pay dividends to ChinaCache only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Further, our VIEs and its subsidiaries in PRC are required to make appropriations to certain statutory reserve funds or may make appropriations to certain discretionary funds, which are not distributable as cash dividends except in the event of a solvent liquidation of the companies. For more details, see "Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Holding Company Structure."

ChinaCache transfers cash to its wholly-owned Hong Kong subsidiaries by way of capital contribution or loans, and the Hong Kong subsidiaries transfer cash to its subsidiaries in China by way of capital contribution or loans. As ChinaCache and its subsidiaries control the VIEs through contractual arrangements, ChinaCache and its subsidiaries are

not able to directly contribute capital to the VIEs and VIEs' subsidiaries. However, ChinaCache and its subsidiaries can transfer cash to the VIEs either by providing loans or by making payments to the VIEs for inter-group transactions.

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	As of December 31, 2020					
	ChinaCache	Other Subsidiaries	Primary Beneficiaries of VIEs	VIEs and VIEs' Subsidiaries	Eliminating Adjustments	Consolidated Totals
	(RMB, in thousands)					
Cash and cash equivalents	758	13,169	3,950	2,407	—	20,284
Restricted cash	—	—	2,544	8,463	—	11,007
Accounts receivable, net	—	14,916	169	51,074	—	66,159
Prepaid expenses and other current assets	1,328	1,016	122,066	39,664	(38,730)	125,344
Amounts due from intercompany	—	174,998	4,817,307	4,438,082	(9,430,387)	—
Assets held for sale	—	342,570	—	—	—	342,570
Property and equipment, net	—	15,729	349,904	2	(3,295)	362,340
Cloud infrastructure construction in progress	—	—	294,925	—	(5,137)	289,788
Investments in subsidiaries, our VIE and its subsidiaries	(686,847)	438,510	384,726	—	(136,389)	—
Others	20,045	17,475	58,791	16,185	(17,575)	94,921
Total assets	(664,716)	1,018,383	6,034,382	4,555,877	(9,631,513)	1,312,413
Accounts payable	—	10,166	63,993	257,499	—	331,658
Accrued employee benefits	1,449	89	6,978	22,367	—	30,883
Accrued expenses and other current liabilities	2,968	1,776	1,025,080	48,883	(983,712)	94,995
Other payables	—	—	23,118	—	983,712	1,006,830
Income tax payable	—	(1,596)	46,391	8,009	—	52,804
Liabilities for uncertain tax positions	—	—	40,063	4,187	—	44,250
Amounts due to intercompany	—	429,015	4,810,864	4,632,980	(9,872,859)	—
Amounts due to related parties	—	18	—	148	(140)	26
Current portion of long term loan	—	—	319,941	—	—	319,941
Operating lease liability, current	—	41	13	2,373	—	2,427
Liabilities held for sale	—	7,261	—	—	—	7,261
Operating lease liability, non-current	—	—	—	3,470	—	3,470
Deferred government grant - non-current	—	—	—	14,350	—	14,350
Others	—	—	68,807	9,209	—	78,016
Total liabilities	4,417	446,770	6,405,248	5,003,475	(9,872,999)	1,986,911
Total ChinaCache's shareholders' equity/(deficit)	(669,133)	571,613	(370,866)	(447,598)	246,851	(669,133)
Noncontrolling interests	—	—	—	—	(5,365)	(5,365)
Total shareholders' equity/(deficit)	(669,133)	571,613	(370,866)	(447,598)	241,486	(674,498)
Total liabilities and shareholders' equity/ (deficit)	(664,716)	1,018,383	6,034,382	4,555,877	(9,631,513)	1,312,413

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	As of December 31, 2019					
	ChinaCache	Other Subsidiaries	Primary Beneficiaries of VIEs	VIEs and Subsidiaries	Eliminating Adjustments	Consolidated Totals
	(RMB, in thousands)					
Cash and cash equivalents	880	11,708	9,406	3,936	—	25,930
Restricted cash	—	—	2,275	12,939	—	15,214
Accounts receivable, net	—	42,937	15,155	47,516	—	105,608
Prepaid expenses and other current assets	2,453	1,810	97,367	12,376	3,906	117,912
Amounts due from intercompany	—	248,433	4,455,170	4,081,166	(8,784,769)	—
Assets held for sale	—	342,267	—	—	—	342,267
Property and equipment, net	—	16,476	381,234	2,642	(3,732)	396,620
Cloud infrastructure construction in progress	—	—	297,776	—	(5,137)	292,639
Investments in subsidiaries, our VIE and its subsidiaries	(603,810)	466,740	384,726	—	(247,656)	—
Others	20,045	23,490	76,586	137,390	(17,521)	239,990
Total assets	(580,432)	1,153,861	5,719,695	4,297,965	(9,054,909)	1,536,180
Accounts payable	—	2,238	14,572	261,502	—	278,312
Accrued employee benefits	1,886	835	8,148	27,016	—	37,885
Accrued expenses and other current liabilities	2,710	1,237	1,065,804	29,765	(1,030,123)	69,393
Other payables	—	—	11,282	—	1,030,271	1,041,553
Income tax payable	—	894	39,940	7,407	—	48,241
Liabilities for uncertain tax positions	—	—	40,063	4,187	—	44,250
Amounts due to intercompany	—	541,272	4,422,339	4,293,029	(9,256,640)	—
Amounts due to related parties	—	19	8	140	(140)	27
Current portion of long term loan	—	—	320,000	—	—	320,000
Operating lease liability, current	—	850	877	40,155	—	41,882
Liabilities held for sale	—	5,131	—	—	—	5,131
Operating lease liability, non-current	—	4,915	17	117,428	—	122,360
Deferred government grant - non-current	—	—	—	14,350	—	14,350
Others	—	—	102,271	302	—	102,573
Total liabilities	4,596	557,391	6,025,321	4,795,281	(9,256,632)	2,125,957
Total ChinaCache's shareholders' equity/(deficit)	(585,028)	596,470	(305,626)	(497,316)	206,472	(585,028)
Noncontrolling interests	—	—	—	—	(4,749)	(4,749)
Total shareholders' equity/(deficit)	(585,028)	596,470	(305,626)	(497,316)	201,723	(589,777)
Total liabilities and shareholders' equity/(deficit)	(580,432)	1,153,861	5,719,695	4,297,965	(9,054,909)	1,536,180



Selected Condensed Consolidated Cash Flows Data

	For the Year Ended December 31, 2021					
	ChinaCache	Other Subsidiaries	Primary	VIEs and	Eliminating Adjustments	Consolidated Totals
			Beneficiaries of VIEs	VIEs' Subsidiaries		
(RMB, in thousands)						
Net cash provided by/(used in) operating activities	(17)	5,820	63,733	7,279	—	76,815
Net cash generated from/(used in) investing activities	—	(34)	(26,632)	502	—	(26,164)
Net cash provided by/(used in) financing activities	—	—	(28,449)	—	—	(28,449)

	For the Year Ended December 31, 2020					
	ChinaCache	Other Subsidiaries	Primary	VIEs and	Eliminating Adjustments	Consolidated Totals
			Beneficiaries of VIEs	VIEs' Subsidiaries		
(RMB, in thousands)						
Net cash provided by/(used in) operating activities	(123)	4,104	71,406	7,214	—	82,601
Net cash generated from/(used in) investing activities	—	701	(49,782)	(3,255)	—	(52,336)
Net cash provided by/(used in) financing activities	—	(5,961)	(35,506)	—	—	(41,467)

	For the Year Ended December 31, 2019					
	ChinaCache	Other Subsidiaries	Primary	VIEs and	Eliminating Adjustments	Consolidated Totals
			Beneficiaries of VIEs	VIEs' Subsidiaries		
(RMB, in thousands)						
Net cash provided by/(used in) operating activities	(10,481)	(37,142)	152,336	4,231	—	108,944
Net cash generated from/(used in) investing activities	—	31,308	(72,365)	5,379	—	(35,678)
Net cash provided by/(used in) financing activities	—	11,721	(90,173)	—	—	(78,452)

The following table presents the selected consolidated financial information of our company. Our selected consolidated financial data presented below for the years ended December 31, 2019, 2020 and 2021 and our balance sheet data as of December 31, 2020 and 2021 have been derived from our audited consolidated financial statements included elsewhere in this annual report. Our selected consolidated financial data presented below for the year ended December 31, 2017 and 2018 and our balance sheet data as of December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements which are not included in this annual report. Our audited consolidated financial statements are prepared in accordance with U.S. GAAP.

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You should read the summary consolidated financial information in conjunction with our consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” included elsewhere in this annual report. Our historical results are not necessarily indicative of our results expected for future periods.

	For the year ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands, except for shares, per share and per ADS data)					
Consolidated Statement of Operations and Comprehensive Loss Data:						
Net Revenues:						
Third party customers	852,568	922,591	918,628	335,337	205,391	32,230
Total Net Revenues:	852,568	922,591	918,628	335,337	205,391	32,230
Cost of revenues ⁽¹⁾⁽²⁾	(781,822)	(666,162)	(689,820)	(235,889)	(156,390)	(24,541)
Gross profit	70,746	256,429	228,808	99,448	49,001	7,689
Other operating income loss (income)	(19,483)	(27,352)	(29,176)	(23,943)	1,339	210
Operating expenses: ⁽¹⁾						
Sales and marketing expenses ⁽¹⁾	(61,770)	(36,428)	(36,059)	(22,174)	(22,316)	(3,502)
General and administrative expenses ⁽¹⁾	(142,721)	(128,331)	(152,160)	(65,943)	(55,905)	(8,773)
Provision for (recovery) of provision doubtful accounts receivable	(17,514)	(1,050)	(8,449)	2,121	(70,426)	(11,051)
Transaction tax on assets transfer	—	—	—	—	—	—
Research and development expenses ⁽¹⁾	(81,748)	(68,412)	(54,059)	(10,729)	(262)	(41)
Impairment of long-lived assets	(21,757)	—	—	(13,448)	(114)	(18)
Impairment of long-term investment	(3,690)	—	—	—	—	—

	For the year ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
	(in thousands, except for shares, per share and per ADS data)					
Consolidated Statement of Operations and Comprehensive Loss Data:						
Operating loss	(277,937)	(5,144)	(51,095)	(34,668)	(98,683)	(15,486)
Gain from disposal of a subsidiary	—	—	18,285	—	—	—
Interest income	1,430	354	181	96	329	52
Interest expense	(18,665)	(33,543)	(49,924)	(44,216)	(45,691)	(7,170)
Financial expenses - fee	—	—	—	—	—	—
Other income (expense), net	(5,303)	8,331	36,367	(7,896)	135,997	21,341
Foreign exchange gain (loss)	(11,043)	4,200	1,448	13,567	(6,110)	(959)
Loss before income taxes	(311,518)	(25,802)	(44,738)	(73,117)	(14,158)	(2,222)
Income tax expense	(59,648)	(11)	(7,967)	(6)	(103)	(16)
Net loss	(371,166)	(25,813)	(52,705)	(73,123)	(14,261)	(2,238)
Net loss attributable to the non-controlling interest	(2,005)	(1,395)	(1,034)	(616)	211	33
Net loss attributable to the Company's shareholders	(369,161)	(24,418)	(51,671)	(72,507)	(14,472)	(2,271)
Loss per ordinary share:						
Basic and diluted	(0.87)	(0.06)	(0.12)	(0.17)	(0.03)	(0.01)
Loss per ADS						
Basic and diluted	(13.92)	(0.96)	(1.92)	(2.66)	(0.53)	(0.08)
Shares used in basic and diluted loss per share computation	425,589,746	426,809,567	436,649,822	436,763,196	436,816,529	436,816,529

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(1) Includes share-based compensation expenses as follows:

	For the year ended December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands)						
Allocation of share-based compensation expenses:						
Cost of revenues	490	551	211	79	11	2
Sales and marketing expenses	254	220	83	32	5	1
General and administrative expenses	9,630	2,262	1,114	367	48	7
Research and development expenses	562	1,124	483	176	24	4
Total share-based compensation expenses included in cost of revenues and operating expenses	<u>10,936</u>	<u>4,157</u>	<u>1,891</u>	<u>654</u>	<u>88</u>	<u>14</u>

(2) Includes amount to a related party of nil, nil and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

A summary of our selected consolidated balance sheet data is as follows:

	As of December 31,					
	2017	2018	2019	2020	2021	
	RMB	RMB	RMB	RMB	RMB	US\$
(in thousands)						
Consolidated Balance Sheet Data:						
Cash and cash equivalents	106,708	41,127	25,930	20,284	38,432	6,031
Restricted Cash	—	5,461	15,214	11,007	7,081	1,111
Accounts receivable, net	161,043	210,476	105,608	66,159	39,649	6,222
Prepaid expense and other current assets	212,984	169,635	117,912	125,344	56,226	8,823
Assets held for sale	581,731	581,350	342,267	342,570	342,570	53,757
Total current assets	1,064,491	1,010,747	607,443	565,811	483,958	75,944
Property, plant and equipment, net	53,326	415,067	396,620	362,340	321,280	50,416
Cloud infrastructure construction in progress	416,352	289,280	292,639	289,788	157,083	24,650
Operating lease right-of-use asset	—	—	131,408	5,869	3,400	534
Total assets	1,606,035	1,845,869	1,536,180	1,312,413	1,036,496	162,650
Accounts payable	367,924	339,263	278,312	331,658	318,510	49,981
Other payables	1,254,375	1,403,854	1,041,553	1,006,830	902,023	141,547
Current portion of long-term borrowings	32,642	58,355	320,000	319,941	168,739	26,479
Liabilities held for sale	3,888	7,991	5,131	7,261	8,944	1,404
Total current liabilities	1,887,363	2,015,567	1,913,033	1,916,316	1,680,645	263,730
Total liabilities	2,106,942	2,385,847	2,125,957	1,986,911	1,727,039	271,010
Total shareholders' deficit	(500,907)	(539,978)	(589,777)	(674,498)	(690,543)	(108,360)

Exchange Rate Information

A significant portion of our operations are conducted in China and our revenues are mainly denominated in RMB. This annual report contains translations of RMB amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars and from U.S. dollars to RMB in this annual report were made at a rate of RMB6.3726 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Board of Governors of the Federal Reserve System on December 31, 2021. We make no representation that any RMB or U.S. dollar amounts could have been, or could be, converted into U.S. dollars or RMB, as the case may be, at any particular rate, the rates stated below, or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of RMB into foreign exchange and through restrictions on foreign trade.

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The following table sets forth information concerning exchange rates between the RMB and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this annual report or will use in the preparation of any other periodic reports or any other information to be provided to you. The source of these rates is the Federal Reserve Statistical Release.

Period	Period End	Average ⁽¹⁾	Low	High
2017	6.5063	6.7350	6.4773	6.9575
2018	6.8755	6.6292	6.2649	6.9737
2019	6.9618	6.9013	6.6822	7.1786
2020	6.5250	6.8877	6.5236	7.1316
2021	6.3726	6.4382	6.3435	6.5716

Source: Federal Reserve Statistical Release

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to Our Business and Industry

We have incurred losses in the past and may incur losses in the future. There is substantial doubt about our ability to continue as a going concern.

We have had net losses in recent years. For the three years ended December 31, 2019, 2020 and 2021, our net loss was approximately RMB52.7 million, RMB73.1million and RMB14.3 million (US\$2.2 million), respectively. As of December 31, 2021, we had an accumulated deficit of RMB2,239.2 million (US\$351.4 million) and a deficit in working capital of RMB1,530.3 million (US\$240.1 million) excluding net assets held for sale. In 2021, we had net cash provided by operating activities of RMB76.8 million (US\$12.1 million), net cash used in investing activities of RMB26.2 million (US\$4.1 million) and net cash used in financing activities of RMB28.4 million (US\$4.5 million). We cannot anticipate when, if ever, we will become profitable. Although we have improved the efficiency of our networks and operations and adopted related cost reduction measures, we cannot assure you that we will continue to achieve such efficiency or sustain such cost reductions. If we are unable to generate revenues that significantly exceed our costs and expenses, we will continue to incur losses in the future.

Our ability to continue as a going concern is dependent upon our continued operations, which in turn is dependent upon our ability to meet our financial requirements. Our ability to meet the working capital requirements is subject to the risks relating to the demand for and prices of our services in the market, the economic conditions in our target markets, the timely collection of payment from our customers and the availability of additional funding.

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The audited consolidated financial statements included in this annual report on Form 20-F were prepared on the basis of our continuing as a going concern. Facts and circumstances including recurring losses, negative working capital and net cash outflows raise substantial doubt about our ability to continue as a going concern. In particular, there can be no assurance that the credit facilities can be drawn down in a timely manner, the cash flows from CDN operations, disposal of the cloud infrastructure buildings and assets held for sale can be improved as planned or the afore-mentioned financing measures can be achieved as expected. If we become unable to continue as a going concern, we may have to liquidate our assets, and the value we receive for our assets in liquidation or dissolution could be significantly lower than the values reflected in our audited consolidated financial statements. Our lack of cash resources and our potential inability to continue as a going concern may materially and adversely affect the price of our securities and our ability to raise new capital or to continue our operations.

We generate substantially all of our revenues from data center service, sales of content and application delivery total solutions, and the failure of the market for these services to expand as we expect or the reduction in spending on these services by our current or potential customers would seriously harm our business.

We have generated substantially all of our revenues from data center service, sales of content and application delivery total solutions. We expect such services to continue to be the primary source of our revenues in the foreseeable future. Our success, therefore, depends on our customers' continued and increasing reliance on the internet for delivery of services and applications and our ability to deliver these services and applications cost-effectively. Factors that may have a general tendency to limit or reduce the number of users relying on the internet for services and applications or the number of providers making services and applications available online would harm our business. A decline in the demand for content and application delivery services in general would negatively affect demand for our services. Even if demand for our services continues to grow, this demand may not grow as quickly as we anticipate. The influence of any of these factors may cause our current or potential customers to reduce their spending on our services, which would have a material adverse impact on our business, results of operations and financial condition.

Our costs and expenses may increase, and our results of operations may be adversely affected if we cannot pass on the increased costs to our customers.

We invested heavily in capital equipment and infrastructure. For example, had capital expenditures of RMB59.8 million, RMB53.8 million and RMB29.7 (US\$4.7 million) in 2019, 2020 and 2021, respectively, which relate to our additions of intangible assets, property and equipment as well as construction in progress. Furthermore, our capital expenditures are based upon our assumptions regarding the potential future demand. If we overestimate future demand for our services, we may not be able to achieve acceptable rates of return on our capital expenditures and our results of operations may suffer dramatically. In addition, if our bandwidth and other third-party providers raise the prices of their services and products, we will incur increased costs in order to provide our services. If we cannot pass on the increased costs and expenses to our customers, or if our costs to deliver our services do not decline commensurate with any future declines in the prices we charge our customers, we may fail to achieve profitability.

Pricing Structure and related costs

For IDC operations, it may be affected by our ability to operate our data center efficiently in terms of power consumption. Our data center requires significant levels of power supply to support. Referring to the contracts, we charge our customer either for actual power consumed or include the power in a package price with rack rental. The majority of our customers choose power price included in the rack rental. Accordingly, the customer's actual power usage during the life of the contract will affect its profitability to us. Optimal configuration of customers and power usage will affect our results of operations.

For CDN operations, the profitability may be affected by our service stability of the bandwidth resource. With the minimum points of bandwidth committed to the telecommunication carriers, the optimal deployment of customer's bandwidth consumption will affect the operation efficiency.



If we are unable to attract new customers or to retain existing customers, our revenues may decline.

To increase our revenues, we plan to sell additional services to existing customers, encourage existing customers to increase their purchase volume and attract new customers. If our existing and prospective customers do not perceive our services to be of sufficiently high value and quality, we may not be able to sell additional services to our current customers, retain our current customers or attract new customers. We typically sell our CDN services pursuant to service agreements that are generally one year in duration. Although most of our service agreements contain renewal provisions, our customers have no obligation to renew the contracts after the expiration of their initial commitment period, and these service agreements may not be renewed at the same or higher level of service, if at all. Moreover, some of our service agreements provide that customers have the right to cancel their service agreements prior to the expiration of the terms of their agreements under certain circumstances. This, in addition to the changing competitive landscape in our market, means that we may not accurately predict future customer renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their level of satisfaction or dissatisfaction with our services, the prices of our services, the prices of services offered by our competitors and reductions in our customers' spending levels. In 2019, 2020 and 2021, 9.5%, 95.4% and 75.2%, respectively, of our total number of customers decided not to renew their contracts with us. If we cannot attract a sufficient number of new customers, control our existing customer attrition rate, or increase the purchase volume of our existing customers to cover the loss of existing customers, our revenues may decline and our business will suffer.

We may lose customers if they elect to develop solutions internally for the delivery of their own content and applications.

Our customers and potential customers may decide to develop their own content and applications delivery service solutions rather than outsource these solutions to service providers like us. This is particularly true as our customers expand their operations and begin expending greater resources on delivering their internet services and applications using their own resources. If we fail to offer services that are competitive to in-house developed solutions, we may continue to lose customers or fail to attract customers that develop their own solutions in-house, and our business and financial results would suffer.

The decline in the price of our services could negatively impact our gross margins.

The average prices we can charge for our content and application delivery total solutions have declined, and are expected to decline over time, as a result of, among other things, the increasing number of new entrants into the CDN market and continued competition of pricing in the marketplace. Also, we may be forced to reduce the price of our services due to reduced bargaining power with our customers. If the price that we are able to charge customers falls to a greater extent than we anticipate and we are not able to offset this decline with reduction in our cost of revenues, our results of operations would be adversely affected.

Rapidly evolving technologies or new business models could cause demand for our services to decline or become obsolete.

Third parties may develop technological or business model innovations that address internet services and applications delivery requirements in a manner that is, or is perceived to be, the equivalent or superior to our services. Our existing and future competitors may introduce new products or services that compete with or surpass the quality, price or performance of our services. We may not anticipate such developments and our services may be unable to adequately compete with these potential solutions. In addition, our customers' business models may change in ways that we do not anticipate and these changes could reduce or eliminate our customers' demand for our services. If this occurred, we could lose customers or potential customers, and our business and financial results would suffer. As a result of these or similar potential developments, it is possible that competitive dynamics in our market may require us to reduce our prices, which could harm our revenue, gross margin and results of operations.

If we are unable to successfully develop new services and enhancements to existing services or fail to predict and respond to emerging technological trends and customers' changing needs, our results of operations may suffer.

The market for content and application delivery services is characterized by rapidly changing technology, evolving customer needs and requirements, and frequent new product and service introductions. Our results of operations depend on our ability to develop and introduce new services into existing and emerging markets. The process of developing new technologies is complex and uncertain. We don't have significant resources to developing new services or enhancements to our existing services. Furthermore, we may not successfully execute our technology initiatives or our new services initiatives because of unexpected complexities in planning or timing, technical hurdles that we fail to overcome in a timely manner, misunderstandings about market demand or a lack of appropriate resources. This may in turn materially and adversely affect our results of operations. Failures in execution or market acceptance of new services we introduce could also result in competitors providing those solutions before we do, which could lead to loss of market share, revenues and earnings.

We may continue to record impairments charges in the future.

If our business conditions deteriorate, our long-lived assets need to be reviewed for possible impairment. An impairment loss needs to be recognized to the extent that the carrying amount exceeds the fair value. In the year ended December 31, 2020 and 2021, we did bear an impairment of long-lived assets. Meanwhile, we cannot guarantee that we will not incur increased impairment loss in the future, for various reasons including, but not limited to, a sustained decline in the price of our securities, strategic decisions made in response to changes in economic and competitive conditions, any material adverse change in our relationship with significant customers or the impact of the economic environment on our customer base. If we record significant impairment charges, our results of operations may be materially and adversely affected.

The internet and internet-based services in China may fail to grow as quickly as expected.

Our future success depends on the growth of the internet in China. In particular, our business strategy and growth depend on the continued development and utilization of internet-based services such as online games, rich media content, live streaming, online advertising, e-commerce and mobile internet. Online games, rich media content, e-commerce and mobile internet are relatively new developments in China and may be impacted by regulatory changes in China. Our business prospects and future growth could suffer if the internet or the markets for these internet-based services in China fail to grow as quickly as anticipated. Furthermore, even if the internet and internet-based services in China grow as expected, we may fail to successfully implement our growth strategies, which could have a material adverse impact over our business prospects, results of operations and financial condition.

Many of our existing and potential customers are pursuing emerging or unproven business models which, if unsuccessful, could lead to a substantial decline in demand for our services.

Because the proliferation of broadband internet connections and the subsequent monetization of internet services and applications are relatively recent phenomena in China, the business models of many of our existing and potential customers primarily focus on the delivery of internet content and applications to users and remain unproven. For example, user-generated content websites, media companies and online game operators have been among our customers and are pursuing emerging strategies for monetizing their internet services and applications or traffic on their websites. These companies will not continue to purchase our content and application delivery total solutions if their internet services or applications fail to generate a sufficient return on their investment or if their own business models fail to succeed. Moreover, some of our existing and potential customers are pursuing business in areas which have undefined regulatory parameters in China, and such companies face a risk of having their activities restricted or shut down for regulatory reasons. A reduction in spending on our services by our existing and potential customers or our customers' inability or refusal to pay us due to their own financial condition or other reasons would harm our results of operations, financial condition and liquidity, and our growth and prospects may be materially and adversely affected.



We depend on a limited number of customers for a substantial portion of our revenues, and the loss of, or a significant shortfall in demand from, these customers could significantly harm our results of operations.

During any given fiscal period, a relatively small number of customers typically account for a significant percentage of our revenue. Our five largest customers contributed 76.6%, 57.6% and 48.4% of our total net revenues for the years end December 31, 2019, 2020 and 2021, respectively. Our large customers may decrease the amount of services they purchase from us, ask for price reduction or may stop purchasing our services altogether as a result of a number of factors, including their level of satisfaction or dissatisfaction with our services, the prices of our services, the prices of services offered by our competitors and reductions in our customers' spending levels.

Our operating costs are relatively fixed in the near term. As a consequence, we may not be able to adjust our expenses in the short term to address the unanticipated loss of a large customer during any particular period. As such, we may experience significant and unanticipated fluctuations in our results of operations which may cause us to not meet our expectations or those of stock market analysts, which could cause our stock price to decline.

Our business substantially depends on telecommunications carriers and other third-party providers for communications and storage capacity. Any change that adversely affects our communications and storage capacity could result in interruptions in our services.

Our business and operations are dependent upon telecommunications carriers and other third-party providers for communications and storage capacity, including bandwidth, servers and other equipment. We obtain all of our bandwidth from telecommunications carriers who are compliant with Chinese laws and regulations. We purchase servers and other equipment from suppliers and deploy our servers in numerous third-party co-location facilities. In addition, we need access to end-user access networks operated by telecommunications carriers and internet service providers, or ISPs, in order to complete the delivery of internet content and applications to end-users.

There can be no assurance that we will be able to secure communications and storage capacity on commercially acceptable terms, and that we are adequately prepared for unplanned network interruptions. Furthermore, the changes in regulatory environment and the operating policies of the telecommunications carriers could also adversely affect our business relationships with telecommunications carriers and third-party service providers. If we are unable to obtain transmission capacity on terms commercially acceptable to us or at all, our business and financial results could suffer.

Generally speaking, system disruptions in the networks of certain regional telecommunications carriers and ISPs affect the technical ability to provide our services. Some telecommunications carriers or ISPs may also take measures, such as the deployment of filters that could degrade, disrupt or increase the cost of our or our customers' access to networks operated by them. Telecommunications carriers and ISPs could also decide to limit or prohibit the use of their networks to support or facilitate services, or charge additional fees, our customers or end-users in connection with our services. Third-party suppliers may not be able to meet our demand for servers or other equipment in a timely manner. In addition, any servers in numerous third-party co-location facilities, system outages or other disruptions in these third-party facilities could constrain our ability to deliver our services. Any of these interruptions, interferences or restrictions could result in a loss of existing customers, increased costs and impairment of our ability to attract new customers, thereby harming our revenues and growth.

A severe or prolonged downturn in the global or Chinese economy could materially and adversely affect our business and our financial condition.

As the COVID-19 epidemic in China has been gradually brought under control, the potential of the production, investment and consumption will be released again. Nevertheless, an underlying structural slowdown will weigh on the economy in 2021, not only for China, but also for the world. With the OECD warning the virus presents the biggest danger to the global economy since the 2008 financial crisis. The world may face a recession. Businesses are dealing with lost revenue and disrupted supply chains due to China's factory shutdowns. China is the world's second-largest economy and leading trading nation, so economic fallout for COVID-19 also threatens global growth.



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There is considerable uncertainty over the long-term effects of the monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the U.S. and China. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Since March 2018, there has been growing concerns over foreign trade conflicts between China and the United States and some European and Asian countries, and the United States government is seen as becoming more stringent on Chinese high-tech companies offering substitute technology, products and services in the U.S. The trade frictions have evolved unfortunately into a larger scale trade war in late 2018, market access to these countries by Chinese companies has been severely impacted or completely stemmed, thus inflicting unexpected severe blow to Chinese high-tech companies may include ChinaCache in future. ChinaCache has business presence in the United States and some European and Asian countries and some of the customers from the afore-mentioned countries contributed significant percentage of ChinaCache's total revenue. If such trade war continues to escalate and governments of these countries opt to adopt restrict measures against ChinaCache, among like Chinese high-tech companies, our global market share, number of international customers will decline, impacting our business, financial conditions and results of operations to an extent beyond our best estimate.

To the extent customers are unable to profitably monetize the content we deliver on their behalf due to an economic slowdown or otherwise, they may reduce or eliminate the traffic we deliver on their behalf. Such reductions in traffic would lead to a reduction in our revenues. Additionally, in economic downturns, we may experience the negative effects of increased competitive pricing pressure, customer loss, slowdown in commerce over the internet and corresponding decrease in traffic delivered over our network and failures by customers to pay amounts owed to us on a timely basis or at all. Suppliers on which we rely for servers, bandwidth, co-location and other services could also be negatively impacted by economic conditions which, in turn, could have a negative impact on our operations or expenses. Any prolonged slowdown in the global or Chinese economy may have a negative impact on our business, results of operations and financial condition, and continued turbulence in the international markets may adversely affect our ability to access the capital markets to meet liquidity needs.

We expect to continue to experience intense competition.

The market for our solutions is intensely competitive and characterized by rapidly upgrading technology, evolving industry standards and frequent new product and service innovations. We have experienced and expect to continue to experience intense competition. In China, and in our existing CDN business, we primarily compete with domestic content and application delivery service providers, some of which boast abundance of financing and are industry leaders in the field of cloud hosting and electronic commerce. Although multinational companies currently do not have a significant presence in the content and application delivery services market in China, in part due to regulatory restrictions in China's telecommunications sector, we may face competition from multinational companies if regulatory restrictions in China are lifted in the future. Also, as a result of the growth of the content delivery services market, a number of companies are currently attempting to enter our market, either directly or indirectly, some of which may become significant competitors in the future. Some of our current or potential competitors may have greater financial, marketing and other resources than we do and may have stronger governmental support. Some of our competitors may offer lower prices on competing services in order to gain market share. Our competitors may be able to respond more quickly than we can to new or emerging technologies and changes in customer requirements. Furthermore, some of our current or potential competitors may bundle their offerings with other services, software or hardware in a manner that may discourage content providers from purchasing the services that we offer. Increased competition could result in price reductions and revenue decline, loss of customers and loss of market share, which could harm our business, financial condition and results of operations.

Any unplanned interruption in the functioning of our network or services could lead to significant costs and disruptions.

Our business is dependent on providing our customers with fast, efficient and reliable delivery of internet content and applications. Many of our customers depend on our services to operate their businesses. Consequently, any disruption of our services could have a material impact on our customers' businesses. Our network or services could be disrupted by numerous events, including natural disasters, power losses, changes in our service providers' practices and failure of our software or network. From time to time, we need to correct errors and defects in our platform software or in other aspects of our network. There may be errors and defects originating with third-party networks or software on which we rely that harm our ability to deliver our services. We may also experience disruptions caused by software viruses or other attacks by unauthorized users. Despite our significant capital investments, we may have insufficient communications and server capacity to address these or other disruptions, which could result in interruptions in our services. Any widespread interruption of the functioning of our networks and related services for any reason would reduce our revenues and could harm our business and financial results. In 2016, the internet connection at one of our third-party co-location facilities was interrupted for several hours and as a result our services to certain customers were affected. This is a one-time incident and did not have any material impact on our business or results of operation. In 2019, the internet connection at our IDC was interrupted twice due to municipal infrastructure constructions, our services to certain customers were affected for several hours, which did not cause any material impact on our business or results of operation. In 2021, there was no such unplanned interruption happened. If in the future similar incidents or a more widespread interruption occurred or if we failed to deliver internet services and applications to users as expected during a high-profile media event or well-publicized circumstance, our reputation could be severely damaged. Moreover, any disruptions could undermine confidence in our services and cause us to lose customers or make it more difficult to attract new ones, either of which could harm our business and results of operations.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could disrupt our services, cause damage to our brand and adversely affect our results of operations.

Our computer networks may be vulnerable to cyber incidents, including but not limited to unauthorized access, computer hacking, computer viruses and other security problems caused by unauthorized access to, or improper use of, systems by third parties or employees. A hacker who circumvents our cybersecurity measures could misappropriate proprietary information or cause interruptions, malfunctions or disruptions to our operations. Our electronic data may also be vulnerable to attacks, unauthorized access and misappropriation, which may corrupt our electronic data. We have not experienced a major cybersecurity breach to date. However, if a major cybersecurity breach were to occur, the losses or liabilities associated with such breach could have a material adverse effect on our business. We have implemented solutions, processes, and procedures to help mitigate our exposure to these types of cybersecurity risks, but these measures do not guarantee that we will not in the future experience a major cybersecurity breach. Actual or perceived concerns that our systems may be vulnerable to such cyber-attacks or disruptions may deter customers from using our solutions or services and could result in our customers making claims for damages. As a result, we may be required to devote significant incremental amounts of resources to protect against the threat or perceived threat of these cybersecurity risks or to alleviate problems caused by cyber incidents, if and when they were to occur.

We may have difficulty scaling and adapting our existing network to accommodate increased traffic and technology advances or changing business requirements.

Our services are complex and are designed to be deployed in and across numerous large and complex networks. Our network must perform well and be reliable. The greater the user traffic and the greater the complexity of our products and services, the more resources we will need to invest in additional network capacity and support. Business expansion is expensive and complicated and could result in inefficiencies, operational failures or defects in our network and related software. If we do not expand successfully, or if we experience inefficiencies and operational failures, the quality of our products and services and user experience could decline. These occurrences could damage our reputation and lead to a loss of current and potential customers. Cost increases or the failure to accommodate increased traffic or these evolving business demands without disruption could harm our results of operations and financial condition.



If we fail to manage future growth effectively, our business and results of operations could be adversely affected.

Starting from 2015, we have spent significantly on the continued development of internet data centers in order for the company to enhance its capability to offer CDN, IDC, cloud hosting, or a portfolio of service packages. The planned service capability enhancement initiatives have placed, and will continue to place, substantial demands on our managerial, operational, technological, financial and other resources. Our planned service enhancement requires us to rapidly build up a wealth of knowledge on the targeted service offering and at the same time offer consistent and high-quality service to customers for existing business. Our future results of operations depend to a large extent on our ability to manage this technical enhancement successfully. Risks that we face in undertaking this expansion include:

- training new sales personnel to become productive and generate revenue;
- controlling expenses and investments in anticipation of expanded operations;
- implementing and enhancing our network;
- launching new products and services; and
- addressing new markets.

A failure to manage our growth effectively could materially and adversely affect our business, results of operations or financial condition.

Any difficulties identifying and consummating future acquisitions or integrating current and future acquisitions may have a material and adverse effect on our business, results of operations or financial condition.

Selective acquisitions and strategic investments form part of our strategy to further expand our business. However, acquisitions present challenges, including the difficulty of integrating the operations and personnel of the acquired companies, the potential disruption of our ongoing business, the potential distraction of management, expenses related to the acquisition, potential unknown liabilities or penalties associated with acquired businesses. Any inability to integrate operations or personnel in an efficient and timely manner could harm our results of operations.

We may be unsuccessful in identifying and consummating future acquisitions and strategic investments, which could impair our growth potential. In addition, future acquisitions and strategic investments will require the use of our available cash or dilutive issuances of securities. We may also experience significant turnover from the acquired operations or from our current operations as we integrate businesses. Such difficulties in identifying and consummating future acquisitions and strategic investments or any difficulties encountered in integrating current and future acquisitions may have a material and adverse effect on our business, results of operations or financial condition.

Our results of operations may fluctuate in the future. This may result in significant volatility in, and otherwise adversely affect, the market for our ADSs and ordinary shares.

On September 4, 2019, Nasdaq issued a letter to the Company stating that the Nasdaq Hearings Panel has determined to delist the Company's ADSs from the Nasdaq Stock Market. The management chose to continue to follow the SEC reporting rules stringently while it is listed on OTC Market-Pink Sheet.

Our results of operations may fluctuate as a result of various factors, many of which are outside of our control. These fluctuations are often not seasonable but could result in significant volatility in, and otherwise adversely affect, the market price of our ordinary shares. Fluctuations in our results of operations may be due to a number of factors, including:

- our ability to increase sales to existing customers and attract new customers;
- the loss of major customers, or a significant variation in their use of our services;
- service outages or security breaches;

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- the amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and network;
- the occurrence of significant events in a particular period that results in an increase in the use of our services, such as a major media event or a customer’s online release of a new or updated video game;
- changes in our pricing policies or those of our competitors;
- share-based compensation expenses associated with attracting and retaining key personnel;
- limitations of the capacity of our platform and related systems;
- the timing of costs related to the development or acquisition of technologies, services or businesses;
- general economic, industry, market and regulatory conditions and those conditions specific to internet usage and online businesses;
- reduced usage of our services by our customers. and
- the results of the legal proceedings involving Xin Run and Beijing Federation of Supply and Marketing Cooperatives (“BFSMC”) and other unresolved material legal proceedings as described further below.

Our revenues and results of operations may vary significantly in the future and period-to-period comparisons of our results of operations may not be meaningful. You should not rely on the results of one period as an indication of future performance.

We may face intellectual property infringement claims that could be time-consuming and costly to defend. If we fail to defend ourselves against such claims, we may lose significant intellectual property rights and may be unable to continue providing our services.

Our technologies and business methods may be subject to third-party claims or rights that limit or prevent their use. Companies, organizations or individuals, including our competitors, may hold or obtain patents or other proprietary rights that would prevent, limit or interfere with our ability to make, use or sell our services or develop new services, which could make it more difficult for us to operate our business. Intellectual property registrations or applications by others relating to the type of services that we provide may give rise to potential infringement claims against us. In addition, due to being a public company, we may face a higher risk of being subject to intellectual property infringement claims from third parties. The global content and application delivery services industry is characterized by the existence of a large number of patents, trademarks and copyrights and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We expect that infringement claims may further increase as the number of products, services and competitors in our market increases. Further, continued success in this market may provide an impetus to those who might use intellectual property litigation as a tool against us.

It is critical that we use and develop our technology and services without infringing the intellectual property rights of third parties, including but not limited to patents, copyrights, trade secrets and trademarks. Intellectual property litigation is expensive and time-consuming and could divert management’s attention from our business. Any successful infringement claim against us, whether with or without merit, could, among others things, require us to pay substantial damages, develop non-infringing technology or enter into royalty or license agreements that may not be available on acceptable terms, if at all, and cease making, licensing or using products that have infringed a third party’s intellectual property rights. Protracted litigation could also result in existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation, or could require us to indemnify our customers against infringement claims in certain instances. Any intellectual property litigation could have a material adverse effect on our business, results of operations or financial condition.



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We have patents, patent applications and software copyright registrations in China and the U.S. relating to the technologies used in our business. Certain U.S.-based companies have been granted patents or have licensed patents in the U.S. relating to the content and application delivery business. In the past, we have conducted substantially all of our business operations in China. We primarily rely upon our local business partners in the U.S. to address our content and application delivery needs in those markets. However, the possibility of intellectual property rights infringement claims against us may still increase as we expand outside China.

If we fail to defend ourselves against any intellectual property infringement claim, we may lose significant intellectual property rights and may be unable to continue providing our services, which could have a material adverse effect on our results of operations and business prospects.

We may not be able to prevent others from unauthorized use of our intellectual property.

We rely on a combination of patent, copyright, trademark, software registration and trade secret laws, as well as nondisclosure agreements and other methods to protect our intellectual property rights. As of the date of this annual report, we have 57 PRC patents, two U.S. patents, 67 software copyright registrations. To protect our trade secrets and other proprietary information, employees, consultants, advisors and collaborators are required to enter into confidentiality agreements. However, a patent filing may not result in an issued patent and an issued patent may not sufficiently protect our intellectual property rights and our current patent portfolio may not be broad enough to protect our technologies. In addition, implementation of intellectual property-related laws in China has historically been lacking, primarily because of ambiguities in the PRC laws and difficulties in enforcement. Accordingly, intellectual property rights and confidentiality protections in China may not be as effective as in the U.S. or other countries, and infringement of intellectual property rights continues to pose a serious risk of doing business in China. Policing unauthorized use of proprietary technology is difficult and expensive. The steps we have taken may be inadequate to prevent the misappropriation of our proprietary technology. Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without paying us for doing so, which could harm our business and competitive position. Although we are not currently involved in any litigation with respect to intellectual property, we may need to enforce our intellectual property rights through litigation. Litigation relating to our intellectual property may not prove successful and might result in substantial costs and diversion of resources and management attention.

If our ability to deliver services and applications in popular proprietary formats is restricted or becomes cost-prohibitive, demand for our services could decline, we could lose customers and our financial results could suffer.

Our business partially depends on our ability to deliver internet services and applications in all major formats. If our legal right or technical ability to store and deliver internet services and applications in one or more popular proprietary formats, such as Adobe Flash or Windows Media, is limited, our ability to serve our customers in these formats would be impaired and the demand for our content and application delivery total solutions by customers using these formats would decline. Owners of proprietary formats may be able to block, restrict, or impose fees or other costs on, our use of such formats, which could lead to additional expenses for us and for our customers, or which could prevent our delivery of this type of internet services and applications altogether. Such interference could result in a loss of existing customers, increased costs and impairment of our ability to attract new customers, which would harm our revenues, results of operations and growth.

If we are unable to retain our key employees and hire qualified sales and technical personnel, our ability to compete could be harmed.

Our future success depends upon the continued services of our executive officers and other key technology, sales, marketing and support personnel who have critical industry experience and relationships that they rely on in implementing our business plan. We do not have “key person” insurance policies covering any of our officers or other key employees, and we therefore have no way of mitigating our financial loss were we to lose their services. The loss of the services of any of our key employees could disrupt our operations, delay the development and introduction of our services, and negatively impact our ability to sell our services. There is increasing competition for qualified individuals with the specialized knowledge relevant to providing content and application network services and this competition affects both our ability to retain key employees and hire new ones. If we cannot identify and hire additional qualified

employees, or if we fail to provide appropriate training, career opportunities or otherwise motivate and retain our quality employees, we may not be able to successfully execute our growth strategies and our business could suffer.

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We may not be able to recoup our investment in international expansions.

As part of our growth strategy, we may continue to expand our international network. Such expansion could require us to make significant expenditures, including the purchase of additional network equipment and the hiring of local employees, in advance of generating any revenues. As a consequence, we may fail to achieve profitability or recoup our investment in international locations.

If we fail to maintain a strong brand identity, our business may not grow and our financial results may be adversely impacted.

Maintaining and enhancing the value of our “ChinaCache” and “Blue I.T.” brands is important to attract customers. Our success in maintaining brand awareness and recognition in the content and application delivery services market in China will depend on our ability to consistently provide high-quality, value-added services and solutions. We plan to continue to focus our efforts to establish a wider recognition of our “ChinaCache” and “Blue I.T.” brands to attract potential customers, which may require additional marketing resources. We cannot assure you that we will effectively allocate our resources for these activities or succeed in maintaining and broadening our brand recognition and appeal. If we fail to maintain a strong brand identity, our business and financial results may be adversely impacted.

If we are required to seek additional funding, such funding may not be available on commercially acceptable terms, if at all.

We may need to obtain additional funding due to a number of factors beyond our control, including a shortfall in revenues, increased expenses, increased investment in capital equipment or the acquisition of significant businesses or technologies. In addition, although we have completed building constructions for our cloud infrastructure, we may need to incur substantial investments in the future to equip the buildings with hardware according to potential customers’ specifications. Also, we utilized the funds prepaid by People.cn and BFSMC, for the construction of the buildings to be sold to People.cn and BFSMC, respectively. Under our agreement with BFSMC, we agreed to sell two buildings to a subsidiary of BFSMC through transferring the equity interest of our subsidiary Beijing Zhao Du, the owner of the buildings. In addition, we agreed to lease back the buildings from the subsidiary of BFSMC starting from an agreed earlier date. We also reached a supplemental company letter with BFSMC, pursuant to which we agreed that September 30, 2015 should be deemed as the date of delivery as long as we complete the actual delivery of the buildings as well as the equity transfer by December 31, 2016. If the equity transfer and other agreed procedures are completed on time, our liabilities shall be deemed fully discharged. However, BFSMC has not accepted the buildings by December 31, 2016 due to our disagreement with BFSMC on the standard of delivery and acceptance of the buildings. Therefore, we re-negotiated with BFSMC and reached a series of new agreements with BFSMC in July 2017. Pursuant to the new agreements, BFSMC agreed to make the payments of RMB105.6 million to us immediately upon the completion of equity transfer of Beijing Zhao Du. Although we have completed the transfer of the equity interest in Beijing Zhao Du and the ownership of the buildings in July 2017, BFSMC failed to make the payments of RMB105.6 million to us as agreed. We have filed a lawsuit with the court, claiming the payment of the outstanding amount of consideration and the interest accrued thereon in August 2017. In September 2017, BFSMC filed a counterclaim to sue for, among others, the late delivery penalties and other relating losses. Thereafter we filed a motion to dismiss the counterclaim of BFSMC’s subsidiary arguing that the court does not have the jurisdiction. In April 2018, we were notified by the court that our motion was rejected and Xin Run’s bank deposits and other assets in a total amount of approximately RMB 50.5 million were sealed up, distrained or frozen by the court. On April 24, 2018, we amended our claim requesting, among other things, the defendant pay the additional purchase price of RMB96 million, damages for breach of contract in an amount of RMB14.4 million and the relating interest of RMB8.86 million. The court rendered a judgment on the case on December 31, 2019, which ruled that: (i) certain agreements in relation to such sales of data center buildings (including the cooperation agreement dated as of December 30, 2014, the supplementary agreement dated as of February 26, 2015, the official correspondence dated as of May 5, 2016 and the escrow agreement dated as of July 20, 2017) should be null and void; (ii) Xin Run should repay such BFSMC’ subsidiary in an amount of RMB672 million, which is the consideration paid by such BFSMC’ subsidiary to Xin Run; (iii) such BFSMC’ subsidiary should transfer 100% of the equity securities of Zhao Du to Xin Run, and should repay Xin Run the amount of approximately RMB82.7 million, which is the rent paid by Xin Run to such BFSMC’ subsidiary; (iv) confirmed that such BFSMC’ subsidiary has legal title to the funds with an amount of RMB105.6 million deposited in the escrow account. Both Xin Run and such BFSMC’ subsidiary had appealed the judgment to a higher court, and on September 16, 2021, the court dismissed the appeals of

both Xin Run and the subsidiary of BFSMC. Both Xin Run and the subsidiary of BFSMC have applied to the competent court for compulsory execution of the foregoing court decision.

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In October 2017, the foregoing subsidiary of BFSMC filed a lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent and the relating interest. The second instance of this case has been completed. Unfortunately, we lost, and the court ruled that Xin Run should pay overdue rent from October 2017 to June 2018 in an amount equal to RMB64.8 million and the relevant interest thereon. The subsidiary of BFSMC has applied to the competent court for compulsory execution of the court decision, and Xin Run has filed an application for suspension of such compulsory execution in December, 2019 to the Shunyi District Court of Beijing. Xin Run submitted an application for retrial of the foregoing lawsuit to the Beijing Intermediate People's court. The retrial has been accepted in December 2021 and the execution of the original court decision has been suspended. As of the date hereof, this lawsuit is still ongoing.

In addition, in June 2019, the foregoing subsidiary of BFSMC filed another lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent from July 2018 to March 2019 in an amount equal to RMB64.8 million and the relating interest thereon. Xin Run filed a motion to dismiss for lack of jurisdiction. However, we were notified by the court that our motion was rejected. In January 2020, Xin Run has filed an application for suspension of such lawsuit. The subsidiary of BFSMC withdrew its claims in September 2021.

Please see “Item 8. Financial information — A. Consolidated Statements and Other Financial Information-Legal Proceedings-Litigation” for more information. With respect to the sale of data center building to People.cn, on December 29, 2017, Xin Run entered into a framework agreement with People.cn, under which, among others, Xin Run will transfer 100% equity interest in Beijing Shuoge Technology Co., Ltd. to People.cn subject to terms and conditions to be set forth in a definitive equity transfer agreement. On April 3, 2019, Xin Run entered into a definitive equity transfer agreement and other relevant documents with People.cn, pursuant to which, among others, Xin Run agrees to transfer 100% equity interest in Beijing Shuo Ge to People.cn and return consideration of RMB73.2 million prepaid by People.cn with related interest of RMB13.0 million before December 31, 2024.

We believe that our cash and cash equivalents, and anticipated cash from operating and investing activities will be sufficient to fund our operations and proposed capital expenditures for at least the next 12 months. If for unforeseen circumstances we do need to obtain additional funding, it may not be available on commercially acceptable terms, if at all. If we are unable to obtain sufficient funding, our business would be harmed. Even if we are able to find outside funding sources, we may be required to issue securities in a transaction that could be highly dilutive to our investors or we may be required to issue securities with greater rights than the securities we have outstanding today. We may also be required to take other actions that could lessen the value of our ADSs, including borrowing money on terms that are not favorable to us. If we are unable to generate or raise capital that is sufficient to fund our operations, we may be required to curtail operations, reduce our capabilities or cease operations in certain jurisdictions or completely.

If our preferential tax treatment for ChinaCache Beijing and Beijing Blue I.T. becomes unavailable, our results of operations may be materially and adversely affected.

The Enterprise Income Tax Law, effective as of January 1, 2008, as amended on December 29, 2018, permits certain “high and new enterprises strongly supported by the state” which hold independent ownership of core intellectual property and simultaneously meet a list of other financial or non-financial criteria to enjoy a reduced 15% enterprise income tax rate subject to certain qualification criteria. In November 2013, ChinaCache Beijing obtained the certificate of “high and new- technology enterprise” jointly issued by the Beijing Science and Technology Commission, Beijing Finance Bureau, Beijing Administration of State Taxation and Beijing Administration of Local Taxation, and has since then continued to qualify as a “high and new- technology enterprise” and been entitled to a reduced income tax rate of 15%. Effectively starting from 2016, ChinaCache Beijing has been recognized as a “high and new technology enterprise” and became eligible for a preferential tax rate of 15% till 2022, which is subject to renewal by then.

Effectively starting from 2012, Beijing Blue I.T. has been was recognized as a “high and new technology enterprise” and was eligible for a preferential tax rate of 15% effectively till October, 2021.

For the year ended December 31, 2021, our other PRC subsidiaries would be subject to an enterprise income tax rate of 25%, unless they are qualified as Small Scale and Low Profit Enterprises which would be entitled to exempt fifty percent (50%) or twenty five percent (25%) of their income from tax, depending on their annual taxable income,

and enjoy a reduced enterprise income tax rate of 20%. See “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Taxation — PRC.”

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If our preferential tax treatment of ChinaCache Beijing and Beijing Blue I.T. becomes unavailable, their enterprise income tax rate would increase to 25% and thus our income tax expenses would increase, which may have a material adverse effect on our net income and results of operations.

Failure to maintain effective internal control over financial reporting could have a material and adverse effect on the trading price of our securities.

We are subject to the reporting obligations under the U.S. securities laws. Although our management concluded that we maintained effective internal control over financial reporting as of December 31, 2021, we cannot assure you that we will maintain effective internal control over financial reporting on an ongoing basis. If we fail to maintain effective internal control over financial reporting, we will not be able to conclude that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act of 2002 in our future annual report on Form 20-F covering the fiscal year in which this failure occurs. Effective internal control over financial reporting is necessary for us to produce reliable financial reports. Any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could have a material and adverse effect on the trading price of our securities. Furthermore, we may need to incur additional costs and use additional management and other resources as our business and operations further expand or in an effort to remediate any material control weakness that may be identified in the future.

We have granted, and may continue to grant, stock options and restricted share units under our stock incentive plans, resulting in increased share-based compensation expenses and, therefore, adversely affecting our results of operations.

We have adopted a total of four stock incentive plans, in the years 2007, 2008, 2010 and 2011. As of December 31, 2021, there were outstanding options to purchase 21,237,053 of our ordinary shares and 68,665,520 vested restricted share units granted in accordance with these plans. See “Item 6 Directors, Senior Management and Employees — B. Compensation — Stock Incentive Plans.” For the years ended December 31, 2019, 2020 and 2021, we recorded RMB RMB1.9 million, RMB0.7 million and RMB0.09 million (US\$0.01 million), respectively, in share-based compensation expenses for employees. If we grant more stock options or restricted share units to attract and retain key personnel, the expenses associated with share-based compensation may adversely affect our results of operations. However, if we do not grant stock options or restricted share units or reduce the number of stock options or restricted share units that we grant, we may not be able to attract and retain key personnel.

We may incur losses due to business interruptions resulting from occurrence of natural catastrophes, acts of terrorism or fires, and we have limited insurance coverage.

The occurrence of natural catastrophes such as earthquakes, floods, typhoons or any acts of terrorism may result in significant property damages as well as loss of revenues due to interruptions in our business operations. In addition, the provision of our services depends on the continuing operation of our information technology and communications systems, which are also vulnerable to damage or interruption from natural catastrophes and acts of terrorism. Some of our data centers are located in areas with a high risk of typhoons or earthquakes. Our disaster recovery planning cannot account for every conceivable possibility. Any damage to or failure of our systems could result in interruptions in our services, which could reduce our revenues and profits, and our brand could be damaged if people believe our systems are unreliable.

The insurance industry in China is not fully developed. Insurance companies in China offer limited business insurance products. While business disruption insurance may be available to a limited extent in China, we have determined that the risks of disruption and the difficulties and costs associated with acquiring such insurance render it commercially impractical for us to have such insurance. As a result, we do not have any business liability, disruption or litigation insurance coverage for our operations in China. Any business disruption or litigation might result in our incurring substantial costs and the diversion of resources.



We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

Our business could be materially and adversely affected by natural disasters or the outbreak of health epidemic. Any such occurrences could cause severe disruption to our daily operations, and may even require a temporary closure of our facilities. In May 2008, a severe earthquake hit part of Sichuan province in southwestern China, and in April 2010, another severe earthquake hit part of Qinghai province in western China, and in August 2014, another strong earthquake hit part of Yunnan province in southern China, each of which resulted in significant casualties and property damage. While we did not suffer any loss or experience any significant increase in cost resulting from these earthquakes, if a similar disaster were to occur in the future affecting Beijing or another city where we have major operations in China, our operations could be materially and adversely affected due to loss of personnel and damages to property. In addition, any outbreak of avian flu, severe acute respiratory syndrome (SARS), influenza A (H1N1), H7N9, Ebola, COVID-19 epidemic or other adverse public health epidemic in China may have a material and adverse effect on our business operations. These occurrences could require the temporary closure of our offices or prevent our staff from traveling to our customers' offices to provide on-site services. Such closures could severely disrupt our business operations and adversely affect our results of operations.

We are subject to China's anti-corruption laws and the U.S. Foreign Corrupt Practices Act. Our failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our business, results of operations and financial condition.

We are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, which generally prohibits companies and anyone acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business, along with various other anti-corruption laws, including China's anti-corruption laws. Our company policies strictly prohibit any such conduct and require that we the Company, our employees and intermediaries comply with the FCPA and other anti-corruption laws to which we are subject. There is, however, no assurance that such policies or procedures will work effectively all the time or protect us against liability under the FCPA or other anti-corruption laws for actions taken by our employees and intermediaries with respect to our business or any businesses that we may acquire. We provide a portfolio of services and solutions to government agencies in China. This puts us in frequent contact with persons who may be considered "foreign officials" under the FCPA, resulting in an elevated risk of potential FCPA violations. If we are found to be not in compliance with the FCPA and other applicable anti-corruption laws governing the conduct of business with government entities or officials, we may be subject to criminal and civil penalties and other remedial measures, which could have an adverse impact on our business, financial condition and results of operations. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or foreign authorities, including Chinese authorities, could adversely impact our reputation, cause us to lose customer sales and access to end-user access networks, and lead to other adverse impacts on our business, financial condition and results of operations.

Risks Related to Our Corporate Structure

There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulation, and rules relating to the agreements that establish the variable interest entities structure for our operations in China, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the variable interest entities, and consequently, significantly affect our financial condition and results of operations. If the PRC government finds that the contractual arrangements with the variable interest entities do not comply with relevant PRC laws, regulations, and rules, of these laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties or be forced to relinquish our interest in the variable interest entities.

The PRC government regulates telecommunications-related businesses through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership of PRC companies that engage in telecommunications-related business. Specifically, foreign investors are not allowed to own more than a 50% equity interest in any PRC company engaging in value-added telecommunications business, except for those engaged in e-commerce business, domestic multi-party communications services business, store-and-forward business and call center business, which may be 100% owned by foreign investors in accordance with the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2021 Version), or the Negative List, which became effective on January 1, 2022 and replaced the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2020 Version), and other applicable laws and regulations. In addition, on January 31, 2019, the State Council published its approval of Fully Promoting the Comprehensive Pilot Program for Expanding the Opening Up of Service Industry in Beijing, pursuant to which Beijing lifts foreign ownership limits on internet access service industry (only the service of providing users with internet access) in certain pilot zones in Beijing. Nevertheless, since the local authorities in Beijing has not promulgated detailed implementing rules or guidelines as of the date of this annual report, it remains uncertain as to the interpretation and implementation of this new policy in many aspects, such as whether the abovementioned requirements provided by the Foreign Investment Telecommunications Rules for a major foreign investor and the MIIT approval will still apply in Beijing.

Because we are a Cayman Islands company, we are classified as a foreign enterprise under PRC laws and regulations, and our PRC subsidiaries, ChinaCache Beijing, Xin Run and RuiShen BJ, are foreign-invested enterprises. To comply with PRC laws and regulations, we conduct our content and application delivery total solution business and the other telecommunications-related businesses in China through a set of contractual arrangements with each of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ and their respective shareholders. These contractual arrangements provide us with effective control over Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, and enable us to receive substantially all of the economic benefits of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ in consideration for the services provided by our wholly-owned and controlled PRC subsidiaries, and have an exclusive option to purchase all of the equity interest in Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ when permissible under PRC laws. For a description of these contractual arrangements, see “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our Consolidated Variable Interest Entities.” If the PRC government deems that our contractual arrangements with the consolidated variable interest entities do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change or are interpreted differently in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations. Our shares may decline in value and become worthless, if we are unable to assert our contractual control right over the assets of our wholly-owned and controlled PRC subsidiaries and the consolidated variable interest entities that conduct all or substantially all of our operations. Our holding company in the Cayman Islands, the consolidated variable interest entities, and investors of our company face uncertainty about potential future actions by the PRC government authorities that could affect the enforceability of the contractual arrangements with the consolidated variable interest entities and, consequently, significantly affect the financial performance of the consolidated variable interest entities and our company as a group.

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The MIIT issued a circular in July 2006 requiring a foreign investor to set up a foreign-invested enterprise and obtain a value-added telecommunications business operating license, or VAT license, in order to conduct any value-added telecommunications business in China. Pursuant to this circular, a domestic VAT license holder is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local VAT license holder or its shareholder. The circular further requires each VAT license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Due to a lack of interpretations from the regulator, it is unclear what impact this circular will have on us or other similarly situated companies.

There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including, but not limited to, the laws and regulations governing our business, or the enforcement and performance of our contractual arrangements with the consolidated variable interest entities, including but not limited to Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ. These laws and regulations may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. New laws and regulations that affect existing and proposed future businesses may also be applied retroactively. Due to the uncertainty and complexity of the regulatory environment, we cannot assure you that we would always be in full compliance with applicable laws and regulations, the violation of which may have adverse effect on our business and our reputation.

In the opinion of Han Kun Law Offices, our PRC legal counsel, based on its understanding of the relevant laws and regulations, except as otherwise disclosed herein (i) the ownership structure of our PRC subsidiary, our PRC consolidated variable interest entities and their branches and subsidiaries comply with all existing PRC laws and regulations; (ii) each of the documents currently effective under the contractual arrangements among us, our PRC subsidiary, PRC consolidated variable interest entities and their shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) the business operations of our PRC subsidiary, our PRC consolidated variable interest entities and their branches and subsidiaries are in all material respects in compliance with existing PRC laws and regulations and the terms of their licenses and permits. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, the above circular, and the Telecommunications Regulations of the PRC. Accordingly, there can be no assurance that the PRC regulatory authorities that regulate providers of content and application delivery services and other participants in the telecommunications industry, in particular, the MIIT, would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future.

PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations. If our corporate and contractual structure is deemed by the relevant PRC regulatory authorities to be illegal, either in whole or in part, we may have to modify such structure to comply with regulatory requirements. However, we cannot assure you that we can achieve this without material disruption to our business. Further, if our corporate and contractual structure is found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down a portion or all of our networks and servers;
- discontinuing or restricting our operations in China;

- imposing conditions or requirements with which we may not be able to comply;
- requiring us to restructure our corporate and contractual structure;

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- restricting or prohibiting our use of the proceeds from a public offering to finance our PRC consolidated variable interest entities' business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of the variable interest entities in our consolidated financial statements, if the PRC government authorities were to find our legal structure and contractual arrangements to be non-compliant with PRC laws and regulations. We also cannot be certain that equity interests in the variable interest entities will be disposed of in accordance with the contractual arrangements among our PRC subsidiaries, the variable interest entities and the nominee shareholders of the variable interest entities. In addition, new PRC laws, regulations, and rules may be introduced to impose additional requirements, posing additional challenges to our corporate structure and contractual arrangements. If the imposition of any of these government actions causes us to lose our right to direct the activities of the variable interest entities or our right to receive substantially all the economic benefits and residual returns from the variable interest entities and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of the variable interest entities in our consolidated financial statements. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in the variable interest entities, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of the variable interest entities or our right to receive their economic benefits, we would no longer be able to consolidate such variable interest entities in our consolidated financial statements in accordance with U.S. GAAP. In addition, our shares may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of the VIEs that conduct all or substantially all of our operations. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned or controlled subsidiaries in China or the variable interest entities or their subsidiaries. For the years ended December 31, 2019, 2020 and 2021, our consolidated variable interest entities contributed most of our total net revenues.

ChinaCache Beijing's, Xin Run's and RuiShen BJ's contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that ChinaCache Beijing's, Xin Run's and RuiShen BJ's contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the respective tax liabilities of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ without reducing ChinaCache Beijing's, Xin Run's and RuiShen BJ's tax liability, which could further result in late payment fees and other penalties to Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ for underpaid taxes; or (ii) limiting the ability of ChinaCache Beijing, Xin Run, RuiShen BJ, Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ to obtain or maintain preferential tax treatments and other financial incentives.

We rely on contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming, and ShenRong BJ and their respective shareholders for our China operations, which may not be as effective as direct ownership in providing operational control. Any failure by the variable interest entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material adverse effect on our business.

Due to certain restrictions under the PRC laws on foreign ownership of entities engaged in data center service and other telecommunications value-added services, we conduct our operations in China through contractual arrangements among us, our wholly-owned or controlled PRC subsidiaries, the variable interest entities and their shareholders. We do not have any equity interest in the consolidated variable interest entities. However, as a result of these contractual arrangements, we have consolidated the financial information of the consolidated variable interest entities in our consolidated financial statements in accordance with U.S. GAAP. We rely on contractual arrangements with our consolidated variable interest entities, Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, and their respective shareholders, to operate our business in China. For a description of these contractual arrangements, see “Item 7. Major Shareholders and Related Party Transactions — B. Related Party Transactions — Contractual Arrangements with Our Consolidated Variable Interest Entities.” These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated variable interest entities. Under the current contractual arrangements, as a legal matter, if our consolidated variable interest entities or their shareholders fail to perform their respective obligations under these contractual arrangements, we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system and we may incur substantial costs and expend significant resources in pursuing such enforcement actions.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the U.S. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements, which may make it difficult to exert effective control over our consolidated variable interest entities, and our ability to conduct our business may be negatively affected. See “— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system could limit legal protections available to you and us.” Meanwhile, there are very few precedents and little formal guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the ultimate outcome of such arbitration should legal action become necessary. In addition, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over the variable interest entities. As a result, our ability to conduct our business may be materially and adversely affected, and we may not be able to consolidate the financial results of the relevant variable interest entities into our consolidated financial statements in accordance with the U.S. GAAP, which may materially and adversely affect our results of operations and damage our reputation. See “— Risks Related to Doing Business in China — Uncertainties with respect to the PRC legal system could limit legal protections available to you and us.”

The shareholders of our consolidated variable interest entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

We conduct our operations in China through contractual arrangements among us, our wholly-owned and controlled PRC subsidiaries, the variable interest entities and their shareholders and we rely on the shareholders of the variable interest entities to abide by the obligations under such contractual arrangements. The shareholders of our consolidated variable interest entities, Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, are also the founders, directors, executive officers, employees or shareholders of our company. The interests of these individuals as the shareholders of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ may differ from the interests of our company as a whole, as what is in the best interests of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming or ShenRong BJ may not be in the best interests of our company. Conflicts of interests between their roles may arise. We cannot assure you that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or that conflicts of interest will be resolved in our favor. In addition, these individuals may breach or cause our consolidated variable interest entities to breach the existing contractual arrangements, and they may refuse to renew the existing contractual arrangements with us. Currently, we do not have arrangements to address potential conflicts of interest between these individuals and our company. We rely on these individuals to abide by the laws of the Cayman Islands and China. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our two consolidated variable interest entities, we would have to rely on legal proceedings, which could result in disruption of our business and substantial uncertainty as to the outcome of any such legal proceedings.

Currently, we do not have arrangements to address potential conflicts of interest the shareholders of the VIEs may encounter, on one hand, and as a beneficial owner of our company, on the other hand; provided that we could, at all times, exercise our option under the relevant exclusive option agreement to cause them to transfer all of their equity ownership in the VIEs to a PRC entity or individual designated by us as permitted by the then applicable PRC laws. In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then existing shareholders of the VIEs as provided under the power of attorney, directly appoint new directors of the VIEs. We rely on the shareholders of the variable interest entities to comply with the laws of China, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty to act in good faith in the best interests of the company, a duty not to make a personal profit based on his position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company also owes to the company a duty to exercise skills they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. However, the legal frameworks of China and Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of the variable interest entities, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Our ability to enforce the share pledge agreements between us and the shareholders of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ may be subject to limitations based on PRC laws and regulations.

Pursuant to the share pledge agreements which our wholly-owned subsidiary ChinaCache Beijing has entered into with Beijing Blue I.T. and Beijing Jingtian and their respective shareholders, and the share pledge agreements that Xin Run has entered into with ChinaCache Shouming and its shareholders, and the share pledge agreements that RuiShen BJ has entered into with ShenRong BJ and its shareholders, the shareholders of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ have agreed to pledge their respective equity interests in Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ to ChinaCache Beijing, Xin Run or RuiShen BJ to secure Beijing Blue I.T.'s, Beijing Jingtian's, ChinaCache Shouming's and ShenRong BJ's performance of their obligations under the relevant contractual arrangements. The share pledges of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ under these share pledge agreements have been registered with the relevant local branch of the State Administration for Industry and Commerce, now the State Administration for Market Regulation, or SAIC.

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In addition, when registering the pledges over the equity interests under the share pledge agreements with the local branch of SAIC, the amount of secured liabilities as stated on the application forms was RMB40.0 million for Beijing Blue I.T., RMB10.0 million for Beijing Jingtian, RMB10.0 million for ChinaCache Shouming, and RMB10.0 million for ShenRong BJ corresponding to the pledged equity interests. The share pledge agreements with the shareholders of Beijing Blue I.T. provide that the pledged equity interest constitutes continuing security for any and all of the payment obligations under all of the principal service agreements. The share pledge agreements with the shareholders of Beijing Jingtian provide that the pledged equity interest constitutes continuing security for any and all of payment obligations, including payment of consulting and service fees, under the business cooperation agreement. The share pledge agreements with the shareholders of ChinaCache Shouming and the shareholders of ShenRong BJ provide that the pledged equity interest constitutes continuing security for any and all of payment obligations, including payment of consulting and service fees, under the relevant business cooperation agreements. However, it is possible that a PRC court may take the position that RMB10.0 million or RMB40.0 million, as applicable, represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the share pledge agreements and are in excess of RMB10.0 million or RMB40.0 million, as applicable, could be determined by the PRC court as unsecured debt, which takes secondary priority comparing with other creditors of secured debts.

We may lose the ability to use and enjoy assets held by the variable interest entities that are material to the operation of certain portion of our business if the variable interest entities go bankrupt or become subject to a dissolution or liquidation proceeding.

As part of our contractual arrangements with the variable interest entities, the variable interest entities and their subsidiaries hold certain assets that are material to the operation of our business, including intellectual property and premises and licenses. If the variable interest entities go bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, the variable interest entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If the variable interest entities undergo a voluntary or involuntary liquidation proceeding, independent third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations. As of the date hereof, three companies have applied to competent court and request declaration of the bankruptcy liquidation of Xin Run. Please refer to “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings” for more information.

If the chops of our PRC subsidiaries and the VIEs are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised.

In China, a company chop or seal serves as the legal representation of the company towards third parties even when unaccompanied by a signature. Each legally registered company in China is required to maintain a company chop, which must be registered with the local Public Security Bureau. In addition to this mandatory company chop, companies may have several other chops which can be used for specific purposes. The chops of our PRC subsidiaries and VIEs are generally held securely by personnel designated or approved by us in accordance with our internal control procedures. To the extent those chops are not kept safely, are stolen or are used by unauthorized persons or for unauthorized purposes, the corporate governance of these entities could be severely and adversely compromised and those corporate entities may be bound to abide by the terms of any documents so chopped, even if they were chopped by an individual who lacked the requisite power and authority to do so. In addition, if the chops are misused by unauthorized persons, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations.

Risks Related to Doing Business in China

The Chinese government may intervene or influence our operations at any time or may exert more control over offerings conducted overseas and foreign investment in China-based issuers, which could result in a material change in our operations and/or the value of our ordinary shares. Additionally, the PRC government has recently indicated an intent to exert more oversight over offerings that are conducted overseas and/or foreign investment in

China-based issuers, which could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

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We conduct our business in China primarily through our PRC subsidiaries, the VIEs and their subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government's significant oversight over our business operation could result in a material adverse change in our operations and the value of our ADSs. The Chinese government may intervene or influence our operations at any time, or may exert more control over offerings conducted overseas and/or foreign investment in China-based issuers, which could result in a material change in our operations and/or the value of our ADSs. Any actions by the Chinese government to exert more oversight and control over offerings that are conducted overseas and/or foreign investment in China-based issuers could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or become worthless.

PRC government has also recently indicated an intent to exert more oversight over offerings that are conducted overseas and foreign investment in China-based issuers. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors. On July 6, 2021, the General Office of the Communist Party of China Central Committee and the General Office of the State Council jointly issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, which provided that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the PRC State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of domestic industry competent authorities and regulatory authorities. See “— Risks Related to Doing Business in China — The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval.” In addition, the PRC government has recently published new policies that significantly affected certain industries, and we cannot rule out the possibility that it will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

The approval and/or other requirements of the CSRC or other PRC governmental authorities may be required in connection with an offering under PRC rules, regulations or policies, and, if required, we cannot predict whether or how soon we will be able to obtain such approval.

The Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC persons or entities to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. The interpretation and application of the regulations remain unclear, and our offshore offerings may ultimately require approval of the CSRC. If the CSRC approval is required, it is uncertain whether we can or how long it will take us to obtain the approval and, even if we obtain such CSRC approval, the approval could be rescinded. Any failure to obtain or delay in obtaining the CSRC approval for any of our offshore offerings, or a rescission of such approval obtained by us, would subject us to sanctions imposed by the CSRC or other PRC regulatory authorities, which could include fines and penalties on our operations in China, restrictions or limitations on our ability to pay dividends outside of China, and other forms of sanctions that may materially and adversely affect our business, financial condition, and results of operations.

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On July 6, 2021, the relevant PRC government authorities issued the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen regulation over illegal securities activities and the supervision on overseas listings by China-based companies and propose to take effective measures, such as promoting the development of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies. On December 24, 2021, the CSRC, published draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the draft of the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) for public consultation. Pursuant to such draft rules, domestic companies directly or indirectly offer securities or list on overseas markets, including (i) Chinese companies limited by shares and (ii) overseas enterprises with business mainly conducted in China and intends to use its domestic equity, assets, income or other similar interests to offer securities or list on overseas markets, shall submit filing materials to CSRC within three working days after the submission of the application documents for an initial public offering overseas. For issuance of listed securities overseas after listings on the overseas market, filing materials should be submitted to CSRC within three working days after the completion of the issuance. Failure to complete the filing required by the regulatory requirements may expose the domestic company to a warning or a fine of RMB1 million to RMB10 million. For serious cases, the domestic company may be ordered to suspend the relevant business, cease operation or revoke relevant business or qualification licenses. However, as of the date of this annual report, there is no timetable as to when these drafts will be enacted. Uncertainty remains as to the final form of these regulations and their interpretation and implementation upon promulgation.

As of the date of this annual report, we have not received any inquiry, notice, warning, or sanctions regarding offshore offering from the CSRC, CAC or any other PRC governmental authorities. We cannot assure you that any new rules or regulations promulgated in the future will not impose additional requirements on us. If it is determined in the future that filings with or approval from the CSRC or other regulatory authorities or other procedures, including the cybersecurity review under the Cybersecurity Review Measures, are required for our offshore offerings, it is uncertain whether we can or how long it will take us to complete the filings or obtain such approval or complete such procedures and any such approval or completion could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for our offshore offerings, or a rescission of any such approval if obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities for failure to complete the filings or seek approval from CSRC or other government authorization for our offshore offerings. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from our offshore offerings into China or take other actions that could materially and adversely affect our business, financial condition, results of operations, and prospects, as well as the trading price of our shares. The CSRC or other PRC regulatory authorities also may take actions requiring us, or making it advisable for us, to halt our offshore offerings before settlement and delivery of the shares offered. Consequently, if investors engage in market trading or other activities in anticipation of and prior to settlement and delivery, they do so at the risk that settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for our prior offshore offerings, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval requirement could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of the ADSs.

PRC government has significant oversight over the conduct of our business. The PRC government's oversight over our business operations could result in a material adverse change in our operations and the value of our ADSs.

We conduct our business primarily through our PRC subsidiaries and our VIEs in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the operation of our business, and it may influence our operations, which could result in a material adverse change in our operation and the value of our ADSs.

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The PRC government authorities may strengthen oversight over offerings that are conducted overseas and/or foreign investment in overseas-listed China-based issuers like us. Such actions taken by the PRC government authorities may intervene our operations at any time, which are beyond our control. For instance, on July 6, 2021, the relevant PRC governments promulgated the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law, among which it is mentioned that the administration and supervision of overseas-listed China-based companies will be strengthened, and the special provisions of the State Council on overseas issuance and listing of shares by such companies will be revised, clarifying the responsibilities of relevant domestic industry regulatory authorities and other regulatory authorities. However, the Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law were only issued recently, leaving uncertainties regarding the interpretation and implementation of these opinions. There is no assurance that any new rules or regulations promulgated in the future will impose additional requirements on us. On December 24, 2021, the CSRC released the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), or the Draft Overseas Listing Provisions, which require that, among other things, domestic companies that seek to offer or list securities overseas, both directly and indirectly, should fulfill the filing procedure and report relevant information with the CSRC. If a domestic company fails to complete the filing procedure or conceals any material fact or falsifies any major content in its filing documents, such domestic company will be subject to administrative penalties such as warnings, fines, suspension of relevant business or operations, and revocation of licenses and permits, and its controlling shareholders, actual controllers, directors, supervisors, and senior executives may also be subject to administrative penalties such as warnings and fines. On the same day, the CSRC also issued the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for comments), or the Draft Filing Measures, which, among others, set forth the standards in determination of an indirect overseas listing by a domestic company, the responsible filing persons, and the procedures for the filing. The period for which the CSRC solicits comments on the Draft Overseas Listing Provisions and the Draft Filing Measures ended on January 23, 2022. As the Draft Overseas Listing Provisions and the Draft Filing Measures are not adopted as of the date of this annual report, and it remains unclear whether the formal version adopted in the future will have any further material changes, there remains substantial uncertainties as to how these drafts will be enacted, interpreted, or implemented and how they will affect our operations and our future overseas offerings.

In addition, on November 14, 2021, the CAC published the Draft Data Security Regulations for public comments, according to which, among others, a foreign listing of data processors processing personal information of over one million users and listing in Hong Kong by data processors that affects or may affect national security must apply for cybersecurity review. As the Draft Data Security Regulations have not been adopted and it remains unclear whether the formal version adopted in the future will have any further material changes, it is uncertain how the draft regulations will be enacted, interpreted or implemented and how they will affect us. In addition, on December 28, 2021, the CAC and several other PRC government authorities jointly issued the Cybersecurity Review Measures, according to which, among others, (i) the purchase of cyber products and services by critical information infrastructure operators, or the CIIOs, and the network platform operators, which engage in data processing activities that affects or may affect national security shall be subject to the cybersecurity review by the Cybersecurity Review Office, the department which is responsible for the implementation of cybersecurity review under the CAC; and (ii) the network platform operators with personal information of over one million users that seek for listing on a foreign stock exchange are obliged to apply for a cybersecurity review by the Cybersecurity Review Office. The Cybersecurity Review Measures also provides that the relevant competent governmental authorities may initiate a cybersecurity review against the relevant CIIOs and network platform operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. The Cybersecurity Review Measures took effect on February 15, 2022. However, the Cybersecurity Review Measures does not provide any explanation or interpretation of “affect or may affect national security”, and PRC authorities may have broad discretion in interpreting and enforcing these laws and regulations. We cannot predict the impact of the Cybersecurity Review Measures, if any, at this stage, and we will closely monitor and assess the statutory developments in this regard.

It remains uncertain how PRC government authorities will regulate overseas listing in general and whether we are required to complete filing or obtain any specific regulatory approvals from the CSRC, CAC, or any other PRC government authorities for our overseas offerings. If the CSRC, CAC, or other government authorities later promulgate new rules or explanations requiring that we obtain their approvals or complete filing procedures with them for our future overseas offerings, we may be unable to obtain such approvals or complete such filing procedures in a timely manner, or at all, and such approvals or filings may be rescinded even if obtained or completed. Any such circumstance could

significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline. Therefore, investors of our company and our business face potential uncertainty from actions taken by the PRC government affecting our business.

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We cannot rule out the possibility that the PRC government will in the future release regulations or policies regarding our industry that could adversely affect our business, financial condition and results of operations. Any such action could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless.

Our business may be adversely affected by government policies and regulations in China.

Laws and regulations that apply to communications and commerce conducted over the internet are becoming more prevalent in China, and may impose additional burdens on companies conducting business online or providing internet-related services such as us and many of our customers. Increased regulation could negatively affect our business directly, as well as the businesses of our customers, which could reduce their demand for our services.

The PRC government has adopted regulations governing internet access and the distribution of news and other information over the internet. Under these regulations, internet content providers and internet publishers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licenses to provide internet content and other licenses and the closure of the concerned websites. In the past, failure to comply with such requirements has resulted in the closure of certain websites. In addition, the MIIT has published regulations that subject website operators to potential liability for content displayed on their websites and the actions of users and others using their systems, including liability for violations of PRC laws and regulations prohibiting the dissemination of content deemed to be socially destabilizing. The Ministry of Public Security has the authority to order any local internet service provider to block any internet website at its sole discretion. From time to time, the Ministry of Public Security has stopped the dissemination over the internet of information which it believes to be socially destabilizing. The State Secrecy Bureau is also authorized to block any website it deems to be leaking state secrets or failing to comply with the relevant regulations relating to the protection of state secrets in the dissemination of online information. Our business may be adversely affected if any of our customers' websites are restricted, blocked or closed or if we face liability for content distributed over our network. If we need to take costly measures to reduce our exposure to these risks, or are required to defend ourselves against such claims, our financial results could be negatively affected.

In April 2007, the General Administration of Press and Publication of China, now the State Administration of Radio, Film and Television, or SARFT, and several other governmental authorities issued a circular requiring the implementation of an "anti-fatigue system" and a real-name registration system by all PRC online game operators in an effort to curb addictive game play behaviors of minors under the age of eighteen. In addition, it is also possible that the PRC government authorities may decide to adopt more stringent policies to monitor the online game industry as a result of adverse public reaction or otherwise. The implementation of these regulations may discourage or otherwise prevent or restrict minors from playing online games, which could limit the growth of online game operators, one of our key customer groups, thus adversely affecting our business and results of operations.

The SARFT and the MIIT issued the Administrative Measures Regarding Internet Audio-Video Program Services, or the Internet Audio-Video Program Measures, which became effective on January 31, 2008. Among other things, the Internet Audio-Video Program Measures stipulate that only entities wholly owned or controlled by state-owned enterprises may apply for the "Internet Audio-Video Program Operating License" to engage in the production, editing, integration or consolidation, and transfer to the public through the internet, of audio-video programs, and the provision of audio-video program uploading and transmission services. In addition, the Internet Audio-Video Program Measures require that, when providing signal transmission for internet Audio-Video programs, network operators are obligated to examine the licenses or permits of the internet Audio-Video Programs service providers and must provide internet access services within the scope of such licenses or registration documents. The Internet Audio-Video Program Measures further provide that no entity may provide signal transmission, internet data center services, fee collection or other financial or technical services to internet Audio-Video Programs service providers that do not have applicable licenses or permits. Although we do not provide audio-video programs on our own, our content and application delivery total solutions include provision of technical assistance to customers, social networking operators in particular, in the uploading and transmission of user-generated content, including audio-video programs. There are significant uncertainties relating to the interpretation and implementation of the internet Audio-Video Program Measures. Accordingly, if we are required to verify our customers' internet Audio-Video Program Operating Licenses, such

requirements may impose additional obligations on us, which may increase our expenses and adversely affect our business and results of operations. Any of these factors could cause significant disruption to our operations and may materially and adversely affect our business, financial condition and results of operations.

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Furthermore, the MIIT has strengthened its oversight on the Internet access service market in recent years, which is underscored by the Circular on Clearing Up and Regulating the Internet Access Service Market issued by the MIIT in January 2017 and the Circular on Deepening the Work of Clearing Up and Regulating the Internet Access Service Market issued by the MIIT in April 2018. According to these two circulars, the regulator has launched a series of inspections and rectifications to regulate the market, which lasts until March 31, 2019. For example, in February 2018, MIIT issued an internal notice, or the MIIT Internal Notice, pursuant to which telecommunication authorities will carry out a special enforcement campaign to inspect the operations of certain licensed telecommunications operators according to applicable regulations and rules, including without limitation, the Circular on Clearing Up and Regulatory the Internet Access Service Market issued by the MIIT in January 2017. In particular, the authorities will pay special attention to any improper operational activities, such as unauthorized establishment of transmission network, unlicensed operation of cross-border business and improper sublease of broadband resources. If the enterprise is found to be engaged in non-compliant operations, it may be subject to various penalties, including suspension of network access, suspension of approving its application for new operation permit until rectification being completed, being publicized as an operator with discredit record or non-compliance record, enhanced oversight of the authority and limitation on new telecommunication business, depending on the seriousness of the violations and the rectification result. The MIIT Internal Notice mandates that the foregoing inspection and scrutiny to be completed by September 30, 2018. According to the MIIT Internal Notice, 47 industry players are subject to the special inspection, including one of our VIEs, Beijing Blue I.T. After the MIIT Internal Notice was issued, we closely communicated with the in-charge authority to clarify the inspection requirements of the authority and cooperate with them to review our business practices and compliance status. As of the date of this annual report, we have not received any further investigation notice or rectification order relating thereto from the government authorities. Nevertheless, we cannot assure you that the government authorities will not conduct similar inspections from time to time in the future and may determine that we are not in full compliance with the regulatory requirements. If we are found to violate any operation requirements, we may be imposed any of the administrative penalties mentioned in the MIIT Internal Notice, which may result in a material and adverse effect on our ability to conduct our operations and our financial conditions.

If we fail to acquire, obtain or maintain applicable telecommunications licenses, or are deemed by relevant governmental authorities to be operating outside the terms of our existing license, our business would be materially and adversely affected.

Pursuant to the Telecommunications Regulations promulgated by the PRC State Council effective from September 2000 and amended in July 2014 and February 2016, respectively, telecommunications businesses are divided into two categories, namely, (i) “basic telecommunications business,” which refers to a business that provides public network infrastructure, public data transmission and basic voice communications services, and (ii) “value-added telecommunications business,” which refers to a business that provides telecommunications and information services through the public network infrastructure. Pursuant to the VAT license issued to Beijing Blue I.T. by the MIIT on January 13, 2020, Beijing Blue I.T. is permitted to carry out its domestic fixed-network data transmission business, internet data center business (excluding internet resource coordination service), content delivery network business, its domestic internet virtual private networks business and internet access service business under the first category of “value-added telecommunications business”. Pursuant to the VAT license issued to ChinaCache Shouming by the MIIT on November 28, 2018, ChinaCache Shouming is permitted to carry out its internet data center business (excluding internet resource coordination service) and internet access service business under the first category of “value-added telecommunications business”. ChinaCache Shouming also holds a VAT license with an effective term until February 20, 2024, pursuant to which ChinaCache Shouming is permitted to carry out the internet access business in Beijing. Pursuant to the VAT license issued to ShenRong BJ by the MIIT on June 29, 2020, ShenRong BJ is permitted to carry out its domestic fixed-network data transmission business, internet data center business, content delivery network business, its domestic internet virtual private networks business and internet access service business (excluding internet access service for internet users).

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On January 17, 2017, the MIIT issued a Circular on Clearing up and Regulating the Internet Access Service Market, or MIIT Circular No. 32, aiming to regulate illegal operations in the field of internet data center (IDC) service, internet access (ISP) service and content delivery network (CDN) service business. In particular, the MIIT Circular No. 32 reiterates that an entity is prohibited from operating any of the IDC, ISP or CDN services without proper telecommunication business operation permit, or engaging in activities beyond the permitted business scope or permitted geographical scope specified on its operation permit, nor shall a qualified telecommunication business operator lease or transfer its qualification or resources to an unauthorized entity in the form of technology cooperation or in other disguised form. In addition, pursuant to the MIIT Circular No. 32, if an entity had obtained a VAT License for IDC service business prior to the implementation of the Catalog of Telecommunications Business (2015 Version) and has actually engaged in CDN service or internet resource coordination business, it must undertake in a written commitment to the issuing authority of its VAT License by March 31, 2017 that it will satisfy relevant requirements for CDN service or internet resource coordination service, as applicable, and obtain the corresponding VAT License by the end of 2017. If it fails to obtain the VAT License by the deadline, it must cease to operate the CDN service and internet resource coordination service business from January 1, 2018. If an entity fails to submit the above commitment by March 31, 2017, it shall be refrained from engaging in CDN service and internet resource coordination service since April 1, 2017. Beijing Blue I.T. had submitted the written commitment on March 30, 2017 in compliance with the relevant requirement and has obtained the relevant VAT License for CDN services issued by MIIT on September 18, 2017, which was subsequently amended on February 7, 2018, January 10, 2019, June 26, 2019 and January 13, 2020. ShenRong BJ has obtained its VAT License for CDN services issued by MITT on June 29, 2020.

However, since China's content and application delivery services market is at an early stage of development, the scope of content and application delivery businesses has been expanding constantly and the concept of content and application delivery services is evolving. We have been continuously developing our content and application delivery business to better serve our customers, and as a result, we introduce new technologies and services from time to time to support and improve our current business. We cannot assure you that PRC governmental authorities will continue to deem of our newly developed technologies, network and services used in our business as a type of value-added telecommunications business covered under the VAT license of Beijing Blue I.T., ChinaCache Shouming, and ShenRong BJ. As we expand our networks across China, it is also possible that the MIIT, in the future, may deem our operations to have exceeded the terms of our existing license. Further, we cannot assure you that Beijing Blue I.T., ChinaCache Shouming and ShenRong BJ will be able to successfully renew their VAT licenses upon their expiration, or that their VAT license will continue to cover all aspects of our content and application delivery business and other telecommunication-related business and operations upon renewal. In addition, new laws, regulations or government interpretations may also be promulgated from time to time to regulate the content and application delivery business and other telecommunication-related business or any of our related technology or services, which may require us to obtain additional, or expand existing, operating licenses or permits. Any of these factors could result in Beijing Blue I.T., ChinaCache Shouming or ShenRong BJ being disqualified from carrying out their current business, causing significant disruption to our business operations which may materially and adversely affect our business, financial condition and results of operations.

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and adversely affect our competitive position.

A large portion of our operations are conducted in China and a significant part of our sales are made in China. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The PRC economy differs from the economies of most developed countries in many respects, including the amount of government involvement, the level of development, the growth rate, the control of foreign exchange and allocation of resources. While the PRC economy has grown significantly over the past several decades, the growth has been uneven across different periods, regions and among various economic sectors of China, and the rate of growth has been slowing. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such a slowdown will not have a negative effect on our business.

The PRC government exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. It is unclear whether PRC economic policies will be effective

in maintaining stable economic growth in the future. Any slowdown in the economic growth of China could lead to reduced demand for our solutions, which could materially and adversely affect our business, as well as our financial condition and results of operations.

Uncertainties with respect to the PRC legal system could limit legal protections available to you and us.

We conduct our business primarily through our subsidiaries and consolidated variable interest entities in China. Our operations in China are governed by PRC laws and regulations. ChinaCache Beijing, Xin Run and RuiShen BJ are foreign-invested enterprise and are subject to laws and regulations applicable to foreign investment in China and, in particular, laws applicable to foreign-invested enterprises. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but are not binding.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past several decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until sometime after the violation. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. However, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may also impede our ability to enforce the contracts we have entered into. As a result, these uncertainties could materially and adversely affect our business and results of operations.

Uncertainties exist with respect to the interpretation and implementation of the new PRC Foreign Investment Law and its implementation regulation and how they may impact the viability of our current corporate structure, corporate governance and business operations.

On January 1, 2020, the Foreign Investment Law and the Regulations for Implementation of the Foreign Investment Law of the People's Republic of China, or the Implementation Regulations, come into effect and replace the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The Foreign Investment Law and the Implementation Regulations embody an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since they are relatively new, uncertainties still exist in relation to their interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

We rely principally on dividends paid by our operating subsidiaries to fund cash and financing requirements, and limitations on the ability of our operating subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business and fund our operations.

We are a holding company and conduct a significant part of our business through our operating subsidiaries and consolidated variable interest entities, which are limited liability companies established in China. We rely principally on dividends paid by our subsidiaries for our cash needs, including the funds necessary to pay dividends and other cash distributions to our shareholders, to service any debt we may incur and to pay our operating expenses, if any. The payment of dividends by entities organized in China is subject to certain limitations. In particular, regulations in China currently permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Our PRC subsidiaries, ChinaCache Beijing, Xin Run and RuiShen BJ, are also required to set aside at least 10% of their after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. In addition, it is required to allocate a portion of its after-tax profit to its staff welfare and bonus fund at the discretion of its board of directors.

Moreover, if any of ChinaCache Beijing, Xin Run and RuiShen BJ incurs debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of ChinaCache Beijing, Xin Run or RuiShen BJ to distribute dividends and other distributions to us could materially and adversely limit our ability to make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

Under China's Enterprise Income Tax Law, we may be classified as a "resident enterprise" of China. Such classification could result in unfavorable tax consequences to us and our non-PRC resident shareholders.

Pursuant to the Enterprise Income Tax Law, an enterprise established outside of China with "de facto management bodies" within China is considered a "resident enterprise," meaning that it can be treated in a manner similar to a Chinese enterprise for enterprise income tax purposes. The term "de facto management body" is defined as the management body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. The SAT issued SAT Circular 82 in April 2009, which provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled overseas-incorporated enterprise is located in China. In July 2011, the SAT issued additional rules to provide more guidance on the implementation of SAT Circular 82. The additional rules specify that when provided with a copy of Chinese tax resident determination certificate from a resident Chinese controlled offshore incorporated enterprise, the payer should not withhold 10% income tax when paying the Chinese-sourced dividends, interest, royalties, etc. to the Chinese controlled offshore incorporated enterprise. Although SAT Circular 82 and the additional guidance apply only to overseas registered enterprises controlled by PRC enterprises, not to those controlled by PRC individuals or foreigners, the criteria set forth in SAT Circular 82 may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals.

If the PRC tax authorities determine that we are a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow: (i) we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations, and (ii) a 10% withholding tax may be imposed on dividends we pay to our non-PRC resident shareholders and a 10% PRC tax may apply to gains derived by our non-PRC resident shareholders from transferring our shares or ADSs, if such income is considered PRC-sourced income. Similarly, such unfavorable tax consequences could apply to our subsidiaries outside China, including ChinaCache North America Inc., ChinaCache Network (Hong Kong) Limited, and ShenRong HongKong or their overseas subsidiaries if they are deemed to be "resident enterprises" by the PRC tax authorities. Notwithstanding the foregoing provisions, the Enterprise Income Tax Law also provides that the dividends paid between "qualified resident enterprises" are exempt from enterprise income tax. If our Cayman Islands holding company is deemed a "resident enterprise" for PRC enterprise income tax purposes, the dividends it receives from its PRC subsidiaries, ChinaCache Beijing, Xin Run and RuiShen BJ, may constitute dividends between "qualified resident enterprises" and therefore qualify for tax exemption. However, the definition of qualified resident enterprises is unclear and the relevant PRC government authorities have not yet issued guidance with respect to the processing of

outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Even if such dividends qualify as “tax-exempt income,” we cannot guarantee that such dividends will not be subject to any withholding tax.

Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

In connection with the EIT Law, the Ministry of Finance and the SAT jointly issued a SAT Circular 59 in April 2009, and the SAT issued a SAT Circular 698 in December 2009. Both SAT Circular 59 and Circular 698 became effective retroactively on January 1, 2008, and a Public Notice 7 in replacement of some of the existing rules in Circular 698, which became effective in February 2015.

According to SAT Circular 698, where a non-resident enterprise transfers the equity interests of a PRC “resident enterprise” indirectly by disposition of the equity interests of an overseas holding company, the non-resident enterprise, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. In addition, the PRC “resident enterprise” is supposed to provide necessary assistance to support the enforcement of SAT Circular 698.

On February 3, 2015, the SAT issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 has introduced a new tax regime that is significantly different from that under Circular 698. Public Notice 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-tax resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-tax resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Nevertheless, Circular 7 has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market.

On October 17, 2017, the State Administration of Tax issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017, as amended on June 15, 2018, and concurrently abolished Circular 698. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-tax resident enterprise income tax. Pursuant to Circular 7 and SAT Bulletin 37, both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties on the reporting and consequences on private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions, under Public Notice 7 and/or SAT Bulletin 37. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Public Notice 7 and/or SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with Public Notice 7 and/or SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises in our group should not be taxed under these rules and notice, which may have a material adverse effect on our financial condition and results of operations.

The PRC tax authorities have the discretion under Public Notice 7 and/or SAT Bulletin 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Public Notice

7 and/or SAT Bulletin 37, our income tax costs associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

The M&A Rules establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it difficult for us to pursue growth through acquisitions in China.

The M&A Rules include provisions that purport to require approval of the Ministry of Commerce for acquisitions by offshore entities established or controlled by domestic companies, enterprises or natural persons of onshore entities that are related to such domestic companies, enterprises or natural persons, and prohibit offshore entities from using their foreign-invested subsidiaries in China, or through “other means,” to circumvent such requirement. As part of our growth strategy, we obtained control over Beijing Jingtian in July 2008, ChinaCache Shouming in October 2018 and ShenRong BJ in January 2020 by entering into contractual arrangements with Beijing Jingtian, ChinaCache Shouming, ShenRong BJ and their shareholders. We did not seek the approval of the Ministry of Commerce for this transaction based on the legal advice we obtained from our PRC legal counsel in those transactions that such approval was unnecessary. However, the M&A Rules also prohibit companies from using any “other means” to circumvent the approval requirement set forth therein and there is no clear interpretation as to what constitutes “other means” of circumvention of the requirement under the M&A Rules. The Ministry of Commerce and other applicable government authorities would therefore have broad discretion in determining whether an acquisition is in violation of the M&A Rules. If PRC regulatory authorities take a view that is contrary to ours, we could be subject to severe penalties. In addition, we may in the future grow our business in part by acquiring complementary businesses in China. If we are required to obtain the approval from the Ministry of Commerce, completion of such transaction may be delayed or even inhibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

In addition, in August 2011 the Ministry of Commerce issued the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Rules. The MOFCOM Security Review Rules, effective from September 1, 2011, require certain merger and acquisition transactions to be subject to merger control review or security review. The MOFCOM Security Review Rules further provide that, when deciding whether a specific merger or acquisition of a PRC enterprise by foreign investors is subject to the security review by the Ministry of Commerce, the principle of substance over form should be applied and foreign investors are prohibited from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision in the MOFCOM Security Review Rules stating that our content and application delivery business fall into the scope subject to the security review. However, there is a lack of clear statutory interpretation on the implementation of these new rules, there can be no assurance that the Ministry of Commerce will not apply these rules to our contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ. If we are found to be in violation of the MOFCOM Security Review Rules, or fail to obtain any required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating income, revoking our PRC affiliates’ business or operating licenses or requiring us to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. Further, if the business of any target company that we would like to acquire in the future falls into the ambit of security review, complying with the requirements of the relevant rules could be prohibitively time consuming or we may be legally prohibited from acquiring such company either by equity or asset acquisition, capital contribution or through any contractual arrangement, which could have a material and adverse impact on our ability to expand our business or maintain our market share.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds from a public offering to make loans or additional capital contributions to our PRC subsidiaries or consolidated variable interest entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

As an offshore holding company, we may make loans to our PRC subsidiaries, ChinaCache Beijing, Xin Run and RuiShen BJ, or consolidated variable interest entities, or we may make additional capital contributions to ChinaCache Beijing, Xin Run or RuiShen BJ. Any loans to ChinaCache Beijing or Xin Run or RuiShen BJ or consolidated variable interest entities are subject to PRC regulations. For example, loans by us to ChinaCache Beijing, Xin Run or RuiShen BJ, each of which is a foreign-invested enterprise, to finance its activities cannot exceed statutory upper limit and must

be filed with the State Administration of Foreign Exchange through the online filing system of SAFE after the loan agreement is signed and at least three business days prior to the borrower withdraws any amount from the foreign loan.

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We may also decide to finance our operations in China by means of capital contributions. These capital contributions must be approved by or subsequently filed with the Ministry of Commerce or its local counterpart. We cannot assure you that we will be able to obtain these government approvals on a timely basis, if at all, with respect to future capital contributions by us to our PRC subsidiaries. If we fail to receive such approvals, our ability to use the proceeds from a public offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Governmental control of currency conversion may limit our ability to utilize our revenues.

A significant part of our revenues and expenses are denominated in Renminbi. Under PRC laws, the Renminbi is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, without the prior approval of the State Administration of Foreign Exchange. Currently, our PRC subsidiaries, ChinaCache Beijing, Xin Run and RuiShen BJ, may purchase foreign currencies for settlement of current account transactions, including payments of dividends to us, without the approval of the State Administration of Foreign Exchange. However, foreign exchange transactions by ChinaCache Beijing, Xin Run or RuiShen BJ under the capital account continue to be subject to significant foreign exchange controls and require the approval of or need to register or file with PRC governmental authorities, including the State Administration of Foreign Exchange. In particular, if ChinaCache Beijing, Xin Run or RuiShen BJ borrows foreign currency loans from us or other foreign lenders, these loans must be filed with the State Administration of Foreign Exchange after the loan agreement is signed and at least three business days before the borrower draws any amount from the foreign loan, and the accumulative amount of its foreign currency loans borrowed by ChinaCache Beijing, Xin Run or RuiShen BJ may not exceed a statutory upper limit. If we finance ChinaCache Beijing, Xin Run or RuiShen BJ by means of additional capital contributions, these capital contributions must be approved by or made post-contribution filing with certain government authorities. Any existing and future restrictions on currency exchange may affect the ability of our PRC subsidiaries or consolidated variable interest entities to obtain foreign currencies, limit our ability to meet our foreign currency obligations or otherwise materially and adversely affect our business.

In March 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or SAFE Circular No. 19, which came into effect as of June 1, 2015. SAFE Circular No. 19 provides that, among other things, a foreign-invested company may convert foreign currency capital in its capital account into RMB on a “at will” basis. On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular No. 16, to further expand and strengthen such “at will” conversion reform under SAFE Circular No. 19. SAFE Circular No. 16 provides an integrated standard for conversion of foreign exchange under capital account items on an “at will” basis which applies to all enterprises registered in the PRC. Pursuant to SAFE Circular No. 16, in addition to foreign currency capital, enterprises registered in the PRC may also convert their foreign debts, as well as repatriated funds raised through overseas listing, from foreign currency to RMB on an “at will” basis. SAFE Circular No. 16 reiterates that the RMB funds so converted shall not be used for the purpose of, whether directly or indirectly, (i) paying expenditures out of the ordinary course of business or prohibited by laws or regulations; (ii) making securities investment or other investments (except for banks’ principal-secured products); (iii) extending loans to non-affiliated enterprises (except as expressly permitted in the business license); and (iv) purchasing non-self-used real properties (except for real estate enterprises).

On October 23, 2019, SAFE promulgated the Circular on Further Promoting the Convenience of Cross-border Trade and Investment, or SAFE Circular 28, which came into effect as of October 23, 2019, to allow the foreign-invested enterprise that are not investment-oriented enterprise (including foreign-funded investment company, foreign-funded venture capital enterprise and foreign-funded equity investment enterprise) to use the capital under its capital account to conduct equity investment in PRC, whether by using the foreign currency under the capital account directly or through settlement of such foreign currency, provided that: (i) there is no violation of the provisions under the Negative List; and (ii) the investment to be conducted in PRC is true and compliant with laws.



Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation was halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably, and in recent years the RMB has depreciated significantly against the U.S. dollar. Since October 1, 2016, Renminbi has joined the International Monetary Fund (IMF)'s basket of currencies that make up the Special Drawing Right (SDR), along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. With the development of the foreign exchange market and progress towards interest rate liberalization and Renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system and there is no guarantee that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for capital expenditures and working capital and other business purposes, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount available to us.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by Chinese exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute profits to us, or otherwise materially and adversely affect us.

The SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, in July 2014 that requires PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. In addition, such PRC residents or entities must update their SAFE registrations when the offshore special purpose vehicle undergoes material events relating to any change of basic information (including change of such PRC citizens or residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, or mergers or divisions.

SAFE Circular 37 is issued to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents Engaging in Financing and Roundtrip Investments via Overseas Special Purpose Vehicles, or SAFE Circular 75.

We are aware that our PRC resident beneficial owners subject to these SAFE registration requirements have registered with the Beijing SAFE branch and will amend the registration to reflect the recent changes to our corporate structure. However, we cannot assure you that our current and future beneficial owners who are PRC residents will continue to comply with Circular 37; nor can we assure you that there will not be further filing or registration requirements imposed by the PRC government concerning ownership in foreign companies of PRC residents. The failure or inability of our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional

capital into or provide loans to ChinaCache Beijing, Xin Run and RuiShen BJ, and consolidated variable interest entities, limit ChinaCache Beijing's, Xin Run's and RuiShen BJ's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

Failure to comply with PRC regulations regarding the registration requirements for stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Under the SAFE regulations, PRC residents who participate in an employee stock ownership plan or stock option plan in an overseas publicly-listed company are required to register with SAFE or its local branch and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise or sale of stock options. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who participate in our stock incentive plan are subject to these regulations. We have registered our 2007 Stock Incentive Plan, 2008 Stock Incentive Plan, 2010 Stock Incentive Plan and 2011 Share Incentive Plan with Beijing branch of SAFE. If we or our PRC resident option grantees fail to comply with these regulations, we or our PRC resident option grantees may be subject to fines and other legal or administrative sanctions. See “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Employee Stock Options Granted by Listed Companies.”

Our ability to transfer ownership of the buildings of our cloud infrastructure may be restricted if we fail to obtain requisite governmental approvals.

In March 2013, we acquired land use right in Tianzhu Comprehensive Bonded Zone in Beijing, upon which we plan to partner with our clients to construct cloud infrastructure. We have entered into agreements with two clients, pursuant to which they agreed to purchase part of the cloud infrastructure from us. The land we acquired for the development of our cloud infrastructure is categorized as land for industrial use and hence if we need to sell other buildings in the future, the transfer of ownership of the buildings constructed on such land, along with relevant land use rights, is subject to the prior approval by multiple administrative authorities. If we fail to obtain such approvals, our ability to transfer ownership of the buildings in our cloud infrastructure to potential investors or clients will be restricted and our financial condition may thereby be adversely affected. On May 23, 2019, Beijing municipal government issued two acts “Act No 216” and “Act No 217” forbidding cutting apart of the property right for industrial use, which means all the buildings registered on the same land use certificate must be sold at one time. These new acts have negatively impacted the liquidity of the IDC buildings. See “Item 4. Information on the Company — B. Business Overview — Regulation — Regulations on Transfer of Real Estate Properties”.

Our shares may not be permitted for trading “over-the-counter” under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China, which may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections deprives our investors with the benefits of such inspections.

The Holding Foreign Companies Accountable Act, or the HFCAA, was enacted on December 18, 2020. The PCAOB is currently unable to conduct inspections on accounting firms in the PRC without the approval of the Chinese government authorities. The auditor and its audit work in the PRC may not be inspected fully by the PCAOB. Inspections of other auditors conducted by the PCAOB outside China have at times identified deficiencies in those auditors’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The lack of PCAOB inspections of audit work undertaken in China prevents the PCAOB from regularly evaluating the PRC auditor’s audits and its quality control procedures. As a result, our shares may not be permitted for trading “over-the-counter”, which would have a material adverse impact on our business, financial condition and prospects.

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Furthermore, on June 22, 2021, the U.S. Senate passed the Accelerating Holding Foreign Companies Accountable Act (“AHFCAA”), which, if signed into law, would amend the HFCAA and require the SEC to prohibit an issuer’s securities from trading on any U.S. stock exchanges if its auditor is not subject to PCAOB inspections for two consecutive years instead of three consecutive years. In addition, the documentation we may be required to submit to the SEC proving certain beneficial ownership requirements and establishing that we are not owned or controlled by a foreign government in the event that we use a foreign public accounting firm not subject to inspection by the PCAOB or where the PCAOB is unable to completely inspect or investigate our accounting practices or financial statements because of a position taken by an authority in the foreign jurisdiction could be onerous and time consuming to prepare. The HFCAA mandates the SEC to identify issuers of SEC-registered securities whose audited financial reports are prepared by an accounting firm that the PCAOB is unable to inspect due to restrictions imposed by an authority in the foreign jurisdiction where the audits are performed. If such identified issuer’s auditor cannot be inspected by the PCAOB for three consecutive years, the trading of such issuer’s securities on any U.S. national securities exchanges, as well as any over-the-counter trading in the U.S., will be prohibited.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCAA. An identified issuer will be required to comply with these rules if the SEC identifies it as having a “non-inspection” year under a process to be subsequently established by the SEC. On November 5, 2021, the SEC approved the PCAOB’s Rule 6100, Board Determinations Under the Holding Foreign Companies Accountable Act. Rule 6100 provides a framework for the PCAOB to use when determining, as contemplated under the HFCAA, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction. On December 2, 2021, the SEC issued amendments to finalize rules implementing the submission and disclosure requirements in the Holding Foreign Companies Accountable Act. The rules apply to registrants that the SEC identifies as having filed an annual report with an audit report issued by a registered public accounting firm that is located in a foreign jurisdiction and that PCAOB is unable to inspect or investigate completely because of a position taken by an authority in foreign jurisdictions.

On December 16, 2021, the PCAOB issued a Determination Report which found that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (i) China, and (ii) Hong Kong. Our independent registered public accounting firm is located in and organized under the laws of the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, and therefore our auditors are not currently inspected by the PCAOB.

Any of these actions, or uncertainties in the market about the possibility of such actions, could adversely affect our access to the U.S. capital markets and the price of our shares.

Future developments in respect of increase U.S. regulatory access to audit information are uncertain, as the legislative developments are subject to the legislative process and the regulatory developments are subject to the rule-making process and other administrative procedures. Other developments in U.S. laws and regulatory environment, including but not limited to executive orders such as Executive Order (E.O.) 13959, “Addressing the Threat from Securities Investments That Finance Communist Chinese Military Companies,” may further restrict our ability to complete a business combination with certain China-based businesses.

If our auditor is unable to meet the PCAOB inspection requirement in time, our shares will not be permitted for trading “over-the-counter”, which would substantially impair your ability to sell or purchase our shares when you wish to do so, and the risk and uncertainty associated would have a negative impact on the price of our shares and could have a material adverse impact on our business, financial condition and prospects.

Risks Related to Our Securities

The market price for our securities may continue to be volatile.

The market price for our securities may be highly volatile and subject to wide fluctuations in response to factors including the following:

- variations in our actual and perceived operating results, especially during this time when the COVID-19 pandemic poses a threat;

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- actual or anticipated fluctuations in our quarterly results of operations;
- changes in financial estimates by securities research analysts;
- announcements by us or our competitors of acquisitions, strategic partnerships, joint ventures or capital commitments;
- changes in the operating performance or market valuations of other internet content and application delivery service businesses or other internet-related businesses;
- addition or departure of key personnel;
- fluctuations of exchange rates between the RMB and U.S. dollar;
- intellectual property litigation;
- general economic or political conditions in China and the U.S.;
- changes in governmental regulations; and
- detrimental negative publicity about us, our products and services, our financial results or our compliance with applicable law.

In addition, the stock market in general, and the market prices for internet-related companies and companies with operations in China in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. The securities of some China-based companies that have listed their securities in the U.S. have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of these Chinese companies' securities after their offerings may affect the attitudes of investors toward Chinese companies listed in the U.S., which consequently may impact the trading performance of our securities, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or other matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. Further, the global financial crisis and the ensuing economic recessions in many countries have contributed and may continue to contribute to extreme volatility in the global stock markets. These broad market and industry fluctuations may adversely affect operating performance. Volatility or a lack of positive performance in our securities price may also adversely affect our ability to retain key employees, most of whom have been granted options or other equity incentives.

Substantial future sales of our securities could cause the price of our securities to decline.

If our shareholders sell substantial amounts of our securities, including shares issued upon the exercise of employee stock options, or if the perception exists that our shareholders may sell a substantial number of our securities, the market price of our securities may fall. Any substantial sales of our securities in the public market also might make it more difficult for us to sell equity or equity related securities in the future at a time and upon terms and conditions we deem appropriate.

We have been named as a defendant in a putative shareholder class action lawsuit that could have a material adverse impact on our business, financial condition, results of operation, cash flows and reputation.

We defended against the shareholder class action lawsuit described in “Item 8. Financial Information—A. Consolidated Statements and Other Financial Information — Legal Proceedings — Litigation”. We may become subject to similar lawsuits from time to time. In the event that our initial defense of these lawsuits is unsuccessful, there can be no assurance that we will prevail in any appeal. Any adverse outcome of these cases, including any plaintiff’s appeal of a judgment in these lawsuits, could have a material adverse effect on our business, financial condition, results of operation, cash flows and reputation. In addition, there can be no assurance that our insurance carriers will cover all or part of the defense costs, or any liabilities that may arise from these matters. The litigation process may utilize a significant portion of our cash resources and divert management’s attention from the day-to-day operations of our company, all of which could harm our business. We also may be subject to claims for indemnification related to these matters, and we cannot predict the impact that indemnification claims may have on our business or financial results.

We are a “foreign private issuer,” and have disclosure obligations that are different from those of U.S. domestic reporting companies; as a result, you should not expect to receive the same information about us at the same time when a U.S. domestic reporting company provides the information required to be disclosed.

We are a foreign private issuer and, as a result, we are not subject to the same requirements that are imposed upon U.S. domestic issuers by the U.S. Securities and Exchange Commission, or SEC. Under the Securities Exchange Act of 1934, or the Exchange Act, we are subject to reporting obligations that, to some extent, are more lenient and less frequent than those of U.S. domestic reporting companies. For example, we are not required to issue quarterly reports or proxy statements. We must file our annual report within four months after the end of our fiscal year, which is December 31 of each year. We are not required to disclose detailed individual executive compensation information that is required to be disclosed by U.S. domestic issuers. Further, our directors and executive officers are not required to report equity holdings under Section 16 of the Securities Act and are not subject to the insider short-swing profit disclosure and recovery regime. As a foreign private issuer, we are also exempt from the requirements of Regulation FD (Fair Disclosure) which, generally, are meant to ensure that select groups of investors are not privy to specific information about an issuer before other investors. We are, however, still subject to the anti-fraud and anti-manipulation rules of the SEC, such as Rule 10b-5 under the Exchange Act. Since many of the disclosure obligations imposed on us as a foreign private issuer are different than those imposed on U.S. domestic reporting companies, our shareholders should not expect to receive the same information about us and at the same time as the information received from, or provided by, U.S. domestic reporting companies.

We may be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in adverse U.S. federal income tax consequences to U.S. holders of our securities.

Depending upon the value of our assets, the market value of our ADSs and securities and the nature of our assets and income, we could be classified as a passive foreign investment company (a “PFIC”), for U.S. federal income tax purposes. Based on our income and assets and the value of our securities, we do not believe that we were a PFIC for the taxable year ended December 31, 2020 and we do not expect to be a PFIC for the current taxable year. However, we can give no assurances with respect to our PFIC status for past or future taxable years as the PFIC determination is inherently factual and the application of the PFIC rules is subject to ambiguity in several aspects.

A non-U.S. corporation, such as our company, will be classified as a PFIC for any taxable year if either (i) at least 75% of its gross income for the taxable year is passive income or (ii) at least 50% of the value of its assets (based on the average quarterly value of its assets during the taxable year) is attributable to assets that produce or are held for the production of passive income.

Although the law in this regard is not entirely clear, we treat Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ as being owned by us for U.S. federal income tax purposes because we control their management decisions and we are entitled to substantially all of their economic benefits, and, as a result, we consolidate these entities’ results of operations in our consolidated financial statements in accordance with U.S. GAAP. If it were determined, however, that we are not the owner of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and

ShenRong BJ for U.S. federal income tax purposes, we would likely be treated as a PFIC for our current taxable year and any subsequent taxable year.

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Because of the uncertainties in the application of the relevant rules and because PFIC status is a factual determination made annually after the close of each taxable year on the basis of the composition of our income and the value of our active versus passive assets, there can be no assurance that we will not be a PFIC for the current year or any subsequent taxable year. The overall level of our passive assets will be affected by how, and how quickly, we spend our liquid assets and the cash raised in any transaction. Under circumstances where revenues from activities that produce royalty income significantly increase relative to our revenues from activities that produce non-passive income or where we determine not to deploy significant amounts of cash in our operations or for other active purposes, our risk of becoming classified as a PFIC may substantially increase.

If we were to be or become classified as a PFIC, a U.S. Holder (as defined in “Item 10. Additional Information — E. Taxation — U.S. Federal Income Tax Considerations — General”) may incur significantly increased U.S. income tax on gain recognized on the sale or other disposition of the securities and on the receipt of distributions on the securities to the extent such gain or distribution is treated as an “excess distribution” under the U.S. federal income tax rules. Further, a U.S. Holder will generally be treated as holding an equity interest in a PFIC in the first taxable year of the U.S. Holder’s holding period in which we become a PFIC and subsequent taxable years even if, we, in fact, cease to be a PFIC in subsequent taxable years. You are urged to consult your tax advisor concerning the U.S. federal income tax consequences of acquiring, holding and disposing of securities if we are or become classified as a PFIC. For more information, see “Item 10. Additional Information — E. Taxation — U.S. Federal Income Tax Considerations — Passive Foreign Investment Company Considerations.”

Holders of our securities may face difficulties in protecting their interests, and their ability to protect their rights through the U.S. federal courts may be limited, because we are incorporated under Cayman Islands law, conduct a significant part of our operations in China and a majority of our officers and directors reside outside the U.S.

We are incorporated in the Cayman Islands and substantially all of our assets are located outside of the U.S. We conduct a significant part of our operations in China through our wholly-owned subsidiaries and VIEs in China. The majority of our officers and directors reside outside the U.S. and a substantial portion of the assets of those persons are located outside of the U.S. As a result, it may be difficult for the holders of our securities to bring an action against us or against these individuals in the Cayman Islands or in China in the event that they believe that their rights have been infringed under the securities laws. Even if the holders of our securities are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render the holders of our securities unable to enforce a judgment against our assets or the assets of our directors and officers. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the U.S. or any state, and it is uncertain whether such Cayman Islands or PRC courts would be competent to hear original actions brought in the Cayman Islands or the PRC against us or such persons predicated upon the securities laws of the U.S. or any state.

Our corporate affairs are governed by our memorandum and articles of association and by the Companies Act (as amended) and common law of the Cayman Islands. The rights of shareholders to take legal action against our directors and us, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedents in the U.S. In particular, the Cayman Islands has a less developed body of securities laws as compared to the U.S., and provides significantly less protection to investors. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action before the federal courts of the U.S.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests through actions against our management, directors or major shareholders than they would as shareholders of a public company of the U.S.



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Our memorandum and articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs.

Our memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board of directors to establish from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series. The provisions could have the effect of depriving our shareholders of the opportunity to sell their shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions.

We incur increased costs as a result of being a public company.

As a public company, we incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as new rules subsequently implemented by the SEC have detailed requirements concerning corporate governance practices of public companies including Section 404 of the Sarbanes-Oxley Act relating to internal controls over financial reporting. These rules and regulations have increased our director and officer liability insurance, accounting, legal and financial compliance costs and have made certain corporate activities more time-consuming and costly. In addition, we incur additional costs associated with our public company reporting requirements. We are currently evaluating and monitoring developments with respect to these rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced operations through Beijing Blue I.T., a company incorporated in China in June 1998. In June 2005, we incorporated ChinaCache International Holdings Ltd., or ChinaCache Holdings, under the laws of the Cayman Islands to become our offshore holding company through a series of corporate restructuring transactions.

In August 2005, we established our wholly-owned PRC subsidiary, ChinaCache Network Technology (Beijing) Limited, or ChinaCache Beijing.

In August 2007, we incorporated ChinaCache North America, Inc., or ChinaCache U.S., a wholly-owned subsidiary of ChinaCache Holdings, in California, the U.S.

In July 2008, we obtained control over Beijing Jingtian, through contractual arrangements.

In October 2010, we completed our initial public offering and our ADSs commenced trading on the Nasdaq Global Market under the symbol “CCIH”.

In July 2011, we established Xin Run, a PRC-incorporated company, primarily for the purpose of cloud infrastructure business.

In November 2012, we transferred our equity interests in ChinaCache Beijing and Xin Run to ChinaCache Networks (Hong Kong) Limited, or ChinaCache Hong Kong, a wholly owned subsidiary of ours.

In November 2013, we established ChinaCache Ireland Limited, or ChinaCache Ireland, a wholly owned subsidiary of ChinaCache Hong Kong.

In January 2014, our ADSs were transferred to and listed on the Nasdaq Global Select Market.

In March 2014, we issued and sold an aggregate of 53,855,569 ordinary shares, represented by 3,365,973 ADSs, to a group of institutional investors affiliated with Wellington Management Company, LLP for an aggregate purchase price of approximately US\$55.0 million.

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In March 2014, we repurchased an aggregate of 28,960,922 ordinary shares of us from certain of our existing shareholders for an aggregate purchase price of approximately US\$29.6 million.

In August 2014, we established (i) Beijing Shouming Technology Co., Limited, or Beijing Shouming, (ii) Beijing Zhao Du Technology Co., Limited, or Beijing Zhao Du and (iii) Beijing Shuo Ge Technology Co., Limited, or Beijing Shuo Ge, each a 100% subsidiary of Xin Run. In July 2017, Xin Run transferred all of its equity interests in Beijing Zhao Du to a subsidiary of BFSMC. However, due to the disputes arising with BFSMC, the transfer is not yet closed.

In January 2015, ChinaCache Ireland established a branch office in London. In March 2016, we incorporated ChinaCache Networks (UK) Limited, or ChinaCache UK, in the United Kingdom and are in the process of transferring our Ireland operations to ChinaCache UK.

In September 2015, Xin Run increased its registered capital by US\$0.2 million, which was subscribed by Tianjin Shuishan Technology Co., Ltd, or Tianjin Shuishan, a PRC company owned by Mr. Song Wang and Ms. Jean Xiaohong Kou. As a result, Xin Run was converted from a wholly foreign-owned enterprise to a sino-foreign joint venture.

In August 2016, we incorporated ChinaCache Assets LLC, or CCAL, a wholly owned subsidiary of ChinaCache U.S., in California, the U.S.

In June 2016, ChinaCache Assets LLC, or CCAL purchased two stand-alone office condominiums at a price of US\$3.45 million, and sold above-mentioned properties in September 2019 for US\$4.8 million.

In October 2018, we obtained control over ChinaCache Shouming through contractual arrangements.

In May 2019, Xin Run transferred all of its equity interests in Beijing Shuo Ge to People.cn.

In December 2019, we incorporated ShenRong Technology (HongKong) Limited, or ShenRong HongKong, a wholly-owned subsidiary of ChinaCache Holdings.

In February 2019, ChinaCache Ireland Limited was dissolved.

In September 2019, the company was delisted from Nasdaq Stock Market.

In January 2020, we incorporated ChinaCache RuiShen Technology (Beijing) Co., Ltd., a wholly-owned subsidiary of ShenRong HongKong.

In January 2020, we obtained control over ShenRong Technology (Beijing) Co., Limited through contractual arrangement.

In April 2020, ChinaCache Assets LLC was dissolved.

In October 2020, we incorporated ChinaCache (Hong Kong) Limited, or ChinaCache HK, a wholly-owned subsidiary of ChinaCache Networks (UK) Limited.

Our headquarters are located at No 8 Zhuyuan 3rd Street, Area 3, Tianzhu Comprehensive Bonded Zone Shunyi District, Beijing, China. Beijing Blue I.T. currently has six branch offices in Beijing, Shanghai, Shenzhen, Guangzhou, Wuhan and Shenyang. ChinaCache Beijing currently has two branch offices in Tianjin, and Xin Run currently has one branch office in Tianjin. In addition to ChinaCache U.S. and ChinaCache UK, we have five other subsidiaries outside of mainland China, namely ChinaCache Hong Kong, established in Hong Kong in November 2012, Metasequoia Investment Limited, established in the British Virgin Islands in March 2012, JNet Holdings Limited, established in the British Virgin Islands in September 2007, ShenRong HongKong, established in Hong Kong in December 2019, and ChinaCache (Hong Kong) Limited, established in Hong Kong in October 2020.

B. Business Overview

We provide a portfolio of services and solutions for businesses, government agencies and other enterprises to enhance the reliability and scalability of their online services and applications and improve end-user experience. Our nationwide service platform, which consists of our network, servers and proprietary intelligent software, is designed to handle planned and unplanned peaks without significant upfront and ongoing capital outlay and other investments on the part of our customers.

We began providing content and application delivery services in China in 2000 and were the first non-carrier company to be licensed by MIIT to provide content and application delivery services throughout China. As an early mover, we expanded our business along with the internet market growth in China and have acquired extensive knowledge about the internet infrastructure and telecommunications environment in China. We conduct our businesses internationally, covering mainland China, other Asian countries, U.S and Europe and our revenues are derived from all across the above regions. Building on our knowledge and experience, we have developed a portfolio of services and solutions designed to address complex and unique issues arising from internet infrastructure and to meet the specific needs of the company's customers.

As a carrier-neutral service provider, our network in China is interconnected with those operated by all major telecommunications carriers and local internet service providers in mainland China. We deploy servers and nodes across networks covering most regions in China and we use a transmission backbone that connects our nodes and data centers, thereby optimizing our content and applications delivery performance and reliability. Our wide range of services makes us a top choice for customers requiring content and application delivery total solutions in different regions in China. We believe that our robust nationwide service platform, which is the result of our significant investments of capital, time and human resources, is not easy to be replicated and provides us with a competitive advantage.

Our Services and Solutions

We provide a portfolio of total solutions of content and application delivery total solutions and solutions tailored to our customers' needs to improve the performance and reliability of their online services and applications, without significant upfront and ongoing capital outlay and other investments on the part of our customers. In 2012, we further enhanced the technical sophistication of our content and application delivery total solutions and rebranded our content delivery network services into "content-aware network service", which integrates telecommunications network with internet applications. Our content-aware network service is device-aware, network-aware and application-aware. Our content-aware network service is device-aware in the sense that we are able to identify each end user's device and optimize data transferred to that user's iOS or Android mobile device. Our content-aware network service is network-aware in that its capabilities enable us to determine what kind of network online content is going through, whether it is a fixed or mobile network, and whether data is traveling on a 2G, 3G, 4G or 5G mobile network. Our content-aware network service is application-aware in that through this service we can provide network services tailored to specific applications such as e-commerce and online video, which require different capabilities and resources.

Rich Media Streaming Services

The live streaming of media files to end-users has become an important web application. When media files are streamed to an end-user, the files are not stored on the end-user's computer, but are played by the end-user's media player software. We offer a portfolio of rich media streaming services to improve the transmission efficiency of media files, significantly offloading the pressure at the origin server and improving the quality of end-user experience. We combine peer-to-peer technology with streaming technology by facilitating data sharing during the transmission of live streaming content. Through our Rich Media Streaming services, we are able to provide nearly all types of streaming acceleration services comparing to major market players.

Guaranteed Application Services

Our Guaranteed Application Services are designed for websites that incorporate applications that have dynamic features, such as on-line booking and ordering, real-time stock quotes and on-line surveys. Utilizing our widely deployed servers and reliable and legally compliant carrier network, our services enable interactions between end-users and the

origin servers to bypass public network congestion. As a result, we ensure reliable and efficient application processing and significantly improve end-user experience.

Managed Internet Data Services

Our Managed Internet Data Services are a “one-stop-shop” services designed to meet customers’ needs for content and application delivery, network infrastructure and network security. Managed Internet Data Services are based on a combination of the traditional internet data center services and our high-performance content and application delivery total solutions. The offerings allow us to expand the reach of our content and application delivery total solutions to customers who wish to take advantage of locating their content and applications in secure, high-performance facilities. To our best financial advantage, we primarily use third-party facilities for hosting customers’ network and other equipment with redundant power, environmental controls and security protection. In addition, we distinguish ourselves from conventional internet data services providers by bundling our high-performance content and application delivery total solutions and internet data management services. Customers using our Managed Internet Data Services include enterprises, internet companies, media and entertainment companies, government agencies and financial institution.

CDN Security Solution

ChinaCache CDN Security Solution is an online security service that is seamlessly integrated with global CDN network. It is designed to prevent or reduce the ever-increasing security attacks against online businesses and origin data including DDoS attacks, web application attacks, web crawler attacks, malicious access and more. In addition, ChinaCache offers value-added services including portal access, attack reports, customized rules, attack analysis, and flexible storage expansion.

The solution has been adopted by government agencies and large enterprises and prevented hundreds of thousands of attacks for our clients. In the near future, ChinaCache can provide powerful and efficient network security services for more industries, such as gaming, manufacturing, and aviation.

High-speed file transfer service

High-speed file transfer service is a highly efficient file transfer service jointly launched by ChinaCache and our partner, specifically designed to optimize performance for large-file, long-distance file transfer scenarios. With a proprietary protocol, customers can migrate data from around the world more efficiently, regardless of file size, form, distance, and network conditions.

The adaptive rate control technology and efficient transfer system enable 95% bandwidth utilization. The SDK, user management, task management, configuration management functions, as well as excellent cross-platform compatibility and security features, can satisfy needs under different applications in various industries, significantly improves work efficiency and saves time for clients.

Internet Exchange

In 2018, ChinaCache built an interconnection and peering product line based on CHN-IX, its Internet Exchange platform. ChinaCache’s third major product line in addition to CDN services and Atecsys data center. The main goal of the interconnection and peering product line is to:

1. Provide Internet Exchange services for Chinese internet enterprises.
2. Address the connectivity and peering issues caused by hybrid cloud architecture.
3. Introduce new internet network structure to better serve the emerging internet applications in Big Data, Artificial Intelligence, and the Internet of Things.

ChinaCache has built three Internet Exchange centers in Beijing, Shanghai, and Guangzhou, covering services in more than a dozen major cities in China. In 2018, CHN-IX has become the top Internet Exchange center in China with more than 200G traffic being exchanged, a 1000% growth comparing to 2017. Our partners more than doubled to include some of the top Internet Content Providers in China, including Alibaba, Tencent, Baidu, and JD, and major public

cloud providers including Alibaba Cloud, Tencent Cloud, and Baidu Cloud. In addition, small-to-medium sized Internet Services Providers and medium-to-large sized Internet Data Center providers are also connected to the CHN-IX platform.

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The rapid growth of CHN-IX is largely attributed to the development of emerging technologies and services, such as Big Data, Artificial Intelligence, and the Internet of Things. In order to provide customers with a more advanced and better experience, internet companies urgently need an efficient and cost-effective interconnection and peering solution, which can be provided through Internet Exchange platforms. CHN-IX will play a more vital role in China's internet structure as emerging internet applications continue with rapid growth.

In addition, ChinaCache developed a hybrid cloud interconnection with peering solution and value-added services including optimized content distribution for our partners, helping them improve interconnection efficiency and reduce operation costs.

In the second half year of 2020, the management decided to close the CHN-IX platform. The enterprise customers on this platform transferred their service to other suppliers step by step. By the end of 2021, service transfers have been completed for the vast majority of these enterprise customers.

Value-added Services

We also offer a wide variety of value-added services, which include the following:

- *Geo-Content Acceleration service.* Geo-Content Acceleration service enables websites to automatically provide content to end-users corresponding to each end-user's specific geographic location.
- *Performance Evaluation Module.* Performance Evaluation Module allows our customers to monitor their own websites on a real-time basis and to measure the effect of our services.
- *Scalable Service Routing service.* Scalable Service Routing service provides domain name server resolution and global load balancing for multiple servers located across different regions to address the complex and often-unreliable network issues in China.
- *Link Anti-Hijack service.* Link Anti-Hijack service helps to prevent unauthorized links to content on our customers' websites.
- *Net Storage service.* Net Storage service provides high performance data storage over the internet, supported by our network infrastructure with multi-level back-ups and security measures.
- *User Behavior Analysis service.* User Behavior Analysis service clusters and evaluates the targeted audiences' specific online behavior to assist our customers to better engage the visitors to their websites and improve the interactions between the websites and their visitors.
- *Website Performance Evaluation service.* Website Performance Evaluation service assists customers to identify popular web content and products and determine the geographical locations of their targeted audiences so as to improve the effectiveness of their online marketing.
- *All-around Application Acceleration Solution.* Our network service portfolio has expanded from external web site acceleration to the enterprise's intranet connection, especially for multi-national companies that have globally distributed data hubs. Our service offering provides both secure and accelerated connections between these data hubs.
- *Cloud Extension Solution.* Cloud Extension is developed for cloud hosting service providers to improve their service quality and end user experience. Our Cloud Extension Solution can provide security for cloud applications, and we are able to protect our customers' data centers through a series of cooperation with some other partners.

Cloud Infrastructure Development

In early 2013, we acquired land use right in Tianzhu Comprehensive Bonded Zone in Beijing and intended to develop cloud infrastructure in collaboration with our clients.

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China is rapidly adopting a digital lifestyle and Cloud and new data-intensive technologies, such as AI and big data analytics, are fanning demand for increasing Internet data center capacity and related services. With ten internet data centers in Beijing hosting capacity for 12,400 racks, a catalyst for the Company to offer enhance packaged CDN/IDC product services, Xin Run is growing quickly and capturing wide-spread demand from government agencies and businesses, including several leading Internet and Cloud service enterprises. Against this backdrop, we see a compelling value proposition as we offer customers total solution services, comprised of our Internet data centers, Cloud hosting and Internet exchange centers and our extensive content delivery network. We believe this three-layered structured network will provide an integrated and broad-base of operations from which we can capitalize on our strengths and deliver sustained shareholder value.

In December 2015, we entered into definitive agreements for Xin Run, which owns and operates ChinaCache's Atecsys Cloud Data Center, or Atecsys, for investors to acquire 60% of Xin Run's equity interest for a total consideration of RMB375 million. The transaction valued Xin Run's shareholders' equity (pre-money) at approximately RMB250 million. The agreements were later terminated. As an alternative to the proposed transaction, on March 6, 2017, the Company announced that it has entered into definitive agreements to sell 79.0% equity interest of Xin Run to Tianjin Shuishan, Shanghai Qiaoyong Equity Investment Fund Management Co., Ltd., or Shanghai Qiaoyong, and Tianjin Dingsheng Zhida Technology Co., Ltd., or Tianjin Dingsheng, for a total consideration of RMB221.2 million in cash before fees and expenses. The newly proposed transaction valued Xin Run's shareholders' equity by an independent third-party firm at approximately RMB280 million. Pursuant to the agreements, Tianjin Shuishan, Shanghai Qiaoyong and Tianjin Dingsheng agreed to purchase 47.67%, 26.33% and 5.0%, respectively, of the equity interest in Xin Run. The Company's strategic decision to terminate the Agreement was approved by board in December 2017 in recognition of the perceived value of the assets in light of increasing market demand for Internet data center services and the belief that Xin Run can effectively be leveraged as part of the Company's offering package to customers, thus better positioning the Company for long-term growth.

In the year of 2019, the management decided to sell the ownership of the residual IDC building to get enough operational cash flow. During the year of 2021, several potential buyers finished their due diligences.

Our Customer-tailored Integrated Solutions

We divide our customer base into five industry groups, and, based on the needs and preferences of customers in each group, we have developed a wide range of integrated solutions that are tailored to the characteristics of each industry.

Media and Entertainment. As more and more advertising spending is being shifted to online media, our customers in the media industry are adapting to this trend and investing significant resources in online content delivery. To capitalize on this opportunity, we customize our services aimed at media companies, enabling them to carry online broadcasting of major events, such as the CCTV Spring Festival Gala, and other rich media content to audiences. We customize our Rich Media Streaming Services and File Transfer Services to specifically address media companies' rich media delivery needs. In addition, our services for media companies typically include our Link Anti-Hijack and certain other value-added services. Entertainment or online game operators seek to cost-effectively deliver large files to hundreds of thousands of game players simultaneously accessing the same online game through different networks. In addition, due to the unreliable interconnectivity among different telecommunications networks in China, players located in different regions often cannot simultaneously play in the same game zone. Our online game solution is designed to address these problems by enabling online game operators to bypass traditional server and bandwidth limitations to ensure reliable and efficient file downloading, handle peak traffic conditions and substantially increase the level of interconnectivity. Our online game solution typically includes our Guaranteed Application Services, Web Page Content Services and File Transfer Services and certain other value-added services.

Enterprises. Our enterprise customers place importance on having their website give visitors from around the world a uniform experience, thereby projecting a consistent brand image. They also want to minimize or avoid interruptions or delays when implementing major promotions or other major events on their websites. We tailor our content and application delivery total solutions to address these needs, ensuring the same satisfactory internet experience for end-users throughout different parts of the world. Our enterprise solution also includes our Web Page Content Services, Rich Media Streaming Services and additional value-added services.

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E-commerce. Companies engaged in the fast-growing e-commerce sector in China face significant internet-related problems specific to China's internet infrastructure. Internet congestion may affect the performance of websites or otherwise reduce the operating efficiency, thereby frustrating consumers. In addition, e-commerce companies need to effectively control internet security risks. To address the needs of our e-commerce customers, we have designed our e-commerce solution to allow proactive monitoring and rapid response to security-related incidents and anomalies. Our server network is designed to reduce the possibility of a single point of failure and reduce the impact of security attacks. Our e-commerce solution typically includes our Guaranteed Application Services.

Internet and Software Services. Internet portals often provide geographic-specific advertisements or other information and contain rich media content and applications, which require Rich Media Streaming and Guaranteed Application Services. Software providers typically have significant download traffic. Surges in traffic due to new software launches or the distribution of security updates can overwhelm traditional delivery system, impacting website performance and causing end-user downloads to be disrupted or fail. Our internet and software services solution help these customers to address these needs. For instance, our Geo-Content Acceleration service enables customers' websites to automatically provide geographic-specific content to end-users corresponding to each end-user's specific geographic location. Our File Transfer Services can significantly increase the speed and reliability of software download.

Mobile Internet. Mobile internet refers to access to the internet from a mobile device, such as a smartphone. While mobile internet is a fast-growing industry in China, mainstream mobile service providers in China are confronted with certain challenges in capitalizing on this development: Specifically, when accessing internet content from a mobile device, there are generally internet interconnection bottlenecks with other networks operated by fixed-line operators and general congestion within the mobile network. Leveraging our carrier-neutral network, our customized mobile internet solutions effectively address the interconnectivity bottleneck issues by facilitating the data exchanges between the networks operated by the mobile service providers and those operated by fix-line service providers.

Customers and Customer Support

Our customer base has decreased dramatically to approximately 51 active customers as of December 31, 2021.

In 2019, 2020 and 2021, our five largest customers contributed 76.6%, 57.6% and 48.4% of our total net revenues, respectively.

Our customer contracts typically provide for a one-year service term, with automatic renewal provisions. For the years ended December 31, 2018, 2019, approximately 87.9%, and 90.5% respectively, of our existing customers chose to renew their contract or enter into new contract with us. In the year ended December 31, 2020, for the abroad focus strategy, we withdrew from the domestic market and 4.3% of our existing customers chose to renew their contract, among which some domestic customers would transfer their service once they found the alternative service provider. By the year ended December 31, 2021, 47.0% of our existing customers have renewed the contract.

Our Network and Technologies

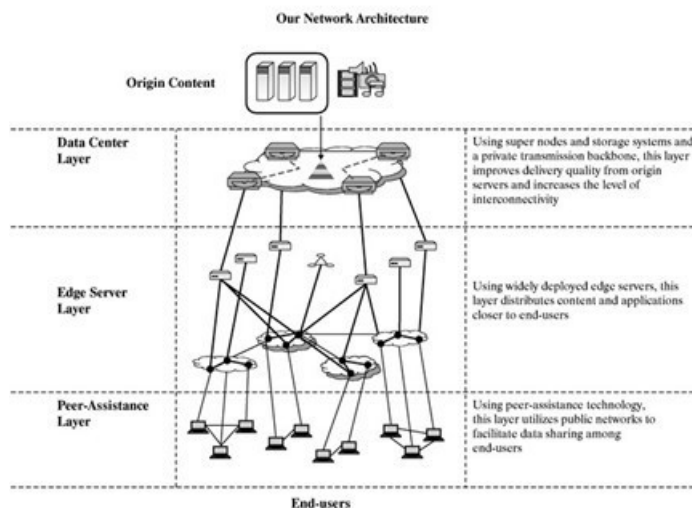
Inadequate interconnectivity within China's public internet infrastructure between different regions of China, among competing telecommunications networks and across different areas within the same operator network is a significant problem in China. There are several telecommunications carriers that operate internet backbone in China, including China Telecom, the predominant carrier in Southern China, and China Netcom, the predominant carrier in Northern China. Each of these companies runs its own independent network, which is constrained by respective networks' coverage. Different networks must connect to one another in order to allow the users to communicate. Due to inadequate cooperation among telecommunications carriers, interconnectivity bottlenecks remain a major problem in China, contributing to a slow transmission speed across services and applications.

As a carrier-neutral service provider, we have developed an extensive network and a series of innovative technologies to effectively address network complexity issues with respect to content and applications delivery. Through our highly scalable and intelligent network platform, widely distributed edge servers and advanced operating support system, among others, we increase the level of interconnectivity and ensure the quality and reliability of our services.

Our network has the following key elements:

Architecture

Our network architecture consists of three layers: the data center layer, the edge server layer and the peer-assistance layer. The following diagram illustrates our network architecture:



The first layer of our network architecture is the data center layer, which is composed of super nodes, clusters of specially-configured servers and storage systems, interconnected with public networks and other legally compliant transmission backbones. This layer ensures the delivery quality from origin servers to the super nodes residing at strategic locations throughout China and effectively addresses the issue of inadequate interconnectivity across different telecommunications carriers in China.

The second layer of our network architecture is the edge server layer, which is composed of clusters of edge nodes connected to different telecommunications carriers and ISPs. Each edge node consists of edge servers programmed to answer domain name inquiries, replicate and refresh content, receive and forward uploads from end-users, record usage information for billing purposes and provide network performance data. The edge server layer allows end-users to connect to the appropriate ChinaCache edge servers to optimize the performance of the delivery process.

The last layer of our network architecture is the peer-assistance layer, which is composed of multiple public internet access networks belonging to different service providers. We do not own or operate any of these internet access networks. Instead, we deploy our peer-assistance technology over this layer by installing our proprietary software on the operating systems of end-users. As a result, we are able to facilitate data sharing among network end-users, which significantly improves the user experience and enhances the scalability of our services.

Widely Deployed Service

As a carrier-neutral service provider, our networks in China are interconnected with: (i) networks operated by all three telecommunications carriers in China, namely China Telecom, China Unicom and China Mobile; (ii) non-carrier networks operated by China Education and Research Network and China Science and Technology Network; and (iii) networks operated by major local ISPs, including Beijing Gehua CATV Networks and Shanghai Oriental Network.

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We purchase bandwidth usage, co-location services and data storage from telecommunications carriers or ISPs. For the years ended December 31, 2019, 2020 and 2021, 33%, 23% and 1%, respectively, of our bandwidth, co-location and data storage fees were paid for services purchased from the three major PRC telecommunications carriers, China Telecom, China Mobile and China Unicom, through their respective subsidiaries and sales agents. Our agreements with the telecommunication carriers typically use a standard form provided by the carriers, with pricing terms individually negotiated with the carriers' local subsidiaries or sales agents. The agreements are typically of a one-year term with renewal options. We pay monthly service fees based on the number of internet gateways, bandwidth usage and the number of server clusters.

Technologies

Our content-aware network service, is an enhanced next-generation of CDN technology that improved our capabilities of delivering content and application delivery total solutions. Our content-aware network service is device-aware, network-aware and application-aware. Our content-aware network service is device-aware in the sense that we are able to identify each end user device and optimize data for consumption on such user's IOS or Android mobile device. Our content-aware network service is network-aware in that its capabilities enable us to determine what kind of network online content is going through, whether it is a fixed or mobile network, and whether data is traveling on a 2G, 3G, 4G or 5G mobile network. Our content-aware network service is application-aware in that through this service we can provide network services tailored to specific applications such as e-commerce and online video, which require different capabilities and resources.

Our key technologies include the following:

Request routing technology. Our request routing technology routes client requests to an appropriate server for the delivery of content. Utilizing our proprietary Scalable Service Routing technology, we are able to use a set of metrics, such as network proximity, client perceived latency, distance and replica server load, to direct users to the most suitable servers that can best serve the request. We have developed a system that can assess the link quality between users and our servers/nodes, so we can collect the quality topology of China internet and Global internet.

Content distribution and management technology. Our content distribution and management technology include content storage, content outsourcing, content delivery, and content management technologies. We have developed and deployed various software tools on our platform, such as HPCC (High Performance Cache Cloud), Purging, Configurations, and Log Configurations, to deliver caching, streaming and dynamic services. We have also developed a system that meets the demand of governmental administration.

System management technology. Our system management technology includes our Operational Support Systems, or OSS, and Business Support Systems, or BSS. OSS primarily deals with supporting processes such as maintaining inventory, providing services, configuring components, security, monitoring service quality and managing faults. BSS typically deals with customer supporting processes, such as taking orders, processing bills and collecting payments.

Intelligent Traffic adaptive Technology. Other than HTTP over TCP, we started to explore using UDP based protocols to facilitate fast transmission of service data and internal communications.

Comprehensive Security CDN protections. Aside from whole network deployment of HTTPS solutions compliant to TLS v1.2 and closely following upcoming TLS v1.3, we strive to construct a cyber-safe CDN network for customers. By using content hash and signing, we ensure tamper-proof content delivery chain all the way from source to end user's terminal. We developed and deployed threat database sync with major rogue-IP databases and from our own edge warning systems. Along with the threat database, sophisticated access behavior analysis armed with whole arsenal of web protect techniques can ensure our services availability and protect customers' source web sites.

Multiple purpose cloud hosting. Stemmed from cache system's underlying storage module, we gradually rebuilt the storage components into a KV schemed multiple hosts clusters with flexible deployment choices: either with dedicated storage server or cohabitated with our cache systems. This storage becomes a vital building block for our customer source solutions, caching systems, and big data solutions.

Research and Development

We believe that the continual development of our technology will be vital to maintaining our long-term competitiveness. Therefore, we intend to continue to devote a significant amount of time and resources to carrying out our market-oriented research and development efforts.

Our internal research and development team consisted of 4 engineers as of December 31, 2021, representing approximately 6.9% of our staff. Our senior management team leads our research and development efforts and sets strategic initiatives to improve our services and products, focusing on efforts to sustain our technology leadership, raise our productivity and enhance the competitiveness of our services.

We instituted our ChinaCache Engineering Process to increase productivity and ensure rapport at workplaces. High-performing leaders at ChinaCache R&D team inspire team members and ensure them constantly enhance their tech skills. Our ChinaCache Engineering Process is comprised of policies and procedures that facilitate the exchange of information, the collaboration of research and development activities and joint development of new services and solutions among our different divisions. With the implementation of these policies and procedures, we shorten the go-to-market timespan for services and solutions developed.

Intellectual Property

As of December 31, 2021, we have 57 patents issued by the State Intellectual Property Offices of China, and 2 U.S. patents issued by the U.S. Patent and Trademark Office, all relating to different aspects of content and application delivery service technologies. In addition, we have 67 PRC software copyright registrations relating to media streaming services, operation support systems, caching services and dynamic content services. We also have 63 trademark registrations issued by the Trademark Bureau of the State Administration for Industry and Commerce, now the State Intellectual Property Office under the State Administration for Market Regulation, covering our company name, logo and service.

We rely on a combination of copyright, patent, trademark, trade secret and other intellectual property laws, nondisclosure agreements and other protective measures to protect our intellectual property rights. We generally control access to and use of our proprietary software and other confidential information through the use of internal and external controls, including physical and electronic security, contractual protections, and intellectual property law. We have implemented a strict security and information technology management system, including the prohibition of copying and transferring of codes. We educate our staff on the need to, and require them to, comply with such security procedures. We also promote protection through contractual prohibitions, such as requiring our employees to enter into confidentiality and non-compete agreements.

Sales and Marketing

We have both domestic and international sales and marketing teams. Our domestic sales and marketing team is primarily based in Beijing. We also have overseas sales offices in Hong Kong, U.S. and Europe for international business. We sell our services and solutions through our direct sales force and, to a lesser extent, sale agencies. We up-sell and cross-sell our broad portfolio of services and solutions to our existing customer base. We actively market our portfolio of services and solutions through our sales personnel. In addition, in an effort to better anticipate and respond to our customers' needs, we require and foster the collaborations among our sales teams, product development teams and research and development teams to develop additional services and solutions that meet the needs of our customers.

Up to December 31, 2021, we have two sales units, with each of these sales units providing our services to a particular type of customers. These two sales units are (1) Oversea Unit (including North America unit and Europe unit) (2) Domestic Sale Unit.

We also utilize a variety of other methods to raise awareness of our company, our services and our brand. We promote our technologies and solutions to different types of customers, especially mobile internet and enterprise customers, in various ways, such as customer activities, media publicity and online coverage.

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We also have a designated product marketing team, which mainly focuses on product definition and product analysis. It is also responsible for establishing and maintaining product quality monitoring system as well as leading the long-term product strategy planning. Internally, this team supports and collaborates with sales, marketing and research and development teams to ensure seamless communication. Externally, it participates in promotion activities to enhance communications with customers.

Competition

In China, we primarily compete with domestic content and application delivery service providers. Our primary domestic competitors include ChinaNetCenter, Dnion Technology, and 21Vianet, which acquired FastWeb in 2012, and Alibaba, which launched its Ali Cloud CDN commercial services in 2014 to offer third-party CDN services. In March 2015, Tencent also announced its launch of TencentCloud CDN. In 2020, KC. US was successfully quoted on Nasdaq, whose major revenue came from CDN business. In addition, a number of small cloud hosting service companies also began to offer CDN services. We believe that the principal competitive factors affecting the content and application delivery services market include:

- performance, as measured by response time and end-user experience;
- quality and reliability of services;
- network coverage and scale;
- technologies and network capabilities;
- price;
- industry knowledge;
- scope and range of service offering; and
- scalability and flexibility of platforms.

We believe that, rather than competing head-on with companies such as Tencent and Alibaba on pricing, we need to promote to customers our technical capability, quality of customer service, and flexibility of our product offering built on 3-tier internet infrastructure.

We believe that there will be no foreign competitors with a significant presence in the content and application delivery services market in China in the near future, partly due to the regulatory barriers in China's telecommunications sector. However, as China represents a potentially lucrative market for foreign competitors, some foreign providers may seek to enter the China market by way of collaboration with local CDN and IDC players. We believe that we are one strong candidate for such partnership with potential international new entrants into the China market. We have accumulated a deep understanding of the requirements of China's content and application delivery services market through our extensive operational experience and have developed a comprehensive suite of services and solutions tailored to the unique characteristics of the internet market in China.

Regulation

This section sets forth a summary of the most significant regulations or requirements that affect our business activities in China or our shareholders' rights to receive dividends and other distributions from us.

As the content and application delivery industry is at an early stage of development in China, new laws and regulations may be adopted from time to time that will require us to obtain additional licenses and permits in addition to those that we currently have, and address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to

the content and application delivery services industry. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China.”

Regulations on Value-Added Telecommunications Business and Content and Application Delivery Business

Our content and application delivery business are regarded as telecommunications services, which are primarily regulated by the MIIT, the Ministry of Commerce, and SAIC. Pursuant to the applicable PRC laws and regulations, telecommunications businesses are defined as the activities of delivering, transmitting or receiving voice, text, data, graphics and other form of information via wired or wireless electromagnetic systems or optoelectronic systems. Telecommunications businesses are divided into two categories under the Telecommunications Regulations, namely (i) the “basic telecommunications business,” which refers to the business of providing public network infrastructure, public data transmission and basic voice communications services, and (ii) “value-added telecommunications business,” which refers to the telecommunications and information services provided through the public network infrastructure.

In the Telecommunications Services Classification Catalogue 2015 version promulgated by MIIT in December 2015, the internet data service business and content and application delivery business are listed under the first category of the value-added telecommunications business. Pursuant to the Value-Added Telecommunications Business Operating License, or the VAT license, issued to Beijing Blue I.T. by the MIIT on June 26, 2019, Beijing Blue I.T. is permitted to carry out domestic fixed-network data transmission business, internet data center business (excluding internet resource coordination service), content delivery network business, domestic internet virtual private networks business and internet access service business under the first category of “value-added telecommunications business”. Pursuant to the VAT license issued to ShenRong BJ by the MIIT on June 29, 2020, ShenRong BJ is permitted to carry out its domestic fixed-network data transmission business, internet data center business, content delivery network business, its domestic internet virtual private networks business and internet access service business (excluding internet access service for internet users.)

Pursuant to the Telecommunications Regulations, value-added telecommunications services covering two or more provinces, autonomous regions, and/or municipalities directly under the central government shall be approved by the MIIT, and the providers of such cross-regional value-added telecommunications services are required to obtain the Cross-Regional Value-Added Telecommunications Business Operating Licenses, or the Cross-Regional VAT licenses. Value-added telecommunications services covering certain area within one province, autonomous region, and/or municipality directly under the central government shall be approved by the local telecommunications administration authority of in such region and the providers of such value-added telecommunications services are required to obtain the VAT licenses. Pursuant to the Administrative Measures for Telecommunications Business Operating Licenses, Cross-Regional VAT licenses shall be approved and issued by the MIIT with five-year terms.

Currently, Beijing Blue I.T. holds a Cross-Regional VAT license, issued by the MIIT with an effective term until September 18, 2022 under the first category of the “value-added telecommunications services.” As specified in this Cross-Regional VAT license, Beijing Blue I.T. is permitted to carry out (i) the domestic fixed-network data transmission business throughout China; (ii) internet data center business (excluding internet resource coordination service) across 16 cities in China; (iii) the content distribution network business throughout China; (iv) the domestic internet virtual private networks business throughout China; and (v) the internet access business across 17 provinces in China. ChinaCache Shouming holds a Cross-Regional VAT license, issued by the MIIT with an effective term until November 28, 2023 under the first category of the “value-added telecommunications services”, and as specified in this Cross-Regional VAT license, ChinaCache Shouming is permitted to carry out the internet data center business (excluding internet resource coordination service) as well as the internet access business across 2 provinces in China. ChinaCache Shouming also holds a VAT license, pursuant to which ChinaCache Shouming is permitted to carry out the internet access business in Beijing, with an effective term until February 20, 2024. Beijing Blue I.T. also holds an ICP License with an effective term until January 3, 2023. Beijing Jingtian holds an ICP License with an effective term until August 5, 2024.

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On January 17, 2017, the MIIT issued a Circular on Clearing up and Regulating the Internet Access Service Market, or Circular No. 32, aiming to regulate illegal operations in the field of internet data center (IDC) service, internet access (ISP) service and content delivery network (CDN) service businesses. In particular, the MIIT Circular No. 32 reiterates that an entity is prohibited from operating any of the IDC, ISP or CDN services without proper telecommunication business operation permit, or engaging in activities beyond the permitted business scope or permitted geographical scope specified on its operation permit, nor shall a qualified telecommunication business operator lease or transfer its qualification or resources to an unauthorized entity in the form of technology cooperation or in other disguised form. In addition, pursuant to the MIIT Circular No. 32, if an entity had obtained a VAT License for IDC service business prior to the implementation of the Catalog of Telecommunications Business (2015 Version) and has actually engaged in CDN service or internet resource coordination business, it must undertake in a written commitment to the issuing authority of its VAT License by March 31, 2017 that it will satisfy relevant requirements for CDN service or internet resource coordination service, as applicable, and obtain the corresponding VAT License by the end of 2017. If it fails to obtain the VAT License by the deadline, it must cease to operate the CDN service and internet resource coordination service business from January 1, 2018. If an entity fails to submit the aforesaid commitment by March 31, 2017, it shall be refrained from engaging in CDN service and internet resource coordination service since April 1, 2017. Beijing Blue I.T. had submitted the written commitment on March 30, 2017 in compliance with the relevant requirement and has obtained the relevant VAT License issued by the MIIT on September 18, 2017, subsequently as amended on February 7, 2018 and January 10, 2019. In April 2018, the MIIT issued a Circular on Deepening the Work of Clearing Up and Regulating the Internet Access Service Market, pursuant to which the regulator has further launched a series of inspections and rectifications to regulate the market, which lasts until March 31, 2019.

In February 2018, MIIT issued an internal notice, or the MIIT Internal Notice, pursuant to which telecommunication authorities will carry out a special enforcement campaign to inspect the operations of certain licensed telecommunications operators according to applicable regulations and rules, including without limitation, the Circular on Clearing Up and Regulatory the Internet Access Service Market issued by the MIIT in January 2017. In particular, the authorities will pay special attention to any improper operational activities, such as unauthorized establishment of transmission network, unlicensed operation of cross-border business and improper sublease of broadband resources. If the enterprise is found to be engaged in non-compliant operations, it may be subject to various penalties, including suspension of network access, suspension of approving its application for new operation permit until rectification being completed, being publicized as an operator with discredit record or non-compliance record, enhanced oversight of the authority and limitation on new telecommunication business, depending on the seriousness of the violations and the rectification result. The MIIT Internal Notice mandates that the foregoing inspection and scrutiny to be completed by September 30, 2018. According to the MIIT Internal Notice, 47 industry players are subject to the special inspection, including one of our VIEs, Beijing Blue I.T. After the MIIT Internal Notice was issued, we closely communicated with the in-charge authority to clarify the inspection requirements of the authority and cooperate with them to review our business practices and compliance status. As of the date of this annual report, we have not received any further investigation notice or rectification order relating thereto from the government authorities.

In addition, the MIIT and other relevant regulatory authorities published a series of new regulations, policies with respect to the construction, development and expansion of new and existing data centers. For example, on January 21, 2019, MIIT, National Government Office Administration and National Energy Administration jointly published the Guidance on Promotion of Green Data Center Construction, pursuant to which authorities encourage data centers to adhere to certain average levels of energy conservation and aim to reach several goals including, among others, maintaining the power usage effectiveness (PUE) of newly constructed large and extra-large data centers at or below 1.4 from the year 2022 onward. On February 14, 2022, the General Office of the People's Government of Beijing Municipality, or the GOPGB, issued the Beijing Municipality's Catalogue for the Prohibition and Restriction of Newly Increased Industries (2022 Edition), or the 2022 Catalogue, which is a revised edition of the catalogue GOPGB issued in 2018. According to the 2022 Catalogue, the management of data centers is no longer based solely on the PUE, but is to guide the detailed classification and overall development of data centers based on comprehensive considering of business functions, energy consumption, water consumption and other relevant factors.

Regulations on Internet Information Services

Beijing Blue I.T. operates one website, www.chinacache.com, to provide information related to its business. Internet information services in China are primarily regulated by the MIIT. Pursuant to the applicable regulations,

to engage in commercial internet information services, the service providers shall obtain a VAT license for internet information services, or an “ICP License.” Beijing Blue I.T. holds an ICP License, issued by the Beijing Telecommunications Administration Department, with an effective term until January 3, 2023. Beijing Blue I.T.’s ICP License permits it to carry out commercial internet information services. Beijing Jingtian holds an ICP License with an effective term until August 5, 2024.

The PRC government regulates and restricts internet content in China to protect state security and ensure the legality of the internet content. The National People's Congress has enacted legislation that may subject to criminal punishment in China any person who: (i) gains improper entry into a computer or system of strategic importance; (ii) disseminates politically disruptive information; (iii) leaks state secrets; (iv) spreads false commercial information; or (v) infringes intellectual property rights. The Ministry of Public Security has also promulgated measures that prohibit use of the internet in ways that, among other things, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection rights in this regard.

Regulation on Internet Security

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cyber Security Law, which became effective on June 1, 2017. In accordance with the Cyber Security Law, internet operators must set up internal security management systems and take technical and other necessary measures as required by applicable laws and regulations to safeguard the operation of networks, prevent illegal and criminal activities, and maintain the integrity, confidentiality and usability of network data. In addition, the Cyber Security Law requires internet operators to make emergency response plans for cyber security incidents and report to the competent governmental departments once any incident endangering cyber security occurs.

In September 2016, the General Office of MIIT issued the Trial Administration Measures on the Use and Operation Maintenance of Internet Information Security Management System. According to these measures, internet operators that are engaged in the internet data center, internet access and content and application delivery businesses must set up and maintain an internet information security management system. By using the internet information security management system, such internet operators are obligated to monitor the information they transmit and take timely measures in relation to any illicit content. Furthermore, such internet operators are also obligated to report security incidents to the authorities and accept their inspection.

For the further purposes of regulating data processing activities, safeguarding data security, promoting data development and utilization, protecting the lawful rights and interests of individuals and organizations, and maintaining national sovereignty, security, and development interests, on June 10, 2021, the Standing Committee of the National People's Congress published the Data Security Law of the People's Republic of China, which took effect on September 1, 2021. The Data Security Law requires data processing, which includes the collection, storage, use, processing, transmission, provision, publication of data, to be conducted in a legitimate and proper manner. The Data Security Law provides for data security and privacy obligations on entities and individuals carrying out data activities. The Data Security Law also introduces a data classification and hierarchical protection system based on the importance of data in economic and social development, and the degree of harm it may cause to national security, public interests, or legitimate rights and interests of individuals or organizations if such data are tampered with, destroyed, leaked, illegally acquired or illegally used. The appropriate level of protection measures is required to be taken for each respective category of data. For example, a processor of important data is required to designate the personnel and the management body responsible for data security, carry out regular risk assessments of its data processing activities and file the risk assessment reports with the competent authorities. State core data, i.e. data having a bearing on national security, the lifelines of national economy, people's key livelihood and major public interests, shall be subject to stricter management system. Moreover, the Data Security Law provides a national security review procedure for those data activities which affect or may affect national security and imposes export restrictions on certain data and information. In addition, the Data Security Law also provides that any organization or individual within the territory of the PRC shall not provide any foreign judicial body and law enforcement body with any data without the approval of the competent PRC governmental authorities. As the Data Security Law was recently promulgated and put into force, we may be required to make further adjustments to our business practices to comply with this law, as well as any adjustments that may be required by the ultimate Personal Information Protection Law.

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On December 28, 2021, the Cyberspace Administration of China issued the Cybersecurity Review Measures 2021, which became effective on February 15, 2022 and replaced the Cybersecurity Review Measures 2020. The scope of review under the Cybersecurity Review Measures 2021 extends to critical information infrastructure operators that intend to purchase internet products and services and network platform operators engaging in data processing activities, which affect or may affect national security. According to Article 7 of the Measures, network platform operators who possess personal information of over a million users shall apply to the Cybersecurity Review Office for cybersecurity reviews before listing in a foreign country. Besides, the Cybersecurity Review Measures 2021 also provide that if the relevant authorities consider that certain network products and services and data processing activities affect or may affect national security, the authorities may initiate a cybersecurity review even if the operators do not have an obligation to report for a cybersecurity review under such circumstances. The Cybersecurity Review Measures 2021 also elaborate the factors to be considered when assessing the national security risks of the relevant activities, including among others, risks of core data, important data or a large amount of personal information being stolen, leaked, destroyed, and illegally used or illegally exited the country, risks of critical information infrastructure, core data, important data or a large amount of personal information data being affected, controlled and maliciously used by foreign governments after a listing, and risks associated with Internet information security.

On July 30, 2021, the State Council issued the Regulations on Protection of Critical Information Infrastructure, or the Regulations. Pursuant to the Regulations, critical information infrastructure shall mean the important network facilities or information systems of key industries or fields such as public communication and information service, energy, transportation, water conservation, finance, public services, e-government affairs and national defense science, and important network facilities or information systems which may endanger national security, people's livelihood and public interest once there occur damage, malfunctioning or data leakage to them. The Regulations provide that no individual or organization may carry out any illegal activity of intruding into, interfering with, or sabotaging any critical information infrastructures, or endanger the security of any critical information infrastructures. The Regulations also require that critical information infrastructure operators shall establish a cybersecurity protection system and accountability system, and that the main responsible person of a critical information infrastructure operator shall take full responsibility for the security protection of the critical information infrastructures operated by it. In addition, relevant administration departments of each important industry and sector shall be responsible for formulating the rule of critical information infrastructure determination applicable to their respective industry or sector, and determine the critical information infrastructure operators in their industry or sector.

On July 12, 2021, MIIT and two other authorities jointly issued the Provisions on the Administration of Security Vulnerabilities of Network Products, or the Provisions. The Provisions state that, no organization or individual may abuse the security vulnerabilities of network products to engage in activities that endanger network security, or to illegally collect, sell, or publish the information on such security vulnerabilities. Anyone who is aware of the aforesaid offences shall not provide technical support, advertising, payment settlement and other assistance to the relevant offenders. According to the Provisions, network product providers, network operators, and platforms collecting network product security vulnerabilities shall establish and improve channels for receiving network product security vulnerability information and keep such channels available, and retain network product security vulnerability information reception logs for at least six months. The Provisions also bans provision of undisclosed vulnerabilities to overseas organizations or individuals other than to the product providers.

On August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, which integrates the scattered rules with respect to personal information rights and privacy protection and took effect on November 1, 2021. The Personal Information Protection Law requires, among others, that (i) the processing of personal information should have a clear and reasonable purpose which should be directly related to the processing purpose and should be conducted in a method that has the minimum impact on personal rights and interests, and (ii) the collection of personal information should be limited to the minimum scope as necessary to achieve the processing purpose and avoid the excessive collection of personal information. Personal information processors shall adopt necessary measures to safeguard the security of the personal information they handle. The offending entities could be ordered to correct, or to suspend or terminate the provision of services, and face confiscation of illegal income, fines or other penalties.

Beijing Blue I.T. established an internet information security management system pursuant to applicable laws and regulations.

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In November 2017, MIIT promulgated the Circular on Regulating the Use of Domain Names for Internet Information Services, which became effective on January 1, 2018. Pursuant to this circular, the ISP service provider shall verify the identity of each internet information service provider. If the internet information service provider fails to provide its true and accurate identity information, the ISP service provider shall not provide ISP services to it. In addition, the ISP service provider shall regularly check the status of domain names used by the internet information service providers, and if relevant domain name is invalid and the real identity information of the user is absent, it shall cease providing ISP services.

Regulations on Foreign Investment

On January 1, 2020, the Foreign Investment Law and the Regulations for Implementation of the Foreign Investment Law, or the Implementation Regulations, came into effect and became the principal laws and regulations governing foreign investment in the PRC, replacing the trio of prior laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

According to the Foreign Investment Law, “foreign investment” refers to the investment activities conducted directly or indirectly by foreign individuals, enterprises or other entities in the PRC, including the following circumstances: (i) the establishment of foreign-invested enterprises in the PRC by foreign investors solely or jointly with other investors, (ii) a foreign investors’ acquisition of shares, equity interests, property portions or other similar rights and interests of enterprises in the PRC, (iii) investment in new projects in the PRC by foreign investors solely or jointly with other investors, and (iv) investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Pursuant to the Foreign Investment Law, China has adopted a reformed system with respect to foreign investment administration, under which the Chinese government applies national treatment to foreign investors in terms of investment entry and the foreign investor needs to comply with the requirements as provided in the negative list for foreign investment. The negative list will be issued by, amended or released upon approval by the State Council, from time to time. The negative list will consist of a list of industries in which foreign investments are prohibited and a list of industries in which foreign investments are restricted. Foreign investors will be prohibited from making investments in prohibited industries, while foreign investments must satisfy certain conditions stipulated in the negative list for investments in restricted industries. Foreign investments and domestic investments in industries outside the scope of the prohibited industries and restricted industries stipulated in the negative list will be treated equally. Any foreign-invested enterprise established prior to the effectiveness of the Foreign Investment Law may maintain its original corporate forms for a period of five years after January 1, 2020.

The Implementation Regulations restates certain principles of the Foreign Investment Law and further provides that, among others, (1) if a foreign-invested enterprise established prior to the effective date of the Foreign Investment Law fails to adjust its legal form or governance structure to comply with the provisions of the Companies Law of the PRC or the Partnership Enterprises Law of the PRC, as applicable, and complete amendment registration before January 1, 2025, the enterprise registration authority will not process other registration matters of the foreign-invested enterprise and may publicize such non-compliance thereafter; (2) the provisions regarding equity interest transfer and distribution of profits and remaining assets as stipulated in the contracts among the joint venture parties of a foreign-invested enterprise established before the effective date of the Foreign Investment Law may, after adjustment of the legal form and governing structure of such foreign-invested enterprise, remain binding upon the parties.

On December 31, 2019, the Ministry of Commerce and the SAIC jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise must submit the investment information to the competent commerce department for further handling.

In December 2020, the National Development and Reform Commission and the Ministry of Commerce promulgated the Measures for the Security Review of Foreign Investment, which came into effect on January 18, 2021. The National Development and Reform Commission and the Ministry of Commerce will establish a working mechanism office in charge of the security review of foreign investment. Such measures define foreign investment as direct or indirect investment by foreign investors in the PRC, which includes (i) investment in new onshore projects or establishment of wholly foreign owned onshore companies or joint ventures with foreign investors; (ii) acquiring equity or asset of onshore companies by merger and acquisition; and (iii) onshore investment by and through any other means. Investment in certain key areas with bearing on national security, such as important cultural products and services, important information technology and internet services and products, key technologies and other important areas with bearing on national security which results in the acquisition of de facto control of investee companies, shall be filed with a specifically established office before such investment is carried out. What may constitute “onshore investment by and through any other means” or “de facto control” could be broadly interpreted under such measures. It is likely that control through contractual arrangement be regarded as de facto control based on provisions applied to security review of foreign investment in the free trade zone. Failure to make such filing may subject such foreign investor to rectification within prescribed period, and will be recorded as negative credit information of such foreign investor in the relevant national credit information system, which would then subject such investors to joint punishment as provided by relevant rules. If such investor fails to or refuses to undertake such rectification, it would be ordered to dispose of the equity or asset and to take any other necessary measures so as to return to the status quo and to erase the impact to national security.

Regulations on Foreign Investment in Telecommunications Enterprises

The PRC government imposes limitations on foreign ownership of PRC companies that engage in telecommunications-related business. Under the Administrative Rules for Foreign Investments in Telecommunications Enterprises, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a PRC company that engages in value-added telecommunications business, except for those as otherwise promulgated by the state, which may be owned more than 50% up to 100% by foreign investors According to the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2021 Version), or the Negative List, which became effective on January 1, 2022 and replaced the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2020 Version). In addition, on January 31, 2019, the State Council published its approval of Fully Promoting the Comprehensive Pilot Program for Expanding the Opening Up of Service Industry in Beijing, pursuant to which Beijing lifts foreign ownership limits on internet access service industry (only the service of providing users with internet access) in certain pilot zones in Beijing. Nevertheless, since the local authorities in Beijing has not promulgated detailed implementing rules or guidelines as of the date of this annual report, it remains uncertain as to the interpretation and implementation of this new policy in many aspects, such as whether the abovementioned requirements provided by the Foreign Investment Telecommunications Rules for a major foreign investor and the MIIT approval will still apply in Beijing.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-Added Telecommunications Business, among others, requires a foreign investor to set up a foreign-invested enterprise and obtain an operating permit in order to carry out any value-added telecommunications business in China. Under this circular, a domestic value-added telecommunications service operator that holds a VAT license is prohibited from leasing, transferring or selling such license to foreign investors, and from providing any assistance in the form of resources, sites or facilities to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business of domestic operators must be owned by such domestic operators or their shareholders. The circular further requires each VAT license holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its VAT license. In addition, all value-added telecommunications service operators are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Due to a lack of interpretations from the regulator, it remains unclear what impact this circular would have on us.

We conduct our businesses in China primarily through contractual arrangements among us, our wholly-owned PRC subsidiaries, our variable interest entities and their shareholders. In the opinion of Han Kun Law Offices, our PRC legal counsel, each of the currently effective documents under the VIE arrangements among us, our PRC subsidiary, PRC consolidated variable interest entities and their shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect. However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulation, and rules relating to the agreements that establish the variable interest entities structure for our operations in China, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the variable interest entities, and consequently, significantly affect our financial condition and results of operations. If the PRC government finds the agreements with the variable interest entities non-compliant with relevant PRC laws, regulations and rules, of these laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties or be forced to relinquish our interest in the variable interest entities.

In addition, the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-Added Telecommunications Business provides that domestic telecommunications companies that intend to be listed overseas must obtain the approval from the MIIT for such overseas listing. Up to the date of this annual report, the MIIT has not issued any definitive rule concerning whether offerings like ours would be deemed an indirect overseas listing of our PRC affiliates that engage in telecommunications business. Based on our oral consultation with certain officials of the MIIT, in practice, our offerings should not be deemed an overseas listing of a domestic company. If the MIIT subsequently requires that we obtain its approval, our shares may decline in value or become worthless if we are unable to assert our contractual control rights over the assets of our PRC subsidiaries that conduct all or substantially all of our operations.

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

SAFE issued SAFE Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37, that became effective in July 2014, replacing the previous SAFE Circular 75. SAFE Circular 37 regulates foreign exchange matters in relation to the use of special purpose vehicles, or SPVs, by PRC residents or entities to seek offshore investment and financing or conduct round trip investment in China. Under SAFE Circular 37, a SPV refers to an offshore entity established or controlled, directly or indirectly, by PRC residents or entities for the purpose of seeking offshore financing or making offshore investment, using legitimate onshore or offshore assets or interests, while "round trip investment" refers to direct investment in China by PRC residents or entities through SPVs, namely, establishing foreign-invested enterprises to obtain the ownership, control rights and management rights. SAFE Circular 37 provides that, before making contribution into an SPV, PRC residents or entities are required to complete foreign exchange registration with SAFE or its local branch. In addition, SAFE issued Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies, or SAFE Circular 13, which became effective on June 1, 2015. SAFE Circular 13 provides that the foreign exchange registration under domestic direct investment and the foreign exchange registration under overseas direct investment will be directly reviewed and handled by banks, cancelling the administrative examination and approval procedure.

PRC residents or entities who had contributed legitimate onshore or offshore interests or assets to SPVs but had not obtained SAFE registration before the implementation of the SAFE Circular 37 must register their ownership interests or control in the SPVs with SAFE or its local branch. An amendment to the registration is required if there is a material change with respect to the SPV registered, such as any change of basic information (including change of the PRC residents, name and operation term), increases or decreases in investment amount, transfers or exchanges of shares, and mergers or divisions. Failure to comply with the registration procedures set forth in SAFE Circular 37, or making misrepresentation on or failure to disclose controllers of the foreign-invested enterprise that is established through round-trip investment, may result in restrictions being imposed on the foreign exchange activities of the relevant foreign-invested enterprise, including payment of dividends and other distributions, such as proceeds from any reduction in capital, share transfer or liquidation, to its offshore parent or affiliate, and the capital inflow from the offshore parent, and may also subject relevant PRC residents or entities to penalties under PRC foreign exchange administration regulations.



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We are aware that our PRC resident beneficial owners subject to these SAFE registration requirements have registered with the Beijing SAFE branch and will amend the registration to reflect the recent changes to our corporate structure. However, we cannot assure you that our current and future beneficial owners who are PRC residents will continue to comply with Circular 37; nor can we assure you that there will not be further filing or registration requirements imposed by the PRC government concerning ownership in foreign companies of PRC residents. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China— PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners to personal liability and limit our ability to acquire PRC companies or to inject capital into our PRC subsidiary, limit our PRC subsidiary’s ability to distribute profits to us, or otherwise materially and adversely affect us.”

Regulations on Employee Stock Options Granted by Listed Companies

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which was promulgated by SAFE in February 2012, PRC individuals who are granted shares or share options under a share incentive plan of a company listed on an overseas stock exchange are required to register with the SAFE or its local counterparts. Pursuant to the Stock Option Rules, PRC residents participating in the employee stock option plans of the overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participant must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent, the overseas entrusted institution or other material change. The PRC agents or the employers shall, on behalf of the PRC residents who have the right to exercise the employee stock options, apply annually to SAFE or its local offices for a quota for the conversion and/or payment of foreign currencies in connection with the domestic individuals’ exercise of the employee stock options. The foreign exchange proceeds received by the PRC residents from sale of shares under the stock option plans granted by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents. In addition, the PRC agents shall file with SAFE or its local branches each quarter a form in relation to the Domestic Individuals Participating in the Stock Incentive Plans of Overseas Listed Companies.

On October 16, 2008, May 22, 2009, May 28, 2010 and June 20, 2011, we adopted our 2007, 2008 and 2010 Stock Incentive Plans and our 2011 Share Incentive Plan, respectively. Pursuant to these four plans, we issue employee stock options to our qualified employees and directors on a regular basis. In the application documents filed with the Beijing office of the State Administration of Foreign Exchange in connection with the registration of Mr. Song Wang’s and Ms. Jean Xiaohong Kou’s overseas investment in ChinaCache Holdings, it was indicated that approximately 7% of the share capital of ChinaCache Holdings are reserved for the employee stock options and service incentive shares. As of the date of this annual report, we have granted employee stock options and incentive shares within the scope noted in the application documents which were filed with the Beijing office of the State Administration of Foreign Exchange. After our initial public offering, we have advised our employees and directors participating in the Stock Incentive Plan to handle foreign exchange matters in accordance with the relevant SAFE rules. We have registered our 2007 Stock Incentive Plan, 2008 Stock Incentive Plan, 2010 Stock Incentive Plan and 2011 Share Incentive Plan with Beijing branch of SAFE. The failure of our PRC stock options holders to complete their registration pursuant to Stock Option Rules and other foreign exchange requirements may subject us or our PRC stock options holders to fines and legal sanctions.

Further, a notice concerning the individual income tax on earnings from employee stock options, jointly issued by the Ministry of Finance and the SAT, provides that domestic companies that implement employee share option programs shall (1) file the employee share option plans and other relevant documents to the tax authorities having jurisdiction over them before implementing such employee share option plans; and (2) file share option exercise notices and other relevant documents to the tax authorities having jurisdiction over them before exercise by the employees of the share options, and clarify whether the shares issuable under the employee share options mentioned in the notice are the shares of publicly listed companies.



M&A Regulations and Overseas Listings

The M&A Rules, effective on September 8, 2006 and as amended subsequently, include provisions that purport to require an offshore “special purpose vehicle” to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange. Under the M&A Rules, “special purpose vehicle” is defined as an offshore company directly or indirectly controlled by PRC domestic companies or individuals for the purposes of listing the equity interest in PRC companies on overseas stock exchanges. On September 21, 2006, the CSRC published on its official website the procedures regarding its approval of overseas listings by special purpose vehicles. The approval procedures require the filing of a number of documents and would take several months. However, it remains unclear whether the M&A Rules and the requirement of the CSRC approval apply. Up to the date of this annual report, the CSRC has not issued any rules or written interpretation clarifying whether offerings like our initial public offering are subject to this new procedure.

On July 6, 2021, the relevant PRC government authorities issued Opinions on Strictly Cracking Down Illegal Securities Activities in Accordance with the Law. These opinions emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies.

On December 27, 2021, the National Development and Reform Commission and the Ministry of Commerce jointly issued the Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Version), or the 2021 Negative List, which became effective on January 1, 2022. Pursuant to such Special Administrative Measures, if a domestic company engaging in the prohibited business stipulated in the 2021 Negative List seeks an overseas offering and listing, it shall obtain the approval from the competent governmental authorities. Besides, the foreign investors of the company shall not be involved in the company’s operation and management, and their shareholding percentage shall be subject, mutatis mutandis, to the relevant regulations on the domestic securities investments by foreign investors.

On December 24, 2021, the State Council issued a draft of the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Provisions, and the CSRC issued a draft of Administration Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies, or the Draft Administration Measures, for public comments. According to the Draft Provisions and the Draft Administration Measures, the overseas offering and listing by a domestic company, whether directly or indirectly, shall be filed with the CSRC. Specifically, the determination of an indirect offering and listing will be conducted on a “substance over form” basis, and an offering and listing shall be considered as an indirect overseas offering and listing by a domestic company if the issuer meets the following conditions: (i) the operating income, gross profit, total assets, or net assets of the domestic enterprise in the most recent fiscal year was more than 50% of the relevant line item in the issuer’s audited consolidated financial statement for that year; and (ii) senior management personnel responsible for business operations and management are mostly PRC citizens or are ordinarily resident in the PRC, and the main place of business is in the PRC or carried out in the PRC. According to the Draft Administration Measures, an overseas offering and listing is prohibited under any of the following circumstances: (i) if the intended securities offering and listing is specifically prohibited by national laws and regulations and relevant provisions; (ii) if the intended securities offering and listing may constitute a threat to or endangers national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) if there are material ownership disputes over the equity, major assets, and core technology, etc. of the issuer; (iv) if, in the past three years, the domestic enterprise or its controlling shareholders or actual controllers have committed corruption, bribery, embezzlement, misappropriation of property, or other criminal offenses disruptive to the order of the socialist market economy, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (v) if, in past three years, directors, supervisors, or senior executives have been subject to administrative punishments for severe violations, or are currently under judicial investigation for suspicion of criminal offenses, or are under investigation for suspicion of major violations; (vi) other circumstances as prescribed by the State Council.

According to the Draft Administration Measures, the issuer or its affiliated domestic company, as the case may be, shall file with the CSRC (i) with respect to its initial public offering and listing within three business days, after its initial filing of the listing application to the regulator in the place of the intended listing, (ii) with respect to its follow-on offering within three business days after completion of the follow-on offering, (iii) with respect to its follow-on offering

for purpose of acquiring specific assets, within three business days after the first public announcement of the transaction, and (iv) with respect to listing by means of reverse takeover, share swap, acquisition and similar transactions, within three business days after its initial filing of the listing application or the first public announcement of the transaction, as case may be.

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Non-compliance with the Draft Administration Measures or an overseas listing completed in breach of Draft Administration Measures may result in a warning on the relevant domestic companies or a fine of RMB1-10 million on them. If the circumstances are serious, they may be ordered to suspend their business or suspend their business pending rectification, or their permits or businesses license may be revoked. Furthermore, the controlling shareholder, actual controllers, directors, supervisors, and other legally appointed persons of the domestic enterprises may be warned, or fined between RMB500,000 to RMB5 million either individually or collectively.

Regulations on Foreign Currency Exchange

Pursuant to applicable PRC regulations on foreign currency exchange, Renminbi is freely convertible only to the extent of current account items, such as trade-related receipts and payments, interest and dividends. Capital account items, such as direct equity investments, loans and repatriation of investment, unless expressly exempted by laws and regulations, require the prior registration at designated foreign exchange banks for conversion of Renminbi into a foreign currency, such as U.S. dollars. Payments for transactions that take place within the PRC must be made in Renminbi. Domestic companies or individuals can repatriate foreign currency payments received from abroad, or deposit these payments abroad subject to the requirement that such payments be repatriated within a certain period of time. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks. Foreign currencies received for current account items can be either retained or sold to financial institutions that have foreign exchange settlement or sales business without prior approval from the State Administration for Foreign Exchange, subject to certain regulations. Foreign exchange income under capital account can be retained or sold to financial institutions that have foreign exchange settlement and sales business, with prior approval from the State Administration for Foreign Exchange, unless otherwise provided.

On February 28, 2015, the SAFE promulgated the Notice on Further Simplifying and Improving the Administration of the Foreign Exchange Concerning Direct Investment, or SAFE Circular 13. After SAFE Circular 13 became effective on June 1, 2015, instead of applying for approvals regarding foreign exchange registrations of foreign direct investment and overseas direct investment from SAFE, entities and individuals will be required to apply for such foreign exchange registrations from qualified banks. The qualified banks, under the supervision of the SAFE, will directly examine the applications and conduct the registration.

In March 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-invested Enterprises, or SAFE Circular No. 19, which effected as of June 1, 2015. SAFE Circular No. 19 provides that, among other things, a foreign-invested company may convert foreign currency capital in its capital account into RMB on a “at will” basis. On June 9, 2016, SAFE promulgated the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts, or SAFE Circular No. 16, to further expand and strengthen such “at will” conversion reform under SAFE Circular No. 19. SAFE Circular No. 16 provides an integrated standard for conversion of foreign exchange under capital account items on an “at will” basis which applies to all enterprises registered in the PRC. Pursuant to SAFE Circular No. 16, in addition to foreign currency capital, enterprises registered in the PRC may also convert their foreign debts, as well as repatriated funds raised through overseas listing, from foreign currency to RMB on an “at will” basis. SAFE Circular No. 16 reiterates that the RMB funds so converted shall not be used for the purpose of, whether directly or indirectly, (i) paying expenditures out of the ordinary course of business or prohibited by laws or regulations; (ii) making securities investment or other investments (except for banks’ principal-secured products); (iii) extending loans to non-affiliated enterprises (except as expressly permitted in the business license); and (iv) purchasing non-self-used real properties (except for real estate enterprises). On October 23, 2019, SAFE promulgated the Circular on Further Promoting the Convenience of Cross-border Trade and Investment, or SAFE Circular 28, which came into effect as of October 23, 2019, to allow the foreign-invested enterprise that are not investment-oriented enterprise (including foreign-funded investment company, foreign-funded venture capital enterprise and foreign-funded equity investment enterprise) to use the capital under its capital account to conduct equity investment in PRC, whether by using the foreign currency under the capital account directly or through settlement of such foreign currency, provided that: (i) there is no violation of the provisions under the Negative List; and (ii) the investment to be conducted in PRC is true and compliant with laws.

Regulations on Dividend Distribution

Under applicable PRC laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign-invested enterprises in China are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund statutory reserve funds unless these reserves have reached 50% of the registered capital of the respective enterprises. These reserves are not distributable as cash dividends.

Regulations on Transfer of Real Estate Properties

According to applicable PRC laws and regulations when a property owner transfers a building, the ownership of the building and the land use right associated with the site on which the building is situated are transferred simultaneously. Pursuant to the applicable regulations, with respect to the transfer of land use right and ownership of the above-ground buildings, the parties must enter into a transfer contract in writing and register the transfer with the relevant property administration authority within 90 days of the execution of the transfer contract. If the land is divided into several parcels during the transfer and the transferee will obtain a separate land use right certificate for each parcel of the land so divided, the transfer of land use right and the relevant transfer of the above-ground building must be approved by the relevant land and housing administration departments of relevant municipal or county level governments.

On October 8, 2010, the Beijing Municipal Bureau of Land and Resources issued the Notice on Further Strengthening the Administration of Research and Development Projects and Industrial Projects. Pursuant to the notice, application for transfer of an industrial project must be submitted to Beijing Municipal Commission of Housing and Urban-Rural Development, which will, after preliminary review together with other relevant administrative departments, submit the application to the People's Government of Beijing Municipality for final approval.

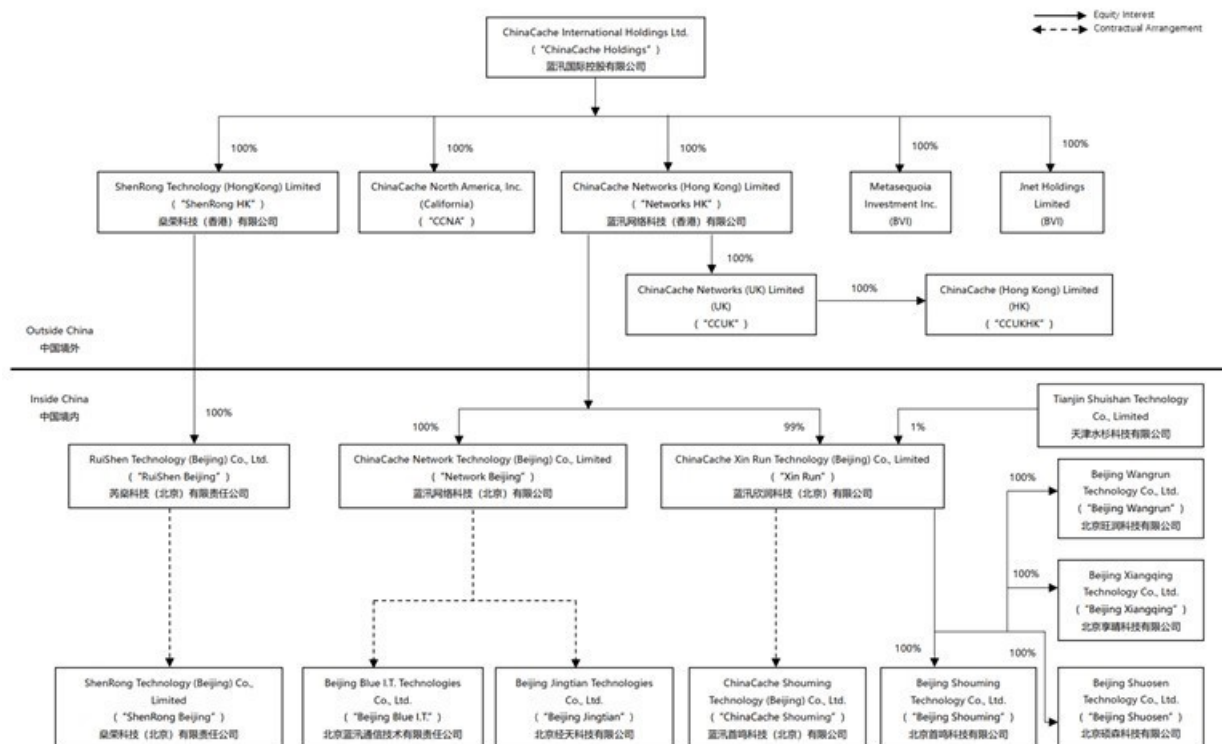
On May 23, 2019, Beijing municipal government issued two acts “Act No 216” and “Act No 217” forbidding cutting apart of the property right for industrial use, which means all the buildings registered on the same land used certificate must be sold at one time.

Regulations on Tax

For a discussion of applicable PRC tax regulations, see “Item 5. Operating and Financial Review and Prospects — A. Operating Results — Taxation — PRC.”

C. Organizational Structure

The following diagram sets out details of our subsidiaries and consolidated variable interest entities as of the date of this annual report:



Contractual Arrangements with Our Consolidated Variable Interest Entities

PRC laws and regulations currently restrict foreign ownership of telecommunications value-added services, including content and application delivery services. Because we are a Cayman Islands company, we are classified as a foreign enterprise under PRC laws and regulations and our wholly-owned and controlled PRC subsidiaries, ChinaCache Beijing, Xin Run and RuiShen BJ, are foreign-invested enterprises. To comply with PRC laws and regulations, we conduct our operations in China through a series of contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, and their respective shareholders. Beijing Blue I.T. is currently 55% owned by Song Wang, our co-founder, former chairman of our board of directors, our former chief executive officer and our shareholder, and 45% owned by Jean Xiaohong Kou, our co-founder, former director, former senior vice president and our shareholder. Beijing Jingtian is 50% owned by Ms. Huiling Ying, and 50% owned by Ms. Yating Yan, who replaced the previous shareholder and became a shareholder of Beijing Jingtian in January 2019. ChinaCache Shouming is 99% owned by Ms. Yajun Liu, and 1% owned by Tianjin Dingsheng. ShenRong BJ is 95% owned by Ms. Huiling Ying, and 5% owned by Ms. Di Yang. All current shareholders of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ are PRC citizen or domestic company wholly owned by PRC citizens and accordingly these four entities are domestic companies under the PRC laws.

We have been and are expected to continue to rely on our consolidated variable interest entities to operate our telecommunications value-added business in China as long as PRC laws and regulations do not allow us to directly operate such business in China. Our contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, and their respective shareholders enable us to:

- exercise effective control over Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ;

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- receive substantially all of the economic benefits of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ in consideration for the services provided by our subsidiaries in China, and incur substantially all the losses of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ; and
- have an exclusive option to purchase all of the equity interest in Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ when and to the extent permitted under PRC law.

Accordingly, under U.S. GAAP, we consolidate Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ as our “variable interest entities” in our consolidated financial statements.

Our contractual arrangements with our consolidated variable interest entities and their shareholders are described in further detail as follows:

Agreements that Provide Us Effective Control

Share Pledge Agreements. Pursuant to the share pledge agreements entered into on September 23, 2005 and supplemented on December 19, 2016 among ChinaCache Beijing, each shareholder of Beijing Blue I.T. and Beijing Blue I.T., or the previous Beijing Blue I.T. share pledge agreements, each shareholder pledged his or her equity interest in Beijing Blue I.T. to ChinaCache Beijing to secure Beijing Blue I.T.’s obligations under the exclusive business cooperation agreement with ChinaCache Beijing. Each shareholder also agreed not to transfer or create any new encumbrance adverse to ChinaCache Beijing on his or her equity interest in Beijing Blue I.T. without the prior written consent of ChinaCache Beijing. During the term of the share pledge agreement, ChinaCache Beijing is entitled to all the dividends declared on the pledged equity interest. If Beijing Blue I.T. fails to perform its contractual obligations, ChinaCache Beijing, as pledgee, will be entitled to certain rights, including the right to take possession and to dispose of the pledged equity interest. The share pledge agreements shall terminate once Beijing Blue I.T. fulfilled its obligations under the principal agreements between ChinaCache Beijing and Beijing Blue I.T., including the full payment of consulting and service fees and license fees under the principal agreements. The previous Beijing Blue I.T. share pledge agreements were terminated on August 6, 2020, and pursuant to the share pledge agreements entered into on August 6, 2020 by and among ChinaCache Beijing, each shareholder of Beijing Blue I.T. and Beijing Blue I.T., each shareholder pledged his or her equity interest in Beijing Blue I.T. to ChinaCache Beijing to secure Beijing Blue I.T. and its shareholders’ obligations under the relevant control documents with ChinaCache Beijing. Each shareholder also agreed not to transfer or create any new encumbrance on his or her equity interest in Beijing Blue I.T. without the prior written consent of ChinaCache Beijing. During the term of the share pledge agreements, ChinaCache Beijing is entitled to all the dividends declared on the pledged equity interest. If Beijing Blue I.T. or its shareholder fails to perform his/her/its contractual obligations, ChinaCache Beijing, as pledgee, will be entitled to certain rights, including the right to take possession and to dispose of the pledged equity interest. The share pledge agreements shall terminate once Beijing Blue I.T. and its shareholders fulfilled their obligations under the relevant control documents with ChinaCache Beijing.

Pursuant to the share pledge agreement entered into on December 3, 2012 among ChinaCache Beijing, Ms. Huiling Ying and Beijing Jingtian, which superseded the share pledge agreements entered into on July 31, 2008 and the share pledge agreement entered into on January 15, 2019 among ChinaCache Beijing, Ms. Yating Yan and Beijing Jingtian, each shareholder of Beijing Jingtian pledged his or her equity interest in Beijing Jingtian to ChinaCache Beijing to secure Beijing Jingtian’s obligations under the exclusive business cooperation agreement with ChinaCache Beijing. The other terms of the share pledge agreements are substantially the same as those of the previous Beijing Blue I.T. share pledge agreements.

Pursuant to the share pledge agreements entered into on August 20, 2018 by and among Xin Run, each shareholder of ChinaCache Shouming and ChinaCache Shouming, each shareholder pledged his or her equity interest in ChinaCache Shouming to Xin Run to secure ChinaCache Shouming’s obligations under the exclusive business cooperation agreement with Xin Run. The other terms of the share pledge agreements are substantially the same as those of the previous Beijing Blue I.T. share pledge agreements.



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Pursuant to the share pledge agreements entered into on August 14, 2020 by and among RuiShen BJ, each shareholder of ShenRong BJ and ShenRong BJ, each shareholder pledged his or her equity interest in ShenRong BJ to RuiShen BJ to secure ShenRong BJ and its shareholders' obligations under the relevant control documents with RuiShen BJ. Each shareholder also agreed not to transfer or create any new encumbrance on his or her equity interest in ShenRong BJ without the prior written consent of RuiShen BJ. During the term of the share pledge agreement, RuiShen BJ is entitled to all the dividends declared on the pledged equity interest. If ShenRong BJ or its shareholder fails to perform his/her/its contractual obligations, RuiShen BJ, as pledgee, will be entitled to certain rights, including the right to take possession and to dispose of the pledged equity interest. The share pledge agreements shall terminate once ShenRong BJ and its shareholders fulfilled their obligations under the relevant control documents with RuiShen BJ.

We have registered the pledges of the equity interests in Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ with the local counterpart of SAIC.

Irrevocable Power of Attorney. Each shareholder of Beijing Blue I.T. executed an irrevocable power of attorney on September 23, 2005, which was superseded by an irrevocable power of attorney executed by such shareholder of Beijing Blue I.T. on December 19, 2016 appointing ChinaCache Beijing or a person designated by ChinaCache Beijing as his or her attorney-in-fact to attend shareholders' meetings of Beijing Blue I.T. and to vote on his or her behalf on all matters requiring shareholder approval, including but not limited to, the sale, transfer, pledge, or disposition of his or her shareholding in Beijing Blue I.T. The power of attorney remains valid and irrevocable from the date of its execution, so long as he or she remains the shareholder of Beijing Blue I.T. The foregoing power of attorney was terminated on August 6, 2020, and each shareholder of Beijing Blue I.T. executed an irrevocable power of attorney on August 6, 2020 appointing ChinaCache Beijing or a person designated by ChinaCache Beijing as his or her attorney-in-fact to attend shareholders' meetings of Beijing Blue I.T. and to vote on his or her behalf on all matters requiring shareholder approval, including but not limited to, the sale, transfer, pledge, or disposition of his or her shareholding in Beijing Blue I.T. The power of attorney remains valid and irrevocable from the date of its execution, so long as he or she remains the shareholder of Beijing Blue I.T.

Pursuant to the irrevocable power of attorney entered into on July 31, 2008 by Ms. Huiling Ying and on January 15, 2019 by Ms. Yating Yan, each shareholder of Beijing Jingtian appointed ChinaCache Beijing or a person designated by ChinaCache Beijing as his or her attorney-in-fact to attend shareholders' meetings and to vote on his or her behalf on all matters requiring shareholder approval. These powers of attorneys are substantially the same as those granted by each of the shareholders of Beijing Blue I.T. to ChinaCache Beijing. On May 10, 2010, the board of directors and the shareholders of ChinaCache Beijing each approved resolutions whereby, among other things, all shareholder rights that ChinaCache Beijing has in Beijing Blue I.T. pursuant to the irrevocable powers of attorney executed by the shareholders of Beijing Blue I.T. on September 23, 2005, and all shareholder rights that ChinaCache Beijing has in Beijing Jingtian pursuant to the irrevocable powers of attorney executed by the shareholders of Beijing Jingtian on July 31, 2008, were re-assigned to ChinaCache Beijing's shareholders or a party designated by ChinaCache Beijing's shareholders.

Each shareholder of ChinaCache Shouming executed an irrevocable power of attorney on August 20, 2018 appointing Xin Run or a person designated by Xin Run as his or her attorney-in-fact to attend shareholders' meetings of ChinaCache Shouming and to vote on his or her behalf on all matters requiring shareholder approval, including but not limited to, the sale, transfer, pledge, or disposition of his or her shareholding in ChinaCache Shouming. The power of attorney remains valid and irrevocable from the date of its execution, so long as he or she remains the shareholder of ChinaCache Shouming.

Each shareholder of ShenRong BJ executed an irrevocable power of attorney on August 14, 2020 appointing RuiShen BJ or a person designated by RuiShen BJ as his or her attorney-in-fact to attend shareholders' meetings of ShenRong BJ and to vote on his or her behalf on all matters requiring shareholder approval, including but not limited to, the sale, transfer, pledge, or disposition of his or her shareholding in ShenRong BJ. The power of attorney remains valid and irrevocable from the date of its execution, so long as he or she remains the shareholder of ShenRong BJ.



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Exclusive Option Agreements. On September 23, 2005, ChinaCache Holdings entered into exclusive option agreements with Beijing Blue I.T. and each of its two shareholders, Mr. Song Wang and Ms. Jean Xiaohong Kou. Such agreements were amended and supplemented on May 10, 2010 and superseded by the exclusive option agreements entered into by and among ChinaCache Holdings, Beijing Blue I.T. and each of its two shareholders on January 20, 2016 and further superseded by the exclusive option agreements entered into by and among ChinaCache Holdings, Beijing Blue I.T. and each of its two shareholders on December 19, 2016, or the previous Beijing Blue I.T. exclusive option agreements. Pursuant to these agreements, the shareholders irrevocably granted ChinaCache Holdings or its designated representative an exclusive option to purchase, when and to the extent permitted under PRC law, all or part of the equity interest in Beijing Blue I.T.. The consideration in excess of the outstanding loan amount when received by the shareholders upon the exercise of the exclusive option is required to be remitted to ChinaCache Beijing in accordance with PRC law. The shareholders must remit any funds received from Beijing Blue I.T. to ChinaCache Beijing in the manner permitted under PRC law, in the event that any distributions are made by Beijing Blue I.T. pursuant to any written consents by ChinaCache Holdings. ChinaCache Holdings or its designated representative has sole discretion to decide when to exercise the option and whether in part or in full. The term of these agreements is 10 years and will expire on December 19, 2026. The agreements may be renewed for an additional 10 years at ChinaCache Holdings' sole discretion, and the times of such renewals are unlimited. The previous Beijing Blue I.T. exclusive option agreements were terminated on August 6, 2020, and on the same date, ChinaCache Beijing and Beijing Blue I.T. entered into an exclusive option agreement with each shareholder of Beijing Blue I.T. Pursuant to these exclusive option agreements, the shareholders of Beijing Blue I.T. irrevocably granted ChinaCache Beijing or its designated representative, an exclusive option to purchase all or part of the equity interest he or she holds in Beijing Blue I.T., when and to the extent permitted under the PRC law, at an amount of RMB 10 or the minimum price permitted under PRC law exceeding such price if at the time while exercising the exclusive option, the PRC laws impose mandatory requirements on the purchase price of such equity interests. Beijing Blue I.T. shall not declare any profit distributions or grant loans in any form without the prior written consent of ChinaCache Beijing, and the shareholders of Beijing Blue I.T. shall donate in full any funds received from Beijing Blue I.T. to ChinaCache Beijing in the manner permitted by the applicable PRC laws, in the event any distributions are made by Beijing Blue I.T. pursuant to any written consents of ChinaCache Beijing. These exclusive option agreements will remain effective until all equity interests held by the shareholders of Beijing Blue I.T. have been transferred or assigned to ChinaCache Beijing or its designated representative.

On December 3, 2012, ChinaCache Beijing entered into an exclusive option agreement with Beijing Jingtian and Ms. Huiling Ying, which superseded the exclusive option agreements entered into on July 31, 2008 and their supplementary agreements entered into on May 10, 2010. On January 15, 2019, ChinaCache Beijing entered into an exclusive option agreement with Beijing Jingtian and Ms. Yating Yan. Pursuant to the exclusive option agreements, the shareholders irrevocably granted ChinaCache Beijing or its designated representative an exclusive option to purchase, to the extent permitted under PRC law, all or part of the equity interest in Beijing Jingtian. ChinaCache Beijing has sole discretion to decide when to exercise the option and whether in part or in full. The term of these agreements is 10 years, which may be renewed at ChinaCache Beijing's sole discretion. Other terms of the exclusive purchase option agreements with Beijing Jingtian are substantially the same as those of the previous Beijing Blue I.T. exclusive option agreements.

On August 20, 2018, Xin Run and ChinaCache Shouming entered into an exclusive option agreement with each shareholder of ChinaCache Shouming. Pursuant to the exclusive option agreements, the shareholders irrevocably granted Xin Run or its designated representative an exclusive option to purchase, to the extent permitted under PRC law, all or part of the equity interest in ChinaCache Shouming. Xin Run has sole discretion to decide when to exercise the option and whether in part or in full. The term of the exclusive option agreements is 10 years, which may be renewed at Xin Run's sole discretion. Other terms of the exclusive purchase option agreements with ChinaCache Shouming are substantially the same as those of the previous Beijing Blue I.T. exclusive option agreements.

On August 14, 2020, RuiShen BJ and ShenRong BJ entered into an exclusive option agreement with each shareholder of ShenRong BJ. Pursuant to the exclusive option agreements, the shareholders of ShenRong BJ irrevocably granted RuiShen BJ or its designated representative, an exclusive option to purchase all or part of the equity interest he or she holds in ShenRong BJ, when and to the extent permitted under the PRC law, at an amount of RMB 10 or the minimum price permitted under PRC law exceeding such price if at the time while exercising the exclusive option, the PRC laws impose mandatory requirements on the purchase price of such equity interests. ShenRong BJ cannot declare any profit distributions or grant loans in any form without the prior written consent of RuiShen BJ, and the shareholders of ShenRong BJ shall donate in full any funds received from ShenRong BJ to RuiShen BJ in the manner permitted by

the applicable PRC laws, in the event any distributions are made by ShenRong BJ pursuant to any written consents of RuiShen BJ. The exclusive option agreements will remain effective until all equity interests held by the shareholders of ShenRong BJ have been transferred or assigned to RuiShen BJ or its designated representative.

Agreements that Transfer Economic Benefits to Us or Absorb Losses

Exclusive Business Cooperation Agreement. Pursuant to the exclusive business cooperation agreement between ChinaCache Beijing and Beijing Blue I.T. entered into on September 23, 2005, ChinaCache Beijing agreed to provide Beijing Blue I.T. with exclusive business support and technical and consulting services, including technical services, business consultations, intellectual property licensing, equipment or property leasing, marketing consultancy, system integration, research and development, and system maintenance in return for fees determined at the sole discretion of ChinaCache Beijing. Beijing Blue I.T. agreed that it will not accept any consultation or services provided by any third party without ChinaCache Beijing's prior written consent. ChinaCache Beijing is entitled to have exclusive and proprietary rights and interests to any intellectual properties or technologies arising out of or created during the performance of this agreement. Pursuant to the exclusive business cooperation agreement, ChinaCache Beijing and Beijing Blue I.T. entered into the exclusive technical consultation and training agreement and exclusive technical support and service agreement (both described below), under which service fees are paid by Beijing Blue I.T. to ChinaCache Beijing. The initial term of the exclusive business cooperation agreement is 10 years and it was extended for another ten years upon ChinaCache Beijing's written confirmation on September 20, 2015, which will expire on September 23, 2025. Prior to this agreement's and subsequent agreements' expiration dates, ChinaCache Beijing can at its sole discretion renew at a term of its choice through written confirmation.

The exclusive business cooperation agreement dated July 31, 2008 between ChinaCache Beijing and Beijing Jingtian, the exclusive business cooperation agreement dated August 20, 2018 between Xin Run and ChinaCache Shouming, and the exclusive business cooperation agreement dated March 3, 2020 between RuiShen BJ and ShenRong BJ contain terms substantially similar to those of the exclusive business cooperation agreement between ChinaCache Beijing and Beijing Blue I.T.

Exclusive Technical Consultation and Training Agreement. On September 23, 2005, ChinaCache Beijing and Beijing Blue I.T. entered into an exclusive technical consultation and training agreement. Under this agreement, ChinaCache Beijing agreed to provide Beijing Blue I.T. with evaluation and analysis of Beijing Blue I.T.'s research and development system, process and results of operations, and training service. In return, Beijing Blue I.T. agreed to pay ChinaCache Beijing service fees determined at the sole discretion of ChinaCache Beijing. Beijing Blue I.T. agreed that it will not accept any consultation or services provided by any third party without ChinaCache Beijing's prior written consent. ChinaCache Beijing is entitled to have exclusive and proprietary rights and interests arising out of or created during the performance of this agreement, whether by ChinaCache Beijing or Beijing Blue I.T., including but not limited to, patent, copyright, and know-how property. The initial term of this agreement was five years and it was extended three times for another fifteen years upon ChinaCache Beijing's written confirmation which will expire on September 23, 2025. The term can be extended at the sole discretion of ChinaCache Beijing by written notice prior to the expiration of the term, and the extended term shall be determined by ChinaCache Beijing.

Exclusive Technical Support and Service Agreement. Pursuant to the exclusive technical support and service agreement between ChinaCache Beijing and Beijing Blue I.T., entered into on September 23, 2005, ChinaCache Beijing has the exclusive right to provide Beijing Blue I.T. with technical support and services, including but not limited to, research and development of technology, daily maintenance, monitoring, testing and malfunction resolution of Beijing Blue I.T.'s equipment, and consultation on Beijing Blue I.T.'s network equipment, products and software. In return, Beijing Blue I.T. agreed to pay ChinaCache Beijing service fees determined at the sole discretion of ChinaCache Beijing. Beijing Blue I.T. agreed that it will not accept any consultation or services provided by any third party without ChinaCache Beijing's prior written consent. ChinaCache Beijing is entitled to have exclusive and proprietary rights and interests arising out of or created during the performance of this agreement, whether by ChinaCache Beijing or Beijing Blue I.T., including but not limited to, patent, copyright, and know-how property. The initial term of this agreement was five years and it was extended three times for another fifteen years upon ChinaCache Beijing's written confirmation which will expire on September 23, 2025. The term can be extended solely by ChinaCache Beijing by written notice prior to the expiration of the term, and the extended term shall be determined by ChinaCache Beijing.

Equipment Leasing Agreement. Under the equipment leasing agreement between ChinaCache Beijing and Beijing Blue I.T. dated September 23, 2005, ChinaCache Beijing agreed to lease its equipment to Beijing Blue I.T. and Beijing Blue I.T. agreed to pay the rent within five business days of the first month of each quarter. Beijing Blue I.T. can only use the equipment to conduct business according to its authorized business scope. The initial term of this agreement

was five years. The agreement may be renewed at ChinaCache Beijing's sole discretion. The agreement was extended three times for another fifteen years upon ChinaCache Beijing's written confirmation which will expire on September 23, 2025. The term can be extended solely by ChinaCache Beijing by written notice prior to the expiration of the term, and the extended term shall be determined by ChinaCache Beijing.

Loan Agreements. Each shareholder of Beijing Blue I.T. entered into a loan agreement on September 23, 2005 and a supplementary agreement on May 10, 2010 with ChinaCache Holdings. Pursuant to these agreements, ChinaCache Holdings provided an interest-free loan facility of RMB5.5 million and RMB4.5 million, respectively, to the two shareholders of Beijing Blue I.T., Mr. Song Wang and Ms. Jean Xiaohong Kou, for the purpose of providing capital to Beijing Blue I.T. to develop its business. In addition, ChinaCache Holdings also agreed to provide continuous financial support to the shareholders of Beijing Blue I.T. to be used for the operations of Beijing Blue I.T. The term of the loan agreement is ten years and it was extended for another ten years upon the contracting parties' written confirmation on September 20, 2015, which will expire on September 23, 2025. The term of the loan agreement may be extended upon mutual written consent of the parties. On January 20, 2016, each shareholder of Beijing Blue I.T. entered into another loan agreement with ChinaCache Holdings. Pursuant to these agreements, ChinaCache Holdings provided an interest-free loan facility of RMB5.5 million and RMB 4.5 million, respectively, to the two shareholders of Beijing Blue I.T., Mr. Song Wang and Ms. Jean Xiaohong Kou, for the purpose of subscribe for the capital increase of Beijing Blue I.T. The term of the loan agreement is ten years and expires on January 20, 2026. The term of the loan agreement may be extended upon mutual written consent of the parties. On December 19, 2016, each shareholder of Beijing Blue I.T. entered into another loan agreement with ChinaCache Holdings. Pursuant to these agreements, ChinaCache Holdings provided an interest-free loan facility of RMB11 million and RMB9 million, respectively, to the two shareholders of Beijing Blue I.T., Mr. Song Wang and Ms. Jean Xiaohong Kou, for the purpose of purchasing the increased capital of Beijing Blue I.T. The term of the loan agreement is ten years and expires on December 19, 2026. The term of the loan agreement may be extended upon mutual written consent of the parties. In each loan agreement, the method of repayment shall be at the sole discretion of ChinaCache Holdings and the proceeds from the transfer of the shareholder's equity interest in Beijing Blue I.T. to ChinaCache Holdings or another person designated by ChinaCache Holdings as permitted under PRC law shall be used to repay the loan. The shareholders shall repay the loans immediately upon certain events, including the shareholder leaving our employment, a third-party filing a claim against the shareholder which exceeds RMB100,000 or ChinaCache Holdings exercising its option to purchase the shareholder's equity interest in Beijing Blue I.T. pursuant to the exclusive option agreement described above. Each loan agreement contains a number of covenants that restrict the actions the shareholders can take or cause Beijing Blue I.T. to take. For example, these covenants provide that the shareholder will:

- not transfer, pledge or otherwise dispose of or encumber his or her equity interest in Beijing Blue I.T. without the prior written consent of ChinaCache Holdings;
- not take any action without the prior written consent of ChinaCache Holdings, if such action will have a material impact on the assets, business and liabilities of Beijing Blue I.T.;
- not vote for, or execute any resolutions to approve, any merger or consolidation with any person, or any acquisition of or investment in any person by Beijing Blue I.T. without the prior written consent of ChinaCache Holdings; and
- vote to elect the director candidates nominated by ChinaCache Holdings.

On August 6, 2020, the loan agreements dated January 20, 2016 and December 19, 2016 were terminated, and each shareholder of Beijing Blue I.T. entered into another loan agreement with ChinaCache Beijing on the same date. Pursuant to these agreements, ChinaCache Beijing provided an interest-free loan facility of RMB16.5 million and RMB 13.5 million, respectively, to the two shareholders of Beijing Blue I.T., Mr. Song Wang and Ms. Jean Xiaohong Kou, for the purpose of subscribing for the capital increase of Beijing Blue I.T. The term of the loan agreements is thirty years and shall be automatically extended for thirty years upon expiration. The other terms of these agreements are substantially the same as those of the loan agreement and supplementary agreement between ChinaCache Holdings and the shareholders of Beijing Blue I.T.

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Ms. Huiling Ying and Ms. Xinxin Zheng, who were then shareholders of Beijing Jingtian, entered into a loan agreement on July 31, 2008, which was supplemented on May 10, 2010 and December 3, 2012 with ChinaCache Beijing. Pursuant to these agreements, ChinaCache Beijing provided an interest-free loan of RMB4,250,000 to Ms. Xinxin Zheng and Ms. Huiling Ying, as shareholders of Beijing Jingtian at that time, for their investment in the registered share capital of Beijing Jingtian. On July 1, 2013, as a result of a transfer by Ms. Xinxin Zheng of all her equity interests in Beijing Jingtian to Mr. Lei Wang. Ms. Zheng and Mr. Wang entered into a loan assignment agreement, pursuant to which all liabilities of Ms. Zheng under the previous loan agreements were assigned to and assumed by Mr. Wang. On January 15, 2019, as a result of a transfer by Mr. Lei Wang of all his equity interests in Beijing Jingtian to Ms. Yating Yan., Mr. Wang and Ms. Yan entered into a loan assignment agreement, pursuant to which all liabilities of Mr. Wang under the previous loan agreements were assigned to and assumed by Ms. Yan. The other terms of these agreements are substantially the same as those of the loan agreement and supplementary agreement between ChinaCache Holdings and the shareholders of Beijing Blue I.T. The term of these loan agreements is ten years from the date of execution. Such agreement can be extended upon mutual written consent of ChinaCache Beijing and two shareholders of Beijing Jingtian. ChinaCache Holdings also agreed to provide continuous financial support to the shareholders of Beijing Jingtian to be used for the operations of Beijing Jingtian and agreed to forego the right to seek repayment in the event that the shareholders of Beijing Jingtian are unable to repay such funding, to the extent permitted by PRC law.

Each of the shareholders of ChinaCache Shouming entered into a loan agreement on August 20, 2018 with Xin Run. Pursuant to these agreements, Xin Run provided an interest-free loan of RMB9,900,000 to Ms. Yajun Liu and RMB100,000 to Tianjin Dingsheng for their investment in the registered share capital of ChinaCache Shouming. The other terms of these agreements are substantially the same as those of the loan agreement and supplementary agreement between ChinaCache Holdings and the shareholders of Beijing Blue I.T. The term of these loans is ten years from the date of execution.

Each of Ms. Huiling Ying and Ms. Di Yang, the shareholders of ShenRong BJ, entered into a loan agreement on August 14, 2020 with RuiShen BJ. Pursuant to these agreements, RuiShen BJ provided an interest-free loan of RMB9.5 million to Ms. Huiling Ying and RMB0.5 million to Ms. Di Yang for their investment in the registered share capital of ShenRong BJ. The term of the loan agreements is thirty years and shall be automatically extended for thirty years upon expiration. The other terms of these agreements are substantially the same as those of the loan agreement and supplementary agreement between ChinaCache Holdings and the shareholders of Beijing Blue I.T..

In the opinion of Han Kun Law Offices, our PRC legal counsel, except as otherwise disclosed herein:

- the ownership structure of our PRC subsidiary, our PRC consolidated variable interest entities and their branches and subsidiaries comply with all existing PRC laws and regulations; and
- each and all of the currently effective documents under the VIE arrangements among us, our PRC subsidiary, PRC consolidated variable interest entities and their shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect.
- the business operations of our PRC subsidiary, our PRC consolidated variable interest entities and their branches and subsidiaries are in all material respects in compliance with existing PRC laws and regulations and the terms of their licenses and permits.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities, in particular the MIIT, which regulates providers of content and application delivery services and other participants in the PRC telecommunications industry, and the Ministry of Commerce, will not in the future take a view that is contrary to the above opinion of our PRC legal counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our content and application delivery business in China do not comply with PRC government restrictions on foreign investment in the telecommunications industry, we could be subject to severe penalties including being prohibited from continuing our operations. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — There are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulation, and rules relating to the agreements that establish the variable interest entities structure for our operations in China, including potential future actions by the PRC government, which could affect the enforceability of our contractual arrangements with the variable interest entities, and consequently, significantly affect our financial condition and results of operations. If the PRC government finds that the contractual arrangements with the variable interest entities do not comply with relevant PRC laws, regulations, and rules, of these laws, regulations, and rules or the interpretation thereof change in the future, we could be subject to severe penalties or be forced to relinquish our interest in the variable interest entities.” In addition, these contractual arrangements may not be as effective in providing us with control over Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ as would direct ownership of such entities. See “Item 3 Key Information — D. Risk Factors — Risks Related to Our Corporate Structure — We rely on contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ and their respective shareholders for our China operations, which may not be as effective as direct ownership in providing operational control.”

D. Property, Plants and Equipment

Our headquarters are located at No 8 Zhuyuan 3rd Street, Area 3, Tianzhu Comprehensive Bonded Zone Shunyi District, Beijing, PRC, where our IDC center locates. As of December 31, 2021, we leased an aggregate of 4800 square feet in the U.S., London and Hong Kong.

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We have paid RMB51.9 million to acquire land use right in relation to approximately 39,000 square meters of land in Tianzhu Comprehensive Bonded Zone in Beijing. See “Item 5. Operating and Financial Review and Prospects — B. Liquidity and Capital Resources — Capital Expenditures.” In December 2014, we entered into agreements with BFSMC, pursuant to which we agreed to sell to BFSMC one of the data center buildings with construction areas of approximately 14,208 square meters, which has been constructed on the aforementioned land in the Tianzhu Comprehensive Bonded Zone. Under our framework agreement with BFSMC, we agreed to sell two buildings to a subsidiary of BFSMC through transferring the equity interest of our subsidiary Beijing Zhao Du, the owner of the buildings. In addition, we agreed to lease back the buildings from the subsidiary of BFSMC starting from an agreed earlier date. We also reached a supplemental company letter with BFSMC, pursuant to which we agreed that September 30, 2015 should be deemed as the date of delivery as long as we complete the actual delivery of the buildings as well as the equity transfer by December 31, 2016. If the equity transfer and other agreed procedures are completed on time, our liabilities shall be deemed fully discharged. However, BFSMC has not accepted the buildings by December 31, 2016 due to our disagreement with BFSMC on the standard of delivery and acceptance of the buildings. Therefore, we re-negotiated with BFSMC and reached a series of new agreements with BFSMC in July 2017. Pursuant to the new agreements, BFSMC agreed to make the payments of RMB105.6 million to us immediately upon the completion of equity transfer of Beijing Zhao Du. Although we have completed the transfer of the equity interest in Beijing Zhao Du and the ownership of the buildings in July 2017, BFSMC failed to make the payments of RMB105.6 million to us as agreed. We have filed a lawsuit with the court, claiming the payment of the outstanding amount of consideration and the interest accrued thereon in August 2017. In September 2017, a subsidiary of BFSMC filed a counterclaim to sue for, among others, the late delivery penalties and other relating losses. Thereafter we filed a motion to dismiss the counterclaim of BFSMC’s subsidiary arguing that the court does not have the jurisdiction. In April 2018, we were notified by the court that our motion was rejected and Xin Run’s bank deposits and other assets in a total amount of approximately RMB 50.5 million were sealed up, distrained or frozen by the court. On April 24, 2018, we amended our claim requesting, among other things, the defendant pay the additional purchase price of RMB96 million, damages for breach of contract in an amount of RMB14.4 million and the relating interest of RMB8.86 million. The court rendered a judgment on the case on December 31, 2019, which ruled that: (i) certain agreements in relation to such sales of data center buildings (including the cooperation agreement dated as of December 30, 2014, the supplementary agreement dated as of February 26, 2015, the official correspondence dated as of May 5, 2016 and the escrow agreement dated as of July 20, 2017) should be null and void; (ii) Xin Run should repay such BFSMC’ subsidiary in an amount of RMB672 million, which is the consideration paid by such BFSMC’ subsidiary to Xin Run; (iii) such BFSMC’ subsidiary should transfer 100% of the equity securities of Zhao Du to Xin Run, and should repay Xin Run the amount of approximately RMB82.7 million, which is the rent paid by Xin Run to such BFSMC’ subsidiary; (iv) confirmed that such BFSMC’ subsidiary has legal title to the funds with an amount of RMB105.6 million deposited in the escrow account. Both Xin Run and such BFSMC’ subsidiary had appealed the judgment to a higher court, and on September 16, 2021, the court dismissed the appeals of both Xin Run and the subsidiary of BFSMC. Both Xin Run and the subsidiary of BFSMC have applied to the competent court for compulsory execution of the foregoing court decision. In addition, in October 2017, the foregoing subsidiary of BFSMC filed a lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent and the relating interest. Unfortunately, Xin Run lost, and the court ruled that Xin Run should pay overdue rent in an amount equal to RMB64.8 million and the relevant interest thereon. The subsidiary of BFSMC has applied to the competent court for compulsory execution of the court decision. Xin Run submitted an application for retrial of the foregoing lawsuit to the Beijing Intermediate People’s court. The retrial has been accepted in December 2021 and the execution of the original court decision has been suspended. As of the date hereof, this lawsuit is still ongoing. In June 2019, the foregoing subsidiary of BFSMC filed another lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent from July 2018 to March 2019 in an amount equal to RMB64.8 million and the relating interest thereon. Xin Run filed a motion to dismiss for lack of jurisdiction. However, we were notified by the court that our motion was rejected. In January 2020, Xin Run has filed an application for suspension of such lawsuit. The subsidiary of BFSMC withdrew its claims in September 2021. Please see “Item 8. Financial Information — A. Consolidated Statements and Other Financial Information — Legal Proceedings” for more information.

In April 2014, we entered into a framework agreement with People.cn, pursuant to which we agreed to sell to People.cn one of the data center buildings to be constructed in the Tianzhu Comprehensive Bonded Zone. This building has been put into use. On December 29, 2017, Xin Run entered into a framework agreement with People.cn, under which, among others, Xin Run will transfer 100% equity interest in Beijing Shuo Ge to People.cn subject to terms and conditions to be set forth in a definitive equity transfer agreement. On April 3, 2019, Xin Run entered into a definitive equity transfer agreement and other relevant documents with People.cn, pursuant to which, among others, Xin Run agrees to transfer

100% equity interest in Beijing Shuo Ge to People.cn and return consideration of RMB73.2 million prepaid by People.cn with related interest of RMB13.0 million before December 31, 2024.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion and analysis may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information — D. Risk Factors” or in other parts of this annual report on Form 20-F.

A. Operating Results

Key Factors Affecting Our Results of Operations

Our financial condition and results of operations are mainly affected by the following factors:

Number of active customers and customer mix

The number of active customers affects our revenues. We had approximately 1627, 128 and 51 active customers as of December 31, 2019, 2020 and 2021, respectively. Revenues from our top five customers accounted for 76.6%, 57.6% and 48.4% of our total net revenues in 2019, 2020 and 2021, respectively.

Our revenues are also affected by the composition of our customer base, which we refer to as customer mix. Our revenues in 2021 decreased dramatically as compared to that in 2020, mainly due to the contraction in both domestic and overseas markets. We intend to attract and retain more high-value customers to maintain our revenue and our margin at a stable level, meanwhile, we target gradual improvement in margins and maintain an optimal level of customer mix.

Selling price

We operate in a competitive market and we face pricing pressure for our services. We typically charge customers on a per-gigabit per-second basis for the bandwidth usage or per-gigabyte basis for traffic volume used. Prices for our services are affected by a variety of factors, including supply and demand conditions and pricing pressures from our competitors. In recent years, the selling prices for our services have declined dramatically. The price erosion was partially due to price discounts granted at the outset of the arrangement to customers with large contractual service commitments. Furthermore, increased competition has also caused price declines. We expect that we will continue experiencing pricing pressure in the future global market and thus we must reduce our cost of revenues to offset the price decline and to maintain and increase our gross profit.

Cost reduction

Our ability to achieve and increase profitability depends on our ability to effectively reduce our cost of revenues. Our cost of revenues as a percentage of our total net revenues decreased from 75.1% in 2019 to 70.3% in 2020 and then increased to 76.1% in 2021 primarily as a result of an increase in the proportion of low-margin customers.

Components of Results of Operations

Revenues

In the years ended December 31, 2019, 2020 and 2021, we generated net revenues of RMB918.6 million, RMB335.3 million and RMB205.4 million (US\$32.2 million), respectively.

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Most of our revenues were derived from the sale of our content and application delivery total solutions to our customers. We typically charge customers on a per-gigabit per-second basis for the bandwidth usage or per-gigabyte basis for traffic volume used. Our customer service agreements generally commit the customers to a minimum level of usage and specify the rate that the customers must pay for actual usage above the minimum usage commitment. These agreements typically provide for a one-year term with a one-year renewal option.

The number of our active customers has decreased from 1,627 as of December 31, 2019, to 128 for the year ended December 31, 2020 and further to 51 for the year ended on December 31, 2021. In year 2019, we categorize our customers into five industry groups: internet and software, mobile internet, media and entertainment, enterprises and e-commerce and government agencies. Due to the changing competition landscape, our sales to customers in the media and entertainment, internet and software, mobile internet, enterprises and e-commerce industry groups fluctuated over time. In year 2020 and year 2021, we count the customer across all products and industry groups.

Cost of Revenues and Operating Expenses

The following table sets forth, for the periods indicated, our cost of revenues and operating expenses, in absolute amount and as a percentage of total net revenues:

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	For the year ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except percentages)							
Net Revenues							
Third party customers	918,628	100 %	335,337	100 %	205,391	32,230	100 %
Total Net Revenues	918,628	100 %	335,337	100 %	205,391	32,230	100 %
Cost of revenues ⁽¹⁾⁽²⁾							
Bandwidth, co-location and storage fees	465,804	50.7 %	96,314	28.7 %	48,337	7,591	23.5 %
Depreciation of network equipment and amortization of intangible assets	40,403	4.4 %	29,735	8.9 %	29,105	4,567	14.2 %
Payroll and other compensation costs of network operations personnel	35,007	3.8 %	17,993	5.4 %	4,217	662	2.1 %
Electricity and other utility	61,555	6.7 %	57,835	17.2 %	63,346	9,940	30.8 %
Rental expense	35,619	3.9 %	18,639	5.6 %	1,507	236	0.7 %
Other cost of revenues	51,432	5.6 %	15,373	4.6 %	9,838	1,544	4.8 %
Total cost of revenues	689,820	75.1 %	235,889	70.3 %	156,390	24,541	76.1 %
Other operating income (loss)	29,176	3.2 %	23,943	7.1 %	(1,339)	(210)	(0.7)%
Operating expenses ⁽¹⁾							
Sales and marketing expenses	36,059	3.9 %	22,174	6.6 %	22,316	3,502	10.9 %
General and administrative expenses	152,160	16.6 %	65,943	19.7 %	55,905	8,773	27.2 %
Provision for doubtful accounts receivable	8,449	0.9 %	(2,121)	(0.6)%	70,426	11,051	34.3 %
Research and development expenses	54,059	5.9 %	10,729	3.2 %	262	41	0.1 %
Impairment of long-lived assets	—	—	13,448	4.0 %	114	18	0.1 %
Total operating expenses	250,727	27.3 %	110,173	32.9 %	149,023	23,385	72.6 %

(1) Includes share-based compensation expenses as follows:

	For the year ended December 31,						
	2019		2020		2021		
	RMB	%	RMB	%	RMB	US\$	%
(in thousands, except percentages)							
Allocation of share-based compensation expense							
Cost of revenues	211	11.2 %	79	11.6 %	11	2	14.3 %
Sales and marketing expenses	83	4.4 %	32	5.3 %	5	1	7.1 %
General and administrative expenses	1,114	58.9 %	367	55.8 %	48	7	50.0 %
Research and development expenses	483	25.5 %	176	27.4 %	24	4	28.6 %
Total share-based compensation expenses included in cost of revenues and operating expenses	1,891	100 %	654	100 %	88	14	100 %

(2) Includes amount to a related party of nil, nil and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

Cost of Revenues

Our cost of revenues primarily consists principally of the following:

- bandwidth, co-location and storage fees;
- depreciation of network equipment and amortization of intangible assets;
- payroll and other compensation costs of network operations personnel;
- Electricity and other utility;

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- Rental expense, and;
- other cost and expenses that are directly attributable to the provisions of our content and application delivery total solutions.

Bandwidth, co-location and storage fees are the amounts we pay to purchase bandwidth usage, co-location services and data storage from telecommunications carriers or ISPs. For the years ended December 31, 2019, 2020 and 2021, 33%, 23% and 1% respectively, of our bandwidth, co-location and data storage were purchased from three major PRC telecommunications carriers, China Telecom, China Mobile and China Unicom, through their respective subsidiaries and sale agents. Our agreements with the telecommunication carriers typically use a standard form provided by the carriers, with pricing terms individually negotiated with the carriers' local subsidiaries or sale agents. The agreements are typically of a one-year term with renewal options. We pay monthly service fees based on the number of internet gateways, bandwidth usage and the number of server clusters.

Depreciation of network equipment expenses primarily consist of the depreciation associated with our network servers and backbone. In April 2008, we entered into an agreement with Tong Zhen Networks Co., Ltd., an independent third party, pursuant to which we agreed to lease an optical fiber cable from Beijing to Hangzhou for a term of 20 years commencing from the date of the agreement. We have prepaid an aggregate amount of RMB13.1 million in rental fees for the entire 20-year period. We also have the right to renew the lease by notifying the lessor within 12 months prior to the expiration date of the lease. Depreciation of network equipment and amortization of intangible assets were RMB40.4 million, RMB29.7 million and RMB29.1 million (US\$4.6 million) for the years ended December 31, 2019, 2020 and 2021. Our depreciation expense in each period is closely correlated to the amount of equipment we purchased. We had capital expenditures of RMB59.8 million, RMB53.8million and RMB29.7 million (US\$4.7 million) in the years ended December 31, 2019, 2020 and 2021, respectively.

Our cost of revenues decreased from RMB 689.8 million in the year ended December 31, 2019 to RMB235.9 million in the year ended December 31, 2020 and then further decreased to RMB156.4 million (US\$24.5 million) in the year ended December, 2021. Our cost of revenues as a percentage of our total net revenues decreased from 75.1% in the year ended December 31, 2019 to 70.3% in the year ended December 31, 2020 and then increased to 76.1% in the year ended December, 2021. The decrease from fiscal year 2019 to fiscal year 2020 in terms of percentage was primarily due to the dramatically drop of domestic revenue which is compromised with customers with low profits. The increase from fiscal year 2020 to fiscal year 2021 in terms of percentage was mainly due to an increase in the proportion of low-margin customers.

Other Operating Income (Loss)

Our other operating income was RMB1.3 million (US\$0.2 million) for the year ended December 31, 2021, which was mainly due to an asset appreciation of IDC buildings. Our other operating loss incurred was RMB23.9 million for the year ended December 31, 2020, which was primarily due to the provision of late delivery penalties accrued on our agreements with BFSMC.

As a percentage of our total net revenues, our other operating income was negligible for the year ended December 31, 2021.

Operating Expenses

Our operating expenses primarily consist of sales and marketing expenses, general and administrative expenses and research and development expenses.

Sales and Marketing Expenses.

Our sales and marketing expenses primarily consist of the following:

- salary and benefit expenses for our sales and marketing staff, including share-based compensation expenses;

- promotion and marketing expenses, including costs for sponsoring special promotional and marketing events and organizing and participating in industry conferences and related expenses for business development activities; and
- travel-related expenses to support sales and marketing functions.

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Our sales and marketing expenses decreased from RMB36.1 million for the year ended December 31, 2019 to RMB22.2 million for the year ended December 31, 2020 and slightly increased to RMB22.3 million (US\$3.5 million) for the year ended December 31, 2021.

As a percentage of our total net revenues, our sales and marketing expenses increased from 3.9% for year ended December 31, 2019 to 6.6% for the year ended December 31, 2020 and then further increased to 10.9% for the year ended December 31, 2021. This was mainly because the expenditures were relatively stable, which changed disproportionately compared to the decrease of revenue. Going forward, we expect this ratio will remain stable or increase a little bit for the improvement of efficiency and development of the markets.

General and Administrative Expenses.

Our general and administrative expenses primarily consist of the following:

- salary and benefit expenses for management and administrative staff, including share-based compensation expenses;
- professional service expenses; and
- rental expense.

Our general and administrative expenses decreased from RMB152.2 million for the year ended December 31, 2019 to RMB65.9 million for the year ended December 31, 2020 and further decreased to RMB55.9 million (US\$8.8 million) for the year ended December 31, 2021. The decrease from 2020 to 2021 was primarily due to business shrinkage and optimization of organizational structure.

As a percentage of our total net revenues, our general and administrative expenses increased from 16.6% for the year ended December 31, 2019 to 19.7% for the year ended December 31, 2020 and further increased to 27.2% for the year ended December 31, 2021. We expect that our general and administrative expenses in absolute amount will increase in next year due to the professional service fee for the planned disposal plan of all IDC buildings.

Provision for doubtful accounts.

Our provision for doubtful accounts recovered from RMB8.4 million for the year ended December 31, 2019 to RMB-2.1 million for the year ended December 31, 2020 and then reverted to RMB70.4 million (US\$11.1 million) for the year ended December 31, 2021. The decrease from 2019 to 2020 was primarily because the dramatically drop of the revenue and AR in 2020, and a proportion of prepaid commission fee that exceeded the actual commission fee for the disposal of Beijing Shuo Ge was probable not recoverable in 2019 and there was no such provision in 2020. The increase from 2020 to 2021 was mainly due to the decline of customer repayment ability and the increase of AR collection difficulty.

As a percentage of our total net revenues, our provision for doubtful accounts decreased from 0.9% for the year ended December 31, 2019 to -0.6% for the year ended December 31, 2020 and then increased to 34.3% for the year ended December 31, 2021.

Research and Development Expenses.

Our research and development expenses primarily consist of payroll and related personnel costs, including share-based compensation expenses. Research and development costs are expensed as incurred. Our research and development expenses decreased from RMB54.1 million for the year ended December 31, 2019 to RMB10.7 million for the year ended December 31, 2020 and then decreased to RMB0.3 million (US\$0.04 million) for the year ended December 31, 2021.

As a percentage of our total net revenues, our research and development expenses decreased from 5.9% for the year ended December 31, 2019 to 3.2% for the year ended December 31, 2020 and further decreased to 0.1%

for the year ended December 31, 2021. The decrease from 2020 to 2021 was mainly due to business shrinkage and optimization of organizational structure.

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Impairments of long-lived assets.

We recorded the impairment of long-lived assets of RMB, nil, RMB13.4 million and RMB0.1 million (US\$0.02 million) for the years ended December 31, 2019, 2020 and 2021, respectively.

Impairment of long-term investments.

Our impairment of long-term investments was nil, nil and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

Critical Accounting Policies

We prepare our financial statements in accordance with U.S. GAAP, which requires us to make significant judgments, estimates and assumptions that affect, among other things, the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the end of each reporting period, and the reported amounts of revenues and expenses during each reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

Some of our accounting policies require higher degrees of judgment than others in their application. When reviewing our consolidated financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in conditions and assumptions. We consider the policies discussed below to be critical to an understanding of our consolidated financial statements as their application places significant demands on the judgment of our management. The following descriptions of our critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements, the risks and uncertainties described under “Item 3. Key Information — D. Risk Factors” and other disclosures included in this annual report.

Revenue Recognition

We provide a portfolio of content and application delivery total solutions, within its one class of services, such as, web page content services; file transfer services; rich media streaming services; guaranteed application delivery; managed internet data services; cloud hosting services; content bridging services; mobile internet solution and value-added services to our customers that in turn improve the performance, reliability and scalability of their internet services and applications.

On January 1, 2018, we adopted ASU No. 2014-09, Revenue from Contracts with Customers, (“ASC 606”), which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, (“ASC 605”), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with historic accounting under ASC 605. The impact of adopting the new revenue standard was not material to consolidated financial statements and there was no adjustment to beginning retained earnings on January 1, 2018.

Under ASC 606, an entity recognizes revenue as we satisfy a performance obligation when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, we review the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. We recognize revenue based on the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

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We are a principal and records revenue on a gross basis when we are primarily responsible for fulfilling the service, have discretion in establish pricing and controls the promised service before transferring that service to customers. Otherwise, we record revenue at the net amounts as commissions.

We generate revenue from CDN, IDC and IX.

CDN is a content distribution network built on the network. Relying on the edge servers deployed in various regions, through load balancing, content distribution, scheduling and other functional modules of the central platform, CDN enables users to obtain the required content nearby, reduces network congestion, and improves user access response speed and hit rate. For revenue stream of CDN, the promised service is to provide CDN service to the customer, which is qualified as a single distinct performance obligation. The unit price is fixed when contract entered with customers. CDN services are typically provided to customers over the contract service period and the related revenues are recognized based on actual usage over the term of the contract after the reconciliation with customers completed. We are principal and record revenue for CDN service on a gross basis.

IDC services provide cabinet rental and bandwidth service to customer. We provide two promised services, cabinet rental and bandwidth service. The promise services are not distinct within the context of the contract as the goal of IDC is to combine traditional internet data center and content delivery. The reason why the customers rent the Group's cabinet is not only to benefit from our physical hosting location and maintenance service, but also to enjoy the bandwidth service provided by the Group. It is cost efficient to consume the Group's bandwidth service rather than to connect directly to bandwidth service provider such as China Unicom or China Mobile. Thus, these two promise services within the contract of IDC service-cabinet rental and bandwidth service are not distinct and shall be identified as one performance obligation. Typically, IDC services are provided to customers for a fixed unit price over the contract service period and the related revenues are recognized based on actual usage and unit price over the term of the contract after the reconciliation with customers completed. We are principal and record revenue for IDC service on a gross basis.

IX Services allow networks to interconnect directly, via the exchange, rather than through one or more third-party networks. The primary advantages of direct interconnection are cost, latency, and bandwidth. Same as IDC, there are two promised services within the contract, one is to provide a port usage and the other is to provide bandwidth. However, the service is not distinct within context of the contract as the services provided is highly integrated. Thus, only one performance obligation is identified for IX revenue stream. The unit price is fixed when contract entered with customers. IX services are provided to customers over the contract service period and the related revenues are recognized based on actual usage and unit price over the term of the contract after the reconciliation with customers completed. We are principal and record revenue for IX service on a gross basis.

6% of value-added tax, or VAT is applied on all services provided by our PRC subsidiaries and VIEs and VIEs' subsidiaries.

Fair Value of Financial Instruments

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, restricted cash, accounts receivable, other receivables included in prepaid expenses and other current assets, short-term investments, short term borrowings, accounts payables, accrued expenses, balances with related parties and other payables, approximate their fair values because of the short-term maturity of these instruments. The carrying amounts of long-term borrowings approximates its fair value since it bears interest rate which approximates market interest rates. Available-for-sale investments were initially recognized at cost and subsequently re-measured at the end of each reporting period with the adjustment in its fair value recognized in accumulated other comprehensive income. The Company, with the assistance of an independent third-party valuation firm, determined the estimated fair value of its available-for-sale investments that are recognized in the consolidated financial statements.

Consolidation of Variable Interest Entity

We have adopted ASC 810-10, "Consolidation: Overall." ASC 810-10 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the

characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties.

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PRC laws and regulations currently restrict foreign ownership of telecommunications value-added services, including content and application delivery services. To comply with these foreign ownership restrictions, we operate our business in China through our consolidated variable interest entities, Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, which are wholly owned by PRC citizens. Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ hold the licenses and approvals that are required to operate our business. The Company and ChinaCache Beijing have entered into a series of contractual arrangements with Beijing Blue I.T. and Beijing Jingtian and their shareholders. The Company and Xin Run have entered into a series of contractual arrangements with ChinaCache Shouming and its shareholders. The Company and RuiShen BJ have entered into a series of contractual arrangements with ShenRong BJ and its shareholders. See “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our Consolidated Variable Interest Entities.” As a result of these contractual agreements, we have the substantial ability to control Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ and receive substantially all the profits and absorb all the expected losses of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ. Therefore, we are considered the primary beneficiary of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ. Accordingly, Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ are our VIEs under U.S. GAAP and we consolidate their results in our consolidated financial statements. In the opinion of our PRC legal counsel, except as otherwise disclosed herein, the ownership structure of our PRC subsidiary, our PRC consolidated variable interest entities and their branches and subsidiaries comply with all existing PRC laws and regulations. Any changes in PRC laws and regulations that affect our ability to control Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ might preclude us from consolidating Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ in the future.

Impairment of Long-lived Assets

We evaluate our long-lived assets or asset group, including intangible assets with finite lives, for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, we evaluate for impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, we would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. For long-lived assets held for sale, assets are written down to fair value less cost to sell. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available for the long-lived assets.

Impairment charge was nil, RMB13.4 million and RMB0.1 million (US\$0.02 million) for the year ended December 31, 2019, 2020 and 2021, respectively.

Long-lived assets (disposal group) to be disposed of by sale

We classify long-lived assets and disposal groups as held for sale if their carrying amounts will be recovered principally through disposal by sale rather than through continuing use. Such long-lived assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

Property and equipment, land use right and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheets.



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If circumstances arise that previously were considered unlikely and, as a result, an entity decides not to sell a long-lived asset or disposal group previously classified as held for sale, the asset or disposal group would be reclassified as held and used. We measure long-lived assets that are reclassified on an individually basis at the lower of the following:

- a. Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation or amortization expense that would have been recognized had the asset or disposal group been continuously classified as held and used; and
- b. Its fair value at the date of the subsequent decision not to sell.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results.

Available-for-sale investments

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Such available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss in shareholders' deficit. Realized gains or losses are charged to earnings during the period in which the gain or loss is realized. If we determine a decline in fair value is other-than-temporary, the cost basis of the individual security is written down to its estimated fair value. The new cost basis will not be adjusted for subsequent recoveries in fair value. Determination of whether declines in value are other-than-temporary requires significant judgment. Subsequent increases and decreases in the fair value of available-for-sale securities will be included in other comprehensive loss except for other-than-temporary impairment, which would be charged to current period earnings. Impairment of available-for-sale investments for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

Cost Method Investment

Prior to adopting ASC Topic 321 ("ASC 321"), Investments – Equity Securities, on January 1, 2018, we carry at cost its investments in investees that do not have readily determinable values or investments and over which we do not have significant influence, in accordance with ASC subtopic 325-20 ("ASC 325-20"), Investments-Other: Cost Method Investments. We carry the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed our share of earnings since its investment.

We adopted ASC 321 on January 1, 2018 and the cumulative effect of adopting the new standard on opening accumulated deficit is nil. Pursuant to ASC 321, equity investments, except for those accounted for under the equity method and those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC Topic 820 ("ASC 820"), Fair Value Measurements and Disclosures, to estimate fair value using the net asset value per share (or its equivalent) of the investment, we elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Equity securities with readily determinable fair value are measured at fair values, and any changes in fair value are recognized in earnings.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, we do not assess whether those securities are impaired. For those equity investments that we elect to use the measurement alternative, we make a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.



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Management regularly evaluates the impairment of equity investments without readily determinable fair value based on the performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment's cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. Impairment of cost method investment for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

Income Taxes

We follow the liability method in accounting for income taxes in accordance with ASC topic 740 "Taxation" ("ASC 740"), Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

We adopted ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. We have elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of "interest expense" and "other expenses," respectively, in the consolidated statements of comprehensive loss.

Share-based Compensation

Share options and restricted share units award granted to employees are accounted for under ASC 718 Compensation – Stock Compensation. In accordance with ASC 718, we determine whether share options or restricted share units award should be classified and accounted for as liability or equity award. All grants of share options and restricted share units award to employees classified as equity award are recognized in the financial statements over their requisite service periods based on their grant date fair values.

We have elected to recognize compensation expenses using the accelerated method for its share options and restricted share units granted. For restricted share awards granted with performance conditions, we commence recognition of the related compensation expense if it is probable the defined performance condition will be met. To the extent that we determine that it is probable that a different number of share-based awards will vest depending on the outcome of the performance condition, the cumulative effect of the change in estimate is recognized in the period of change. Forfeitures are recognized when they occur.

We, with the assistance of an independent valuation firm, determined the estimated fair values of the share options granted to employees and non-employees using the binomial option pricing model.

On January 1, 2018, we adopted ASU 2017-09 "*Compensation – Stock Compensation: Scope of Modification Accounting*", which provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in ASC 718 to a change to the terms or conditions of a share-based payment award. The adoption of ASU 2017-09 did not have a material impact on our consolidated financial statements.

Taxation

Cayman Islands

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us or an investor in ADSs or ordinary shares levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise

is not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

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United States of America

ChinaCache U.S. and CCAL were incorporated in the State of California in the U.S. and is subject to both California State income tax and U.S. federal income tax on its income and capital gains under the current laws of the State of California and the U.S.

Hong Kong

The two-tier profits tax rates system was introduced under the Inland Revenue (Amendment)(No.3) Ordinance 2018 (“the Ordinance”) of Hong Kong became effective for the assessment year 2018/2019. Under the two-tier profit tax rates regime, the profits tax rate for the first HKD 2 million of assessable profits of a corporation will be subject to the lowered tax rate, 8.25% while the remaining assessable profits will be subject to the legacy tax rate, 16.5%. If, at the end of the basis period of the entity for the relevant year of assessment, the entity has one or more connected entities, the two-tiered profits tax rates would only apply to the one which is nominated to be chargeable at the two-tiered rates. The others would not qualify for the two-tiered profits tax rates and will continue to be subject to the rate of 16.5%.

ChinaCache Networks (Hong Kong) Limited, the Company’s wholly owned subsidiary incorporated in Hong Kong, is subject to Hong Kong corporate income tax at a rate of 8.25% for profit below HKD2 million, and 16.5% for excessive profit over HKD2 million.

PRC

ChinaCache Beijing, Beijing Blue I.T., Beijing Jingtian, Xin Run, ChinaCache Shouming, RuiShen BJ and ShenRong BJ are companies incorporated in the PRC and are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Income Tax Laws, the Company’s PRC subsidiaries and the VIEs are subject to a CIT statutory rate of 25%.

Under the PRC Income Tax Laws, an enterprise which qualifies as a High and New Technology Enterprise (“the HNTE”) is entitled to a preferential tax rate of 15% provided it continues to meet HNTE qualification standards on an annual basis. ChinaCache Beijing qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2016 to 2021 if it continues to qualify on an annual basis. The HNTE certificate of ChinaCache Beijing is expiring in 2022 and there exist uncertainties with the reapplication outcome. Beijing Blue IT qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2016 to 2020 if it continues to qualify on an annual basis. The HNTE certificate of ChinaCache Blue IT is expiring in 2021 and there exist uncertainties with the reapplication outcome.

In accordance with the PRC Income Tax Laws, enterprises established under the laws of foreign countries or regions but whose “place of effective management” is located within the PRC are considered PRC tax resident enterprises and subject to PRC income tax at the rate of 25% on worldwide income. The definition of “place of effective management” refers to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, etc. of an enterprise. As of December 31, 2021, no applicable detailed interpretation or guidance has been issued to define “place of effective management”. Furthermore, as of December 31, 2021, the administrative practice associated with interpreting and applying the concept of “place of effective management” is unclear. Based on the assessment of facts and circumstances available at December 31, 2021, management believes none of its non-PRC entities are more likely than not PRC tax resident enterprises. It is possible the assessment of tax residency status may change in the next twelve months, pending announcement of new PRC tax rules in the future. The Group will continue to monitor its tax status.

In November 2013, ChinaCache Beijing obtained the certificate of “high and new technology enterprise” jointly issued by the Beijing Science and Technology Commission, Beijing Finance Bureau, Beijing Administration of State Taxation and Beijing Administration of Local Taxation, and has since then continued to qualify as a “high and new technology enterprise” and been entitled to a reduced income tax rate of 15%. In December 2016 and December 2019, ChinaCache Beijing was recognized as a “high and new technology enterprise” again respectively and became eligible for a preferential tax rate of 15% effective from 2016 to 2021.

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In November 2012, Beijing Blue I.T. was recognized as a “high and new technology enterprise” and was eligible for a preferential tax rate of 15% effective retrospectively from 2012 to 2014. In July 2015, Beijing Blue I.T. was recognized as a “high and new technology enterprise” again and became eligible for a preferential tax rate of 15% effective from 2015 to 2017. In October 2018, Beijing Blue I.T. was recognized as a “high and new technology enterprise” once again and became eligible for a preferential tax rate of 15% effective from 2018 to 2020. In December 2013, Beijing Blue I.T. was recognized as a Key Software Enterprise jointly by the National Development and Reform Commission, the MIIT, Ministry of Commerce and the SAT, which entitled it to enjoy a preferential income tax rate of 10% for 2013 and 2014. The recognition of “Key Software Enterprise” was stopped since May 2015 and Beijing Blue I.T. has not made such filings with the authorities pursuant to Circular No. 49 yet and therefore does not enjoy the preferential tax rate of 10% for “Key Software Enterprise”.

For the year ended December 31, 2021, our other PRC subsidiaries are currently subject to an enterprise income tax rate of 25% unless they are qualified as Small Scale and Low Profit Enterprises which would be entitled to exempt fifty percent (50%) or twenty five percent (25%) of their income from tax, depending on their annual taxable income and enjoy a reduced enterprise income tax rate of 20%. Our PRC subsidiaries can enjoy such reduced enterprise income tax rate if their financial data are determined to meet the standard of “small scale and low profit” enterprise when filing with the tax bureau.

Pursuant to the Enterprise Income Tax Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in the PRC, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced withholding tax: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. There are also other conditions for enjoying the reduced withholding tax rate according to other relevant tax rules and regulations.

In August 2015, the SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments under Tax Treaties, or Circular 60, which became effective on November 1, 2015. On October 14, 2019, the SAT promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy Treatments, or Circular 35, which became effective on January 1, 2020 and concurrently abolish Circular 60. Circular 35 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. According to the Circular on Several Questions regarding the “Beneficial Owner” in Tax Treaties, or Circular 9, which was issued on February 3, 2018 by the SAT and became effective on April 1, 2018, when determining the applicant’s status of the “beneficial owner” regarding tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors, including without limitation, whether the applicant is obligated to pay more than 50% of his or her income in twelve months to residents in third country or region, whether the business operated by the applicant constitutes the actual business activities, and whether the counterparty country or region to the tax treaties does not levy any tax or grant tax exemption on relevant incomes or levy tax at an extremely low rate, will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. Circular 9 further provides that applicants who intend to prove his or her status of the “beneficial owner” shall submit the relevant documents to the relevant tax bureau according to the Circular 60. Accordingly, ChinaCache Hong Kong and ShenRong HongKong, our Hong Kong subsidiaries, may be able to enjoy the 5% withholding tax rate for the dividends they receive from ChinaCache Beijing, Xin Run and RuiShen BJ, our PRC subsidiaries, if it satisfies the conditions prescribed under Circular 81 and other relevant tax rules and regulations. However, according to Circular 81, Circular 60 and Circular 9, if the relevant tax authorities consider the transactions or arrangements, we are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

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Under the PRC Enterprise Income Tax Law, enterprises that are established under the laws of foreign countries or regions and whose “de facto management bodies” are located within the PRC territory are considered PRC resident enterprises, and will be subject to the PRC enterprise income tax at the rate of 25% on their worldwide income. Under the implementation rules of the PRC Enterprise Income Tax Law, “de facto management bodies” are defined as the bodies that have material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and treasury, and acquisition and disposition of properties and other assets of an enterprise. We cannot assure you that our Cayman Islands holding company, ChinaCache Holdings will not be deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law and be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. It is also unclear whether the dividends ChinaCache Holdings receives from its PRC subsidiary, ChinaCache Beijing, will constitute dividends between “qualified resident enterprises” and therefore qualify for exemption from withholding tax, even if ChinaCache Holdings is deemed to be a “resident enterprise” for PRC enterprise income tax purposes. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Under China’s Enterprise Income Tax Law, we may be classified as a ‘resident enterprise’ of China. Such classification could result in unfavorable tax consequences to us and our non-PRC resident shareholders.”

In November 2011, the PRC Ministry of Finance and the SAT jointly issued two circulars setting out the details of the pilot VAT reform program, which change the charge of sales tax from business tax to VAT for certain pilot industries. The pilot VAT reform program initially applied only to the pilot industries in Shanghai, and have been expanded to eight additional regions, including, among others, Beijing, in 2012. According to two circulars jointly issued by the PRC Ministry of Finance and the SAT in May and December 2013, the pilot program has also been expanded nationwide. On April 29, 2014, the Ministry of Finance and the SAT issued the Circular on the Inclusion of Telecommunications Industry in the Pilot Collection of Value-added Tax in Lieu of Business Tax. On March 23, 2016, the Ministry of Finance and the SAT issued the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax. Effective from May 1, 2016, the PRC tax authorities collect VAT in lieu of Business Tax on a trial basis within the territory of China, and in industries such as construction industries, real estate industries, financial industries, and living service industries. In November 2017, PRC State Counsel issued State Counsel Order 691 to abolish business tax, and issued the amendment to Interim Regulations of PRC Value Added Taxes, or the VAT Regulation, pursuant to which certain other industries are subject to VAT.

6% of VAT is applied on all services provided by our PRC subsidiaries and VIEs and VIEs’ subsidiaries.

Inflation

In the last three years, inflation in China has impacted our results of operations in varying degrees. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2019, 2020 and 2021 were 4.5%, 0.2% and 1.5%, respectively, which is quoted from eastmoney.com. We may be affected significantly if China experiences higher rates of inflation in the future.

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Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated both in absolute amount and as a percentage of our total net revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report.

	2019		2020		2021		
	RMB	%	RMB	%	RMB	USD	%
	(in thousands, except percentages)						
Net revenues	918,628	100 %	335,337	100 %	205,391	32,230	100.0 %
Cost of revenues ⁽¹⁾⁽²⁾	(689,820)	(75.1)%	(235,889)	(70.3)%	(156,390)	(24,541)	(76.1)%
Gross profit	228,808	24.9 %	99,448	29.7 %	49,001	7,689	23.9 %
Other operating income (loss)	(29,176)	(3.2)%	(23,943)	(7.1)%	1,339	210	0.7 %
Operating expenses ⁽¹⁾							
Sales and marketing expenses ⁽¹⁾	(36,059)	(3.9)%	(22,174)	(6.6)%	(22,316)	(3,502)	(10.9)%
General and administrative expenses ⁽¹⁾	(152,160)	(16.6)%	(65,943)	(19.7)%	(55,905)	(8,773)	(27.2)%
Provision for doubtful accounts receivable	(8,449)	(0.9)%	2,121	0.6 %	(70,426)	(11,051)	(34.3)%
Research and development expenses ⁽¹⁾	(54,059)	(5.9)%	(10,729)	(3.2)%	(262)	(41)	(0.1)%
Impairment of long-lived assets	—	—	(13,448)	(4.0)%	(114)	(18)	(0.1)%
Total operating expenses	(250,727)	(27.3)%	(110,173)	(32.9)%	(149,023)	(23,385)	(72.6)%
Operating loss	(51,095)	(5.6)%	(34,668)	(10.3)%	(98,683)	(15,486)	(48.0)%
Gain from disposal of a subsidiary	18,285	2.0 %	—	0.0 %	—	—	0.0 %
Interest income	181	0.0 %	96	0.0 %	329	52	0.2 %
Interest expense	(49,924)	(5.4)%	(44,216)	(13.2)%	(45,691)	(7,170)	(22.2)%
Other income (expense)	36,367	4.0 %	(7,896)	(2.4)%	135,997	21,341	66.2 %
Foreign exchange gain (loss), net	1,448	0.2 %	13,567	4.0 %	(6,110)	(959)	(3.0)%
Loss before income taxes	(44,738)	(4.8)%	(73,117)	(21.8)%	(14,158)	(2,222)	(6.9)%
Income tax expense	(7,967)	(0.9)%	(6)	0.0 %	(103)	(16)	(0.1)%
Net loss	(52,705)	(5.7)%	(73,123)	(21.8)%	(14,261)	(2,238)	(6.9)%
Net loss attributable to the noncontrolling interest	(1,034)	(0.1)%	(616)	(0.2)%	211	33	0.1 %
Net loss attributable to ChinaCache	(51,671)	(5.6)%	(72,507)	(21.6)%	(14,472)	(2,271)	(7.0)%

(1) Includes share-based compensation expenses as follows:

	For the year ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
	(in thousands)			
Allocation of share-based compensation expenses:				
Cost of revenues	211	79	11	2
Sales and marketing expenses	83	32	5	1
General and administrative expenses	1,114	367	48	7

Research and development expenses	483	176	24	4
Total share-based compensation expense included in cost of revenues and operating expenses	<u>1,891</u>	<u>654</u>	<u>88</u>	<u>14</u>

(2) Includes amount to a related party of nil, nil and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**Net Revenues**

Our net revenues decreased by 38.8% from RMB335.3 million for the year ended December 31, 2020 to RMB205.4 million (US\$32.2 million) for the year ended December 31, 2021. The decrease was primarily due to the shrinking of our domestic and overseas businesses.

Cost of Revenues

Our cost of revenues decreased by 33.7% from RMB235.9 million for the year ended December 31, 2020 to RMB156.4 million (US\$24.5 million) for the year ended December 31, 2021. The decrease was primarily due to (i) a decrease in bandwidth, co-cocation and storage fees of RMB47.9 million (US\$7.5 million), (ii) a decrease in payroll and other compensation costs of network operations personnel of RMB13.8 million (US\$2.2 million), (iii) a decrease in depreciation of network equipment and amortization of intangible assets of RMB0.6 million (US\$0.1 million), and (iv) a decrease of rental expenses of RMB17.1 million (US\$2.7 million) for the termination of rental agreement with Shuo Ge in June 2020. Cost of revenues included share-based compensation expenses of RMB0.01 million (US\$0.002 million) for the year ended December 31, 2021, compared to RMB0.08 million for the year ended December 31, 2020.

Cost of revenues was comprised of the following:

	For the Year Ended December 31,		
	2020	2021	
	RMB	RMB	US\$
	(in thousands)		
Bandwidth, co-location and storage fees	96,314	48,377	7,591
Depreciation of network equipment and amortization of intangible assets	29,735	29,105	4,567
Payroll and other compensation costs of network operations personnel	17,993	4,217	662
Electricity and other utility	57,835	63,346	9,940
Rental expense	18,639	1,507	236
Other cost of revenues	15,373	9,838	1,544
Total cost of revenues	<u>235,889</u>	<u>156,390</u>	<u>24,541</u>

Other Operating Income (Loss)

Our other operating income was RMB1.3 million (US\$0.2 million) for the year ended December 31, 2021. This was a reverse turn as compared to our other operating loss of RMB23.9 million for the year ended December 31, 2020, which was mainly caused by an asset appreciation of IDC buildings in 2021.

Operating Expenses

Our operating expenses increased from RMB110.2 million for the year ended December 31, 2020 to RMB149.0 million (US\$23.4 million) for the year ended December 31, 2021. We expect our operating expense, as a percentage of sales revenue, to increase going forward since the rapidly dropped domestic revenue and the slowly expanding revenue from the abroad market.

Sales and Marketing Expenses. Our sales and marketing expenses slightly increased by 0.6% from RMB22.2 million for the year ended December 31, 2020 to RMB22.3 million (US\$3.5 million) for the year ended December 31, 2021. The year-over-year increase was primarily due to an increased spending on overseas business.

General and Administrative Expenses. Our general and administrative expenses decreased by 15.2% from RMB65.9 million for the year ended December 31, 2020 to RMB55.9 million (US\$8.8 million) for the year ended December 31, 2021, primarily due to business shrinking and optimization of organizational structure.

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Provision for doubtful accounts. We had a provision for doubtful accounts of RMB70.4 million (US\$11.1 million) in the year ended December 31, 2021, as compared to a recovery of provision for doubtful accounts of RMB2.1 million in the year ended December 31, 2020. The recovery was primarily because a proportion of prepaid commission fee that exceeded the actual commission fee for the disposal of Beijing Shuo Ge was probably not recoverable in 2019 and there was no such provision in 2020. Besides, with the shrink of domestic business in 2020, our balance of AR has decreased and thus the provision. The increase from 2020 to 2021 was mainly due to the decline of customer repayment ability and the increase of AR collection difficulty.

Research and Development Expenses. Our research and development expenses significantly decreased by 97.6% from RMB10.7 million for the year ended December 31, 2020 to RMB0.3 million (US\$0.04 million) for the year ended December 31, 2021. The main reason for the decline is that businesses with a heavy R&D footprint have shrunk and the organizational structure has been optimized.

Operating Loss

As a result of the above, our operating loss for the year ended December 31, 2021 was RMB98.7 million (US\$15.5 million), as compared to an operating loss of RMB34.7 million for the year ended December 31, 2020.

Other Income (Expense)

We gained other income of RMB136.0 million (US\$21.3 million) for the year ended December 31, 2021, as compared to other expense of RMB7.9 million for the year ended December 31, 2020. The increase was primarily due to a reverse of a potential late business delivery penalty liability accrued regarding the ongoing lawsuit between Xin Run and the subsidiary of BFSMC in 2020. Per the court verdict made in September 2021, no penalty shall be paid and therefore the corresponding penalty liability provision was reversed.

Income Tax Expense

We had an income tax expense of RMB0.1 million (US\$0.02 million) for the year ended December 31, 2021, as compared to an income tax expense of RMB0.01 million for the year ended December 31, 2020.

Net Loss

As a result of the foregoing, we had a net loss of RMB14.3 million (US\$2.2 million) for the year ended December 31, 2021 as compared to a net loss of RMB73.1 million for the year ended December 31, 2020.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Net Revenues

Our net revenues decreased by 63% from RMB918.6 million for the year ended December 31, 2019 to RMB335.3 million (US\$51.4 million) for the year ended December 31, 2020. The decrease was primarily due to the shrinking of our domestic business.

Cost of Revenues

Our cost of revenues decreased by 66% from RMB 689.8 million for the year ended December 31, 2019 to RMB 235.9 million (US\$36.2 million) for the year ended December 31, 2020. The decrease was primarily due to (i) a decrease in bandwidth, co-cocation and storage fees of RMB 369.5 million (US\$56.6 million), (ii) a decrease in payroll and other compensation costs of network operations personnel of RMB17 million(US\$2.6 million), (iii) a decrease in depreciation of network equipment and amortization of intangible assets of RMB10.7 million (US\$.6 million) and a decrease of in electricity and other utilities of RMB3.7 million (US\$0.6 million) since Shuo Ge was sold in the first half year of 2019 but still had few month depreciation and electricity fees from 3# IDC building whereas there were no such costs in 2020, and (iv) a decrease of rental expenses of RMB17.0 million (US\$2.6 million) for the termination of rental agreement

with Shuo Ge. Cost of revenues included share-based compensation expenses of RMB0.08 million (US\$0.01 million) for the year ended December 31, 2020, compared to RMB0.2 million for the year ended December 31, 2019.

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Cost of revenues was comprised of the following:

	For the Year Ended December 31,		
	2019	2020	
	RMB	RMB	US\$
	(in thousands)		
Bandwidth, co-location and storage fees	465,804	96,314	14,760
Depreciation of network equipment and amortization of intangible assets	40,403	29,735	4,557
Payroll and other compensation costs of network operations personnel	35,007	17,993	2,758
Electricity and other utility	61,555	57,835	8,864
Rental expense	35,619	18,639	2,857
Other cost of revenues	51,432	15,373	2,356
Total cost of revenues	<u>689,820</u>	<u>235,889</u>	<u>36,152</u>

Other Operating Loss

Our other operating loss was RMB23.9 million (US\$3.7million) for the year ended December 31, 2020 which was due to the provision of late delivery penalties accrued upon our agreement with BFSMC, as compared to our other operating loss of RMB29.2 million for the year ended December 31, 2019.

Operating Expenses

Our operating expenses decreased from RMB250.7million for the year ended December 31, 2019 to RMB110.2 million (US\$16.9 million) for the year ended December 31, 2020. We expect our operating expense, as percentage of sales revenue, to increase going forward since the rapidly dropped domestic revenue and the slowly expanding revenue from the abroad market.

Sales and Marketing Expenses. Our sales and marketing expenses decreased by 38.5% from RMB36.1 million for the year ended December 31, 2019 to RMB 22.2 million (US\$3.4 million) for the year ended December 31, 2020. The year-over-year decrease was primarily due to the shrinking of domestic business. Going forward, we expect a stable expense for the increase from development of the abroad market offset by the decreasing domestic expenses.

General and Administrative Expenses. Our general and administrative expenses significantly decreased by 56.7% from RMB152.2 million for the year ended December 31, 2019 to RMB 65.9 million (US\$10.1 million) for the year ended December 31, 2020, primarily due to a significantly decrease of RMB13.4 million (US\$2.0 million) in attorney fees, a decrease of RMB14.6 million (US\$2.2 million) in the audit fees and consultancy fees. Besides, there is a decrease of RMB11.0 million (US\$1.7million) in compensation expenses as staff number decreased, therefore, the related salaries, social insurance and house funding as well as employee bonus decreased accordingly.

Provision for doubtful accounts. We had a recovery of provision for doubtful accounts of RMB2.1 million (US\$0.3 million) in the year ended December 31, 2020, as compared with a provision for doubtful accounts of RMB 8.4 million in the year ended December 31, 2019. The change from a provision to a recovery was primarily because a proportion of prepaid commission fee that exceeded the actual commission fee for the disposal of Beijing Shuo Ge was probably not recoverable in 2019 and there was no such provision in 2020. Besides, with the shrink of domestic business our balance of AR has decreased and thus the provision.

Research and Development Expenses. Our research and development expenses decreased by 80.2% from RMB 54.1 million for the year ended December 31, 2019 to RMB10.7 million (US\$1.6 million) for the year ended December 31, 2020. The decrease was primarily due to the layoff of staffs in R&D department, improved cost control measures and efficiency in output.

Operating Loss

As a result of the above, operating loss for the year ended December 31, 2020 was RMB34.7 million (US\$5.3 million), as compared to operating loss for the year ended December 31, 2019 of RMB51.1 million.

Income Tax Expense

We had income tax expense of RMB0.01 million (US\$0.001 million) for the year ended December 31, 2020, as compared to income tax expense of RMB8.0 million for the year ended December 31, 2019.

Net Loss

As a result of the foregoing, we had net loss of RMB73.1 million (US\$11.2 million) for the year ended December 31, 2020 as compared to a net loss of RMB52.7 million for the year ended December 31, 2019.

B. Liquidity and Capital Resources

Cash Flows and Working Capital

To date, we have financed our operations primarily through cash flows from bank borrowings, operating activities, and the proceeds from our initial public offering in 2010 and subsequent private placement in 2014. In October 2010, we completed our initial public offering in which we issued and sold 5,923,247 ADSs representing 94,771,952 ordinary shares, resulting in net proceeds to us of approximately US\$76.6 million. In March 2014, we issued and sold an aggregate of 53,855,569 ordinary shares, represented by 3,365,973 ADSs, to a group of institutional investors affiliated with Wellington Management Company, LLP for an aggregate purchase price of approximately US\$55.0 million.

As of December 31, 2021, we had RMB38.4 million (US\$6.0 million) in cash and cash equivalents.

We experienced a net loss of approximately RMB52.7 million, RMB73.1 million and RMB14.3 million (US\$2.2 million) for the years ended December 31, 2019, 2020 and 2021. As of December 31, 2021, the Company had net current liabilities of approximately RMB1,530.3 million (US\$240.1 million), excluding net asset held for sale. These conditions raised substantial doubt about the Company's ability to continue as a going concern.

Our board and management are now reviewing strategy and priorities for the next 12 months and analyzing the cash flow forecast for the next twelve months. We will be focusing on a number of business initiatives and strategies to improve cash revenue from operation assets and operation efficiency, together with obtaining proceeds from disposal of IDC buildings. First, we will focus on maintaining the stabilization of our business service to generate cash revenue and increase our liquidity. Second, we plan to negotiate with the suppliers for more favorable payment terms. Third, we plan to sell the ownership of our residual IDC building to get enough operational cash flow. Lastly, we plan to better manage our selling and general administrative expenses to improve operation efficiency.

By taking into account of estimated consideration of RMB1,528.0 million (US\$239.8 million) from planned disposal of the cloud infrastructure buildings and assets held for sale and other improvement measures foresaid, we expect that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for at least the next 12 months.

We may, however, require additional cash due to the changing business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If our existing cash is insufficient to meet our requirements, we may seek to sell additional equity securities or debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would dilute our shareholders. The incurrence of debt would divert cash from working capital and capital expenditures to service debt obligations and could result in operating and financial covenants that would restrict our operations and our ability to pay dividends to our shareholders. If we are unable to obtain additional equity or debt financing as required, our business, operations and prospects may suffer. See "Item 3. Risk Factors — D. Risks Related to Our Business and Industry — We have incurred losses in the past and may incur losses in the future. There is substantial doubt about our ability to continue as a going concern."

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Although we consolidate the results of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ and their respective subsidiaries, our access to the cash balances or future earnings of these entities is only through our contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ and their respective shareholders. See “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our Consolidated Variable Interest Entities.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.”

The following table sets forth a summary of our cash flows for the periods indicated:

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Net cash (used in)/provided by operating activities	108,944	82,601	76,815	12,054
Net cash used in investing activities	(35,678)	(52,336)	(26,164)	(4,106)
Net cash provided by/(used in) financing activities	(78,452)	(41,467)	(28,449)	(4,464)
Net increase/(decrease) in cash and cash equivalents	(5,186)	(11,202)	22,203	3,484
Effect of foreign exchange rate changes on cash	(259)	1,349	(7,981)	(1,252)
Cash, cash equivalents and restricted cash at beginning of the period	46,589	41,144	31,291	4,910
Cash, cash equivalents and restricted cash at end of the period	41,144	31,291	45,513	7,142

Operating Activities

Net cash provided by operating activities was RMB76.8 million (US\$12.1 million) for the year ended December 31, 2021. Net cash provided by operating activities for the year ended December 31, 2021 reflects a net loss of RMB14.3 million (US\$2.2 million) adjusted by reconciling items in the total amount of RMB127.2 million (US\$20.0 million), which primarily include depreciation of property and equipment of RMB28.4 million (US\$4.5 million), amortization of other non-current asset of RMB9.8 million (US\$1.5 million), amortization of intangible assets and land use right of RMB0.7 million (US\$0.1 million), impairment of long-lived assets of RMB0.1 million (US\$0.02 million), non-cash lease expense of RMB2.5 million (US\$0.4 million), loss from disposal of property and equipment of RMB9.1 million (US\$1.4 million), share-based compensation of RMB0.09 million (US\$0.01 million), allowance for doubtful accounts of RMB70.4 million (US\$11.1 million), foreign exchange loss of RMB6.1 million (US\$1.0 million). Additional major factors that affected operating cash flows for the year ended December 31, 2021 primarily include: a decrease of RMB23.3 million (US\$3.7 million) in accounts receivable due to timely collection; a decrease of RMB13.1 million (US\$2.1 million) in accounts payable, a decrease of RMB14.2 million (US\$2.2 million) in accrued expenses and other payables; a decrease of RMB7.4 million (US\$1.2 million) in income tax payable; a decrease of prepaid expense and other current assets of RMB2.0 million (US\$0.3 million); a decrease of RMB2.4 million (US\$0.4 million) in operating lease liability, a decrease of RMB3.1 million (US\$0.5 million) in accrued employee benefits and a decrease of RMB21.6 million (US\$3.4 million) other non-current liabilities.

Net cash provided by operating activities was RMB82.6 million for the year ended December 31, 2020. Net cash provided by operating activities for the year ended December 31, 2020 reflects a net loss of RMB73.1 million adjusted by reconciling items in the total amount of RMB69.2 million, which primarily include depreciation of property and equipment of RMB38.2 million, amortization of other non-current asset of RMB 18.7 million, amortization of intangible assets and land use right of RMB0.8 million, impairment of long-lived assets of RMB13.4 million, interest expense adjustment of RMB5.7 million, non-cash lease expense of RMB4.3 million, loss from disposal of property and equipment of RMB3.5 million, share-based compensation of RMB0.6 million; deducted by recovery of doubtful accounts of RMB2.1 million, foreign exchange gain of RMB13.6 million, amortization of deferred government grant of RMB0.3 million. Additional major factors that affected operating cash flows for the year ended December 31, 2020 primarily include: a decrease of RMB41.7 million in accounts receivable due to timely collection; an increase of RMB53.3 million in accounts payable, an increase of RMB45.3 million in accrued expenses and other payables, an increase of RMB4.6 million in income tax payable; deducted by an increase of prepaid expense and other current assets of RMB16.2 million, a decrease of RMB37.1 million in operating lease liability, a decrease of RMB7.0 million in accrued employee benefits.

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Net cash provided by operating activities was RMB108.9 million for the year ended December 31, 2019. Net cash provided by operating activities for the year ended December 31, 2019 reflects a net loss of RMB52.7 million, adjusted by reconciling items in the total amount of RMB42.2 million, which primarily include depreciation of property and equipment of RMB28.6 million, amortization of other non-current asset of RMB19.8 million, amortization of intangible assets and land use right of RMB0.8 million, non-cash lease expense of RMB37.2 million, allowance for doubtful accounts of RMB8.4 million, interest expense adjustment of RMB4.0 million, share-based compensation expenses of RMB1.9 million; deducted by gain from disposal of property and equipment of RMB37.5 million, gain from the disposal of a subsidiary of RMB18.3 million, amortization of deferred government grant of RMB1.4 million and foreign exchanges gain of RMB1.4 million. Additional major factors that affected operating cash flows for the year ended December 31, 2019 include: (i) a decrease of RMB104.7 million in accounts receivable due to timely collection; (ii) a decrease of RMB31.9 million in prepaid expense and other current assets; (iii) an increase of accrued expenses and other payables of RMB27.9 million; deducted by an decrease of RMB61.0 million in accounts payable in connection with accrued bandwidth, co-location and storage expenses to the carriers.

Investing Activities

Net cash used in investing activities was RMB26.2 million (US\$4.1 million) for the year ended December 31, 2021. Net cash used in investing activities for the year ended December 31, 2021 resulted primarily from proceeds from disposal of property and equipment of RMB3.6 million (US\$0.6 million), offset by cash paid for cloud infrastructure construction in progress of RMB29.6 million (US\$4.6 million).

Net cash used in investing activities was RMB52.3 million for the year ended December 31, 2020. Net cash used in investing activities for the year ended December 31, 2020 resulted primarily from proceeds from disposal of property and equipment of RMB1.5 million, offset by cash paid for cloud infrastructure construction in progress of RMB53.7 million.

Net cash used in investing activities was RMB35.7 million for the year ended December 31, 2019. Net cash used in investing activities for the year ended December 31, 2019 resulted primarily from (i) proceeds from disposal of property and equipment of RMB38.6 million, offset by (ii) cash paid for cloud infrastructure construction in progress of RMB54.1 million, (iii) purchase of property and equipment of RMB5.7 million and (iv) repayment of consideration with interest arising from disposal of Beijing Shuo Ge of RMB 14.5 million.

Financing Activities

Net cash used in financing activities was RMB28.4 million (US\$4.5 million) for the year ended December 31, 2021. Net cash used in financing activities for the year ended December 31, 2021 resulted primarily from payments of capital lease obligations of RMB25.2 million (US\$4.0 million) and repayment of bank borrowing of RMB3.2 million (US\$0.5 million).

Net cash used in financing activities was RMB41.5million for the year ended December 31, 2020. Net cash used in financing activities for the year ended December 31, 2020 resulted primarily from payments of capital lease obligations of RMB31.8 million, payment of borrowing cost of RMB9.6 million.

Net cash used in financing activities was RMB78.5 million for the year ended December 31, 2019. Net cash used in financing activities for the year ended December 31, 2019 resulted primarily from (i) repayment of bank borrowings of RMB73.9 million; and (ii) payments of finance lease obligation RMB26.0 million; offset by the proceeds from sales and lease back of RMB20.5 million.

Holding Company Structure

Overview

We are a holding company with no material operations of our own. We conduct our operations in China through a series of contractual arrangements between our company, ChinaCache Beijing, which is our wholly-owned PRC subsidiary, Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ, which are our consolidated variable interest entities in China, and the respective shareholders of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ. See “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our Consolidated Variable Interest Entities” for a summary of these contractual arrangements. Beijing Blue I.T. contributed to 30.5 %, 69.3% and 33.2% of our total net revenues in the years ended December 31, 2019, 2020 and 2021, respectively. Beijing Jingtian’s contribution to our total net revenues in the years ended December 31, 2019, 2020 and 2021 was immaterial, nil, nil and nil, respectively. ChinaCache Shouming had no contribution to our total net revenues in the years ended December 31, 2019, 2020 and 2021. ShenRong BJ contributed 12.4% and 6.7% of our total net revenues in the years ended December 31, 2020 and 2021, respectively.

Conducting our operations through contractual arrangements with our consolidated variable interest entities in China entails a risk that we may lose effective control over our consolidated variable interest entities, which may result in our being unable to consolidate their financial results with our results and may impair our access to their cash flow from operations and thereby reduce our liquidity. See “Item 3. Key Information — D. Risk Factors — Risks Related to Our Corporate Structure” for more information, including the risk factors titled “If the PRC government finds that the arrangements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in the telecommunications business, we could be subject to severe penalties” and “We rely on contractual arrangements with Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ and their respective shareholders for our China operations, which may not be as effective as direct ownership in providing operational control.”

Dividend Distributions

As a holding company, our ability to pay dividends and other cash distributions to our shareholders depends solely upon dividends and other distributions paid to us by our PRC subsidiaries ChinaCache Beijing, Xin Run and RuiShen BJ. The amount of dividends paid by ChinaCache Beijing to us depends solely on the service fees paid to ChinaCache Beijing from our consolidated variable interest entities, Beijing Blue I.T., Beijing Jingtian and ChinaCache Shouming. In the years ended December 31, 2019, 2020 and 2021, the aggregate amount of service fees that ChinaCache Beijing charged Beijing Blue I.T., Beijing Jingtian and ChinaCache Shouming was RMB37.5 million, and RMB1.3 million, and RMB0.1 million (US\$0.02 million), respectively, which accounted for 4.1%, 0.4% and 0.05%, respectively, of our total net revenues.

Under PRC law, ChinaCache Beijing, Xin Run and RuiShen BJ and each of our consolidated variable interest entities in China is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. ChinaCache Beijing, Xin Run and RuiShen BJ are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations.

Pursuant to contractual arrangements that ChinaCache Beijing has with each of Beijing Blue I.T., Beijing Jingtian and ChinaCache Shouming, the earnings and cash of each of Beijing Blue I.T., Beijing Jingtian and ChinaCache Shouming (including dividends received from their respective subsidiaries) are used to pay service fees in RMB to ChinaCache Beijing, in the manner and amount set forth in these agreements.

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After paying the withholding taxes applicable to ChinaCache Beijing, Xin Run and RuiShen BJ's revenue and earnings, making appropriations for its statutory reserve requirement and retaining any profits from accumulated profits, the remaining net profits of ChinaCache Beijing, Xin Run and RuiShen BJ would be available for distribution to us, ChinaCache Beijing, Xin Run and RuiShen BJ's shareholders, although we have not, and do not have such plan at present to, make such distributions. As of December 31, 2021, the amount of the net restricted assets of ChinaCache Beijing, Xin Run, RuiShen BJ and our consolidated variable interest entities, which includes the paid-in-capital and statutory reserves of ChinaCache Beijing, Xin Run, RuiShen BJ and the equity of our consolidated variable interest entities which were restricted due to statutory reserve requirements and other applicable laws and regulations, and thus not available for distribution, was in aggregate amount of RMB511.4 million (US\$80.3 million). We do not believe that these restrictions on the distribution of our net assets will have a significant impact on our ability to timely meet our financial obligations in the future. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China—We rely principally on dividends paid by our operating subsidiary to fund cash and financing requirements, and limitations on the ability of our operating subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business and fund our operations" for more information.

Furthermore, cash transfers from ChinaCache Beijing, Xin Run and RuiShen BJ to our subsidiaries outside of China are subject to PRC government control of currency conversion. Restrictions on the availability of foreign currency may affect the ability of ChinaCache Beijing, Xin Run, RuiShen BJ and our consolidated variable interest entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. See "Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Governmental control of currency conversion may limit our ability to utilize our revenues."

Capital Expenditures

We had capital expenditures of RMB59.8 million, RMB53.8 million and RMB29.7 (US\$4.7 million) in the years ended December 31, 2019, 2020 and 2021, respectively, representing 6.5%, 16.1% and 14.5% of our total net revenues for such years, respectively. Our capital expenditures were primarily paid for the cloud infrastructure construction in progress for our business. Our capital expenditures have been primarily funded by net cash provided by operating activities. We expect that our capital expenditures in 2022 will decrease from 2021 as we have completed the construction of the majority of cloud infrastructure and the plan to sell all the IDC buildings at a reasonable price as soon as possible.

C. Research and Development

Our internal research and development team consisted of 4 engineers as of December 31, 2021, representing approximately 6.9% of our work force. Our senior management team leads our research and development efforts and sets strategic initiatives to improve our services and products, focusing on efforts to sustain our technology leadership, raise our productivity and enhance the competitiveness of our services. We devote our market-oriented research and development efforts to focus on bringing innovative services and solutions to the market quickly. As of the date of this annual report, we have 57 PRC patents, two U.S. patents, 67 software copyright registrations in China relating to the technologies used in our business.

Our research and development expenses primarily consist of payroll and related personnel costs, including share-based compensation expenses. We incurred RMB54.1 million, RMB10.7 million and RMB0.3 million (US\$0.04 million) of research and development expenses in the years ended December 31, 2019, 2020 and 2021, respectively.

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events for the year ended December 31, 2021 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.



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Other than the operating lease obligations and purchase commitments set forth in the table below, we have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

E. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations and commercial commitments as of December 31, 2021:

	Payment Due by Period			
	Less than 1	1-3	3-5	More than
	Total	year	years	5 years
Finance lease obligations ⁽¹⁾	—	—	—	—
Operating lease obligations ⁽²⁾	6,346	2,721	3,625	—
Purchase commitments ⁽³⁾	687	687	—	—
Total	7,033	3,408	3,625	—

- (1) Finance lease obligations refers to our obligations for leasing certain computer equipment and optical fibers.
- (2) Operating lease obligations refers to our future minimum lease payments for office space.
- (3) Purchase commitments refers to our commitment to purchase bandwidth and cloud infrastructure from our bandwidth and construction providers.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

The following table sets forth information regarding our current directors and executive officers

Directors and Executive Officers	Age	Position/Title
Qing Zhang	49	Director, Chairman
Xiaoqiang Wei	38	Director, Chief Executive Officer and Acting CFO
Xuelian Chi	45	Director

Ms. Qing Zhang has professional experience in investment banking both in China and overseas financial market, solid strategic planning capability, outstanding marketing competence, broad client network and financial skills, international exposure through studying and working abroad, and currently serves as Manager Partner of Sunland Capital (Beijing) Investment Ltd. Ms. Qing Zhang holds a Certified Public Accountant (CICPA).

Mr. Xiaoqiang Wei, certified Purchaser (Level 1) in China, PMP joined ChinaCache in 2005 and worked in several different divisions in different roles, including as the Company's Vice President, the Company's subsidiary general manager. He is leading operating resource management, project evaluation and operation development strategy and able to provide constructive advice on the Company's operation management, project management and exploration into new development field. Mr. Wei holds a master's degree.

Ms. Xuelian Chi is a Global HR Executive based in Silicon Valley USA with extensive leadership experiences contributing to organizational growth. Industry background ranges from high-tech fast-growth startups to publicly traded multinational corporations, investment firm, global online gaming, and digital marketing business. She is a graduate

of Harvard Kennedy School Senior Executive Fellows, a graduate of Stanford Graduate School of Business Senior Executive Program and serves as Founder/ Principle HR Consultant of Thinking4Dev, Inc.

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On November 5, 2020, Mr. Bang Zhang and Mr. Dong Yu ceased to be directors of the company. On November 5, 2020, Ms. Qing Zhang and Ms. Xuelian Chi were appointed to fill the vacancies on the board.

Employment Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our senior executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. In such case, the executive officer will not be entitled to receive payment of any severance benefits or other amounts by reason of the termination, and the executive officer's right to all other benefits will terminate, except as required by any applicable law. We may also terminate an executive officer's employment without cause upon one-month advance written notice. In such case of termination by us, we are required to provide compensation to the executive officer, including severance pay, as expressly required by the applicable law of the jurisdiction where the executive officer is based. The executive officer may terminate the employment at any time with a one-month advance written notice, if there is any significant change in the executive officer's duties and responsibilities inconsistent in any material and adverse respect with his or her title and position or a material reduction in the executive officer's annual salary before the next annual salary review, or if otherwise approved by the board of directors.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice and to assign all right, title and interest in them to us, and assist us in obtaining patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our clients, customers or contacts or other persons or entities introduced to the executive officer for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination.

B. Compensation

For the fiscal year ended December 31, 2021, the aggregate compensation we paid to our executive officers and non-executive directors was approximately RMB6.0 million (US\$0.9 million). For the same period, we paid RMB0.2 million, approximately US\$35,000 for pension, retirement, medical insurance or other similar benefits for our executive officers. Other than the amounts stated above, no pension, retirement or similar benefits has been set aside or accrued for our executive officers or directors.

Stock Incentive Plans

In October 2008, May 2009, May 2010 and July 2011, we adopted our 2007 Stock Incentive Plan, 2008 Stock Incentive Plan, 2010 Stock Incentive Plan and 2011 Share Incentive Plan, respectively. These four plans are referred to herein as the “Stock Incentive Plans.” The Stock Incentive Plans were adopted to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of our business. The Stock Incentive Plans permit the grant of options to purchase our ordinary shares, share appreciation rights, restricted share units, restricted share units, dividend equivalent rights and other instruments as deemed appropriate by the administrator under the plans. The maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the 2007, 2008, 2010 and 2011 plans is 14,000,000 shares, 8,600,000 shares, 9,000,000 shares and 22,000,000 shares, respectively. On July 2, 2012, our shareholders approved amendments to our 2011 plan which provide, in effect, that the maximum aggregate number of ordinary shares that may be issued pursuant to all awards, or the Award Pool, under the 2011 plan shall be equal to five percent of the total issued and outstanding ordinary shares as of July 2, 2012; provided that, the ordinary shares reserved in the Award Pool shall be increased automatically if and whenever the unissued ordinary shares reserved in the Award Pool accounts for less than one percent of the total then issued and outstanding ordinary shares, as a result of which increase the unused ordinary shares reserved in the Award Pool immediately after each such increase shall equal to five percent of the then issued and outstanding ordinary shares.

As of April 30, 2022, we had granted options to purchase 14,000,000 ordinary shares under our 2007 Stock Incentive Plan, options to purchase 8,600,000 ordinary shares under our 2008 Stock Incentive Plan, options to purchase 9,099,872 ordinary shares under our 2010 Stock Incentive Plan, and options to purchase 49,017,808 ordinary shares and 77,114,512 restricted share units under our 2011 Share Incentive Plan.

The following table summarizes, as of December 31, 2021, the stock options granted under our Stock Incentive Plans to our directors and executive officers, directors and executive officers as a group and other individuals as a group.

	Option Granted	Exercise Price (US\$/Share)	Vesting		Date of Expiration
			Commencement Date	Date of Grant	
Xiaoqiang Wei	*	0.13	April 1, 2007	March 31, 2007	March 30, 2016
	*	0.26	April 1, 2009	March 31, 2009	March 30, 2027
	*	0.26	April 1, 2010	March 31, 2010	March 30, 2028
	*	0.24	April 1, 2010	June 20, 2010	June 19, 2020
	*	0.24	April 1, 2011	June 20, 2011	June 19, 2021
	*	0.0725	January 1, 2018	December 13, 2017	December 12, 2017
	*	0.06625	January 1, 2018	April 9, 2018	April 8, 2028
Xuelian Chi.	—	—	—	—	—
Zhang Qing	—	—	—	—	—
	—	—	—	—	—
Directors and officers as a group	892,848	0.01 to 0.5294	—	—	—
Other individuals as a group	97,424,832	0.01 to 0.5294	—	—	—

The following table summarizes, as of the December 31, 2021, the restricted share units granted under our Stock Incentive Plans to our directors and executive officers, directors and executive officers as a group and other individuals as a group.

	Restricted Share		Vesting		Date of Grant
	Units	Granted	Commencement	Date	
Xiaoqiang Wei	*		January 1, 2015		December 11, 2015
Xuelian Chi	—		—		—
Zhang Qing	—		—		—
Directors and officers as a group		160,000	—		—

Other individuals as a group	76,954,512	—	—
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* In aggregate owns options and/or restricted share units to acquire less than 1% of our outstanding ordinary shares on an as-converted basis.

Principal Terms of the 2007, 2008 and 2010 Stock Incentive Plans

The following paragraphs describe the principal terms of the 2007, 2008 and 2010 Stock Incentive Plans.

Plan Administration. Our board of directors or a committee designated by our board will administer the plans. The committee or our board of directors, as appropriate, will determine the provisions and terms and conditions of each award grant. It shall also have discretionary power to interpret the terms of the plans.

Award Agreement. Awards granted under the plans are evidenced by an award agreement that sets forth terms, conditions and limitations for each award. In addition, the award agreement may also provide that the securities granted are subject to a 90-day lockup period following the effective date of a registration statement filed by us under the Securities Act, if so requested by us or any representative of the underwriters in connection with any registration of the offering of any of our securities.

Eligibility. We may grant awards to our employees, directors and consultants, including those of our affiliates. However, we may grant options that are intended to qualify as incentive share options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, only to our employees.

Acceleration of Awards upon Change in Control. The outstanding awards will terminate and accelerate upon occurrence of a change-of-control corporate transaction, including amalgamations, mergers or consolidations, liquidations or dissolutions, sales of substantially all or all of the assets, reverse takeovers or acquisitions unless the successor entity assumes or replaces our outstanding awards under the plans. If the successor entity does not assume or replace our outstanding awards, each outstanding award will become fully vested and immediately exercisable and payable, and will be released from any repurchase or forfeiture rights immediately before the date of the change-of-control transaction, provided that the grantee's continuous service with us has not been terminated before that date.

Exercise Price and Term of Awards. The plan administrator shall determine the exercise price and the exercisable term for each option which shall be stated in the award document. For options that are intended to qualify as incentive share options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, the per share exercise price must not be less than 85% of the fair market value per share on the date of grant, unless the administrator determines otherwise.

Vesting Schedule. The vesting periods of the options under the plans are specified in individual award agreements.

Termination of the Plans. Unless terminated earlier, the stock incentives plans will continue in effect for nine years. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent such approval is required by applicable law. Shareholder approval is required for any amendment to our plans, if the amendment would adversely affect the grantee's rights under an outstanding award without the grantee's written consent, or change the board's authority to amend the plans subject to shareholders' approval.

Principal Terms of the 2011 Share Incentive Plan

The following paragraphs describe the principal terms of the 2011 Share Incentive Plan.

Plan Administration. The administrator of the 2011 Share Incentive Plan is our board of directors or the compensation committee of our board. The compensation committee or our board of directors, as appropriate, determines the provisions and terms and conditions of each award grant, and has discretionary power to interpret the terms of the plan. The plan administrator may delegate to a committee of one or more members of our board the authority to grant or amend awards to participants other than independent directors and executive officers of our company. Any grant or amendment of awards to any member of our board shall require approval by our board in accordance with our company's articles of association.

Award Agreement. Awards granted under the plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each award, which may include the term of an award, the provisions applicable in the event

the participant's employment or service terminates, and our company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an award.

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Eligibility. We may grant awards to our employees, directors and consultants, including those of our affiliates. However, options that are intended to qualify as incentive share options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, may not be granted to employees of our affiliates or to independent directors or consultants.

Acceleration of Awards upon Change in Control. If the plan administrator anticipates the occurrence, or upon the occurrence, of a corporate transaction, the plan administrator may, in its sole discretion, provide for (i) any and all awards outstanding to terminate at a specific time in the future and shall give each participant the right to exercise the vested portion of such awards during a period of time as the plan administrator shall determine, or (ii) the purchase of any award for an amount of cash equal to the amount that could have been attained upon the exercise of such award, or (iii) the replacement of such award with other rights or property selected by the plan administrator in its sole discretion or the assumption of or substitution of such award by the successor or surviving corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices, or (iv) payment of award in cash based on the value of shares on the date of the corporate transaction plus reasonable interest on the award through the date when such award would otherwise be vested or have been paid in accordance with its original terms, if necessary to comply with Section 409A of the Internal Revenue Code of 1986.

Exercise Price and Term of Awards. The exercise price per share subject to an option shall be determined by the plan administrator and set forth in the award agreement which may be a fixed or variable price related to the fair market value of the ordinary shares. The exercise price per share subject to an option may be amended or adjusted in the absolute discretion of the plan administrator, the determination of which shall be final, binding and conclusive. For options that are intended to qualify as incentive share options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, the exercise price of any incentive share option granted to any individual who, at the date of grant, owns shares possessing more than ten percent of the total combined voting power of all classes of our shares may not be less than 110% of fair market value on the date of grant and such option may not be exercisable for more than five years from the date of grant.

Vesting Schedule. In general, our plan administrator determines or the evidence of the award specifies, the vesting schedule.

Termination of the Plan. The plan will expire on, and no award may be granted pursuant to the plan after, June 3, 2020. Awards that are outstanding after such date shall remain in force according to the terms of the plan and the applicable award agreement.

C. Board Practices

Board of Directors

Our board of directors currently consists of three directors. A director is not required to hold any shares in the company by way of qualification. Under our memorandum and articles of association, subject to any separate requirement for audit committee approval or compensation committee approval or unless disqualified by the chairman of the relevant board meeting, so long as a director discloses the nature of his or her interest in any contract, proposal or arrangement (including arrangement with respect to compensation to himself or herself or any other members of the board) in which he or she is materially interested, such a director may vote in respect of such contract, proposal or arrangement and may be counted in the quorum at such a meeting. A director may exercise all the powers of the company to borrow money, mortgage its undertaking, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have established three committees under the board of directors: the audit committee, the remuneration committee and the nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Ms. Qing Zhang, and Ms. Xuelian Chi. Ms. Qing Zhang is the chairman of our audit committee. The purpose of the audit committee is to assist our board of directors with its oversight responsibilities regarding: (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent auditor's qualifications and independence and (iv) the performance of our internal audit function and independent auditor. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management's response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Remuneration Committee. Ms. Xuelian Chi is the chairman of our remuneration committee. The remuneration committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our Chief Executive Officer may not be present at any committee meeting during which his compensation is deliberated. The remuneration committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management.

Nominating and Corporate Governance Committee. Ms. Xuelian Chi is the chairman of our nominating and corporate governance committee. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;

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- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Duties of Directors

Under Cayman Islands law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of the board of directors. Our directors are not subject to a term of office and hold office until such time as they are removed from office by special resolution or the unanimous written resolution of all shareholders. We do not have a mandatory retirement age for directors. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; or (ii) dies or is found by our company to be or becomes of unsound mind.

D. Employees

We had 316, 74 and 58 employees as of December 31, 2019, 2020 and 2021, respectively. The following table sets forth the number of our employees by function as of December 31, 2021:

Functional Area	Number of Employees	% of Total
Sales and marketing	10	17.2 %
Research and development	4	6.9 %
Management and administration	44	75.9 %
Total	58	100.0 %

Of our total employees as of December 31, 2021, 43 were located in the cities throughout China and 15 were located outside China. We remunerate our employees with a base salary as well as performance-based bonuses. We have also granted stock options to management and key employees in order to reward their performance and provide them with equity incentives. In February 2016, approximately 30 of our employees-initiated arbitration for labor dispute against Xin Run, Beijing Shouming, Beijing Zhao Du and Xin Run's Tianjin Branch with Shunyi Labor Dispute Arbitration Committee and Chaoyang Labor Dispute Arbitration Committee. They withdrew the arbitration request in June 2016 and later re-initiated the arbitration proceeding in May 2017. The arbitrators ruled that our subsidiaries should pay compensation in the amount of approximately RMB0.6 million to those employees. The arbitration award was supported by the judgement of trial court. We have appealed the judgement to the appellate court in October 2017 and the appellate court dismissed the appeal and sustained the original judgement in October and November 2017. To our knowledge, from January 1, 2020 to April 10, 2022, approximately 60 of our current or former employees initiated arbitration for labor dispute against us with Shunyi Labor Dispute Arbitration Committee, Haidian Labor Dispute Arbitration Committee, etc. We believe that these are isolated cases and that our employee relations are good.

Our full-time employees in the PRC participate in a government mandated defined contribution plan pursuant to which certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare

benefits are provided to employees. Chinese labor regulations require that our PRC subsidiaries make contributions to the government for these benefits based on a fixed percentage of the employees' salaries.

E. Share Ownership

Please refer to “Item 7 — Major Shareholders and Related Party Transactions.”

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of December 31, 2021, by each of our directors and executive officers, and the beneficial ownership of our ordinary shares as of December 31, 2021 by each person known to us to own beneficially more than 5.0% of our ordinary share:

The calculations in the table below are based on 436,816,529 ordinary shares outstanding as of December 31, 2021 for the purpose of calculating the beneficial ownership in the following table. Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days following December 31, 2021, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned	
	Number	%
Directors and Executive Officers:		
Xuelian Chi	*	*
Zhang Qing		
Xiaoqiang Wei	*	*
All Directors and Executive Officers as a Group	*	*
Principal Shareholders:		
Song Wang ⁽¹⁾	49,046,712.4	11.23 %
Jean Xiaohong Kou ⁽²⁾	35,062,712.4	8.03 %
Consolidated Capital Holdings Ltd. ⁽¹⁾⁽²⁾⁽³⁾	56,543,248	12.94 %

* Less than 1%.

- (1) Consists of (i) 56,543,248 ordinary shares directly held by Consolidated Capital Holdings Ltd., (ii) 313,293 ordinary shares directly held by Harvest Century International Ltd., (iii) 26,304,096 ordinary shares that Mr. Song Wang has the right to acquire upon exercise or vesting of equity incentive awards within 60 days after December 31, 2021, and (iv) 12,320,096 ordinary shares that Mr. Wang’s ex-wife, Ms. Jean Xiaohong Kou has the right to acquire upon exercise or vesting of equities incentive awards within 60 days after December 31, 2021. Song Wang, Jean Xiaohong Kou and Tingqi Wang possess the power to direct the voting and disposition of the shares owned by Consolidated Capital Holdings Ltd. and Harvest Century International Ltd. through Hong Song Family Trust and are deemed to have shared voting and investment power over the shares held by Consolidated Capital Holdings Ltd. and Harvest Century International Ltd. The business address for Mr. Wang is No.10 Mujian street, Tuanhe Road, Daxing District, Beijing (102000).
- (2) See Note (1) above. Mr. Song Wang and Ms. Jean Xiaohong Kou were husband and wife. Pursuant to an agreement in connection with Hong Song Family Trust entered into by Mr. Song Wang and Ms. Jean Xiaohong Kou on July 20, 2010, 15% of the shares controlled by Hong Song Family Trust shall be owned by Tingqi Wang when Tingqi Wang reached the age of adulthood in 2020; 5% of the shares controlled by Hong Song Family Trust shall be donated to a charitable organization; the remaining 80% of the shares controlled by Hong Song Family Trust shall be equally distributed between Mr. Song Wang and Mrs. Jean Xiaohong Kou. As of December 31, 2021, the 5% of the shares owned by Hong Song Family Trust that should be donated to a charitable organization were still owned

by Hong Song Family Trust. The business address for Ms. Kou is No 8 Zhuyuan 3rd Street, Area 3, Tianzhu Comprehensive Bonded Zone, Shunyi District, Beijing, China.

- (3) The business address for Consolidated Capital Holdings Ltd. is c/o Jean Xiaohong Kou, No 8 Zhuyuan 3rd Street, Area 3, Tianzhu Comprehensive Bonded Zone, Shunyi District, Beijing, China.

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To our knowledge, as of December 31, 2021, 385,025,904 of our ordinary shares, or approximately 88.14% of our total outstanding ordinary shares, was held by one of our record holders. The number of beneficial owners of our ADSs in the U.S. is likely to be much larger than the number of record holders of our ordinary shares in the U.S. To our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons, severally or jointly. None of our shareholders has different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

B. Related Party Transactions

Contractual Arrangements with Our Consolidated Variable Interest Entities

See “Item 4. Information on the Company — C. Organizational Structure — Contractual Arrangements with Our Consolidated Variable Interest Entities.”

Employment Agreements

See “Item 6. Directors, Senior Management and Employees — A. Directors and Senior Management — Employment Agreements.”

Stock Incentive Plans

See “Item 6. Directors, Senior Management and Employees — B. Compensation — Stock Incentive Plans.”

Private Placement

In March 2014, we issued and sold an aggregate of 53,855,569 ordinary shares, represented by 3,365,973 ADSs, to a group of institutional investors affiliated with Wellington Management Company, LLP for an aggregate purchase price of approximately US\$55.0 million in reliance on Regulation D under the Securities Act. In connection with the transaction, we have agreed to give the institutional investors the preemptive rights to subscribe for the new shares that may be issued by us in proportion to their shareholdings, and certain registration rights, including the filing with the SEC of a registration statement shortly after the filing of this annual report covering the resale of all of the shares acquired by the institutional investors in the transaction. Pursuant to the registration rights we granted to these institutional investors, we filed a registration statement on Form F-3 in April 2014 with respect to the proposed sale from time to time by such institutional investors of up to 3,365,973 ADSs of ours.

Share Repurchase

Under our share repurchased programs established in December 2014, August 2015 and December 2015, respectively, we had repurchased an aggregate of 44,562,816 ordinary shares of us, represented by 2,785,176 ADSs, in the open market for an aggregate purchase price of approximately US\$21 million as of March 31, 2016. We have not made any repurchase of our shares since March 31, 2016.

Transaction with Related Parties

In 2015 and 2016, Flashapp Inc., or Flashapp, provided services to us in the amount of RMB0.1 million and nil, respectively. As of December 31, 2016, we did not have any payables to Flashapp. The board of directors of Flashapp shall consist of five persons, where we, as a majority of Series A Preferred Shares, may appoint two directors. We, through the directors appointed, have the ability to exercise significant influence over the operating and financial policies of Flashapp and hence, Flashapp is a related party of us.

In September 2015, Xin Run increased its registered capital by US\$0.2 million, which was subscribed by Tianjin Shuishan and thus Xin Run was converted from a wholly foreign-owned enterprise to a sino-foreign joint venture with ChinaCache Networks (Hong Kong) Limited and Tianjin Shuishan each holding 99% and 1%, respectively, of its equity interest. In December 2015, we entered into definitive agreements for Xin Run, pursuant to which Tianjin Shuishan, KPIW (Beijing) Investment Fund Co., Ltd. and Tianjin Dingsheng will subscribe for 36%, 22% and 2%, respectively, of the post-investment equity interest in Xin Run for a consideration of RMB225.0 million, RMB137.5 million and RMB12.5 million, respectively. The agreements were later terminated. In March 2017, we entered into another set of definitive agreements for Xin Run, pursuant to which Tianjin Shuishan, Shanghai Qiaoyong and Tianjin Dingsheng will purchase 47.7%, 26.3% and 5.0%, respectively, of the equity interest in Xin Run for a consideration of RMB133.5 million, RMB73.7 million and RMB14.0 million, respectively. Tianjin Shuishan is owned by Mr. Song Wang and Ms. Jean Xiaohong Kou. On December 28, 2017, the board of approval to terminate the translation. On March 23, 2018, we entered into a termination agreement with relevant parties and terminated the equity transfer of Xin Run.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

Please refer to Item 18.

Legal Proceedings

We may become subject to legal proceedings, investigations and claims incidental to the conduct of our business from time to time.

We and certain of our current and former officers and directors have been named as defendants in a shareholder class action lawsuit filed in the U.S. District Court for the Central District of California (the “Central California District Court”): William Likas v. ChinaCache International Holdings Ltd. et al, Civil Action No. 2:2019-cv-06942 (C.D. Cal.) (filed on August 9, 2019). The action—purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading activities related to the our ADSs from April 10, 2015 to May 17, 2019—alleges that certain of our public statements and filings contained materially false and misleading statements or omissions in violation of U.S. securities laws. On October 2, 2019, the Central California District Court appointed a group of two purported shareholders of us as the Lead Plaintiff of the class. On December 15, 2020, the parties reached an agreement to a stipulation and agreement of settlement to settle this purported class action. On April 26, 2021, the court granted preliminary approval of the settlement and scheduled a settlement hearing on August 27, 2021. On March 14, 2022, the Central California District Court entered an order and final judgment approving the agreement of settlement.

In July 2017, a claim was raised by the construction company of the data center buildings against Xin Run, for the alleged non-payment of construction fees of RMB73.9 million and the relating interest. In July 2019, Xin Run reached an agreement for settlement of the case with this construction company, under which Xin Run agrees to pay RMB33.7 million. The Company has fully accrued the amount as liability accordingly. Such construction company has applied to the competent court for compulsory execution of the agreement for settlement of this case.

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In August 2017, our PRC subsidiary, Xin Run, initiated a lawsuit against a subsidiary of BFSMC in Beijing, arising out of the sales of data center buildings. We sought the payment of purchase price in the amount of RMB105.6 million and the relating interest. In September 2017, such BFSMC' subsidiary filed the statement of defense and made a counterclaim, claiming, among others, the late delivery penalties and relating losses in the total amount of approximately RMB50.5 million. Thereafter we filed a motion to dismiss the counterclaim of such BFSMC' subsidiary arguing that the court does not have the jurisdiction. In April 2018, we were notified by the court that our motion was dismissed and as a result. In addition, Xin Run's bank deposits and other assets in a total amount of approximately RMB 50.5 million were sealed up, distrained or frozen by the court. On April 24, 2018, we amended our claim requesting, among other things, the defendant pay the additional purchase price of RMB96 million, damages for breach of contract in an amount of RMB14.4 million and the relating interest of RMB8.86 million. The court rendered a judgment on the case on December 31, 2019, which ruled that: (i) certain agreements in relation to such sales of data center buildings (including the cooperation agreement dated as of December 30, 2014, the supplementary agreement dated as of February 26, 2015, the official correspondence dated as of May 5, 2016 and the escrow agreement dated as of July 20, 2017) should be null and void; (ii) Xin Run should repay such BFSMC' subsidiary in an amount of RMB672 million, which is the consideration paid by such BFSMC' subsidiary to Xin Run; (iii) such BFSMC' subsidiary should transfer 100% of the equity securities of Zhao Du to Xin Run, and should repay Xin Run the amount of approximately RMB82.7 million, which is the rent paid by Xin Run to such BFSMC' subsidiary; (iv) confirmed that such BFSMC' subsidiary has legal title to the funds with an amount of RMB105.6 million deposited in the escrow account. Both Xin Run and such BFSMC' subsidiary had appealed the judgment to a higher court, and on September 16, 2021, the court dismissed the appeals of both Xin Run and the subsidiary of BFSMC. Both Xin Run and the subsidiary of BFSMC have applied to the competent court for compulsory execution of the foregoing court decision.

In October 2017, the foregoing subsidiary of BFSMC filed a lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent and the relating interest. In August 2019, certain real properties of Xin Run have been sealed up by the court. The second instance of this case has been completed. Unfortunately, we lost, and the court ruled that Xin Run should pay overdue rent from October 2017 to June 2018 in an amount equal to RMB64.8 million and the relevant interest thereon. The subsidiary of BFSMC has applied to the competent court for compulsory execution of the court decision, and Xin Run has filed an application for suspension of such compulsory execution in December 2019 to the Shunyi District Court of Beijing. Xin Run submitted an application for retrial of the foregoing lawsuit to the Beijing Intermediate People's court. The retrial has been accepted in December 2021 and the execution of the original court decision has been suspended. As of the date hereof, this lawsuit is still ongoing.

In June 2019, the foregoing subsidiary of BFSMC filed another lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent from July 2018 to March 2019 in an amount equal to RMB64.8 million and the relating interest thereon. Xin Run filed a motion to dismiss for lack of jurisdiction. However, we were notified by the court that our motion was rejected. In January 2020, Xin Run has filed an application for suspension of such lawsuit. The subsidiary of BFSMC withdrew its claims in September 2021.

In April 2019, a trading company filed a lawsuit against our PRC subsidiary, Xin Run, in the Beijing No.4 Intermediate People's Court, requesting Xin Run to pay purchase price and relevant liquidated damage in a total amount of approximately RMB37.2 million. In June 2019, Xin Run and such trading company reached an agreement for settlement of the case, under which Xin Run agrees to pay such trading company purchase price of RMB20.2 million and the relating interest of RMB6.0 million. However, Xin Run has not fully performed its payment obligations under such agreement. The Company has accrued the amount as other payables, however, Xin Run only settled RMB2.0 million subsequently. The trading company has applied to the competent court for compulsory execution of the agreement for settlement of this case.

In April 2019, a technology company filed a lawsuit in Shanghai Minhang District People's Court against Beijing Blue I.T., demanding payment of service fee and relevant liquidated damage in a total amount of approximately RMB28.3 million. The court rendered a judgment on the case in October, 2019, which ruled that Beijing Blue I.T. should pay relevant service fee, liquidated damage and costs of legal proceedings. We have appealed the judgment to a higher court in November 2019. In January 2020, Beijing Blue I.T. and such technology company reached an agreement for settlement of the case, under which Beijing Blue I.T. agrees to pay such technology company the service fee in a total amount of approximately RMB27.5 million and relevant costs of legal proceedings. As of the date hereof, Beijing Blue I.T. has fully performed its payment obligations under such agreement.

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In August 2019, a building materials technology company initiated a lawsuit against Xin Run in the Beijing Shunyi District People's Court to request payment of approximately RMB35.6 million that should be paid by Xin Run to a third party, as such third party was obligated to pay the same amount to the building materials technology company, and the relating cost of the lawsuit. We filed a motion to dismiss the case for lack of jurisdiction, which was granted by the court and as a result, as of the date hereof, the case was withdrawn by the building materials technology company.

In June 2019, a computer company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue construction fees and relevant interest in a total amount of approximately RMB74.6 million. In September 2021, the court ruled that Xin Run should pay overdue construction fees in a total amount of approximately RMB54.42 million, the interests accrued thereon and the relevant costs of legal proceedings. Such computer company has applied to the competent court for compulsory execution of the foregoing court decision.

In June 2019, such computer company filed another lawsuit against Xin Run in the Beijing Haidian District People's Court, requesting Xin Run to pay overdue equipment purchase payment and relevant interest in a total amount of approximately RMB40.8 million. We filed a motion to dismiss the case for lack of jurisdiction, which was granted by the court and the jurisdiction of this lawsuit has been changed to Beijing Chaoyang District People's Court. In October 2021, the court ruled that Xin Run should pay overdue equipment purchase payment, the relevant examination fees and the interests accrued thereon in a total amount of approximately RMB34.12 million, as well as the costs of legal proceedings. Such computer company has applied to the competent court for compulsory execution of the foregoing court decision.

In February 2022, the foregoing computer company has applied to Beijing No.1 Intermediate People's Court, requesting declaration the bankruptcy liquidation of Xin Run, for Xin Run is lack of solvency. As of the date hereof, this case is still ongoing.

In September 2019, a branch of a telecommunication company filed a lawsuit against Beijing Blue I.T. in the Xianyang Qindu District People's Court, requesting Beijing Blue I.T. to pay overdue service fees and liquidated damage in a total amount of approximately RMB12 million. In November 2019, this case was mediated by the court and Beijing Blue I.T. agrees to pay the plaintiff service fees of approximately RMB5.4 million and liquidated damage of approximately RMB2.2 million. As of the date hereof, Xin Run has fully performed its payment obligations under such agreement.

In October 2019, another technology company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue construction fees and liquidated damage in a total amount of approximately RMB20.5 million. We filed a motion to dismiss for lack of jurisdiction. However, our motion was rejected and certain real property of Xin Run was sealed up by the court. We have appealed the aforesaid judgment to Beijing No. 3 Intermediate People's Court, but unfortunately, our motion was still rejected in January, 2020. The court rendered a judgment on the case in July 2020, which ruled that Xin Run was required to pay relevant construction fees in a total amount of approximately RMB9.2 million, and also the relevant liquidated damage and costs of legal proceedings. Such technology company has applied to the competent court for compulsory execution of the court judgement.

In December 2019, we were notified that such technology company filed another lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue equipment purchase payment in a total amount of approximately RMB31.3 million, relevant interest and costs of legal proceedings. The court ruled that Xin Run should pay overdue equipment purchase payment in a total amount of approximately RMB31.3 million and the relevant liquidated damages thereon. We had appealed the judgment to a higher court in January 2020. However, our motion was rejected in April 2020. In June 2020, the technology company has applied to the competent court for a compulsory execution of this case.

In November 2019, a commercial bank filed a lawsuit with respect to financial loan agreement dispute against Xin Run, Mr. Song Wang and Ms. Jean Xiaohong Kou in the Fushun Intermediate People's Court of Liaoning Province, requesting Xin Run to pay principal amount of loans of approximately RMB170 million, damages for breach of contract and relevant interests in an amount of approximately RMB6.6 million and costs of legal proceedings. The court rendered a judgment on the case in December, 2020, which ruled that Xin Run should pay principal amount of loans of approximately RMB170 million, damages for breach of contract and relevant interests in an amount of

approximately RMB6.6 million and costs of legal proceedings. The commercial bank has applied to the competent court for a compulsory execution of this case and certain real property of Xin Run was sealed up by the court.

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In November 2019, a commercial bank filed a lawsuit with respect to financial loan agreement dispute against Xin Run, Mr. Song Wang and Ms. Jean Xiaohong Kou in the Shenyang Intermediate People's Court of Liaoning Province, requiring: (i) all loans under certain loan agreement become due on October 30, 2019; (ii) Xin Run to pay principal amount of loans of approximately RMB160 million, damages for breach of contract and relevant interests in an amount of approximately RMB0.5 million and costs of legal proceedings; and (iii) the plaintiff shall be entitled to be paid in priority regarding certain real property of Xin Run. In November 2020, Xin Run and the commercial bank reached an agreement for settlement of the case, under which Xin Run agrees to pay principal amount of loans of approximately RMB150 million, damages for breach of contract and relevant interests in an amount of approximately RMB2.6 million. However, Xin Run has not fully performed its payment obligations under such agreement. The commercial bank has applied to the competent court for a compulsory execution of the agreement for settlement of this case. As of the date hereof, Xin Run has fully performed its payment obligations in this case.

In December 2019, a technology company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue fees of approximately RMB38.0 million, relevant interest and costs of legal proceedings. We filed a motion to dismiss for lack of jurisdiction in January, 2020, which was granted by the court. As of the date hereof, the case has been withdrawn by the technology company.

In December 2019, another technology company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue construction fees and liquidated damage in a total amount of approximately RMB72.7 million, relevant interest and costs of legal proceedings. In September 2021, the court ruled that Xin Run should pay overdue construction fees and the interests accrued thereon in a total amount of approximately RMB74.81 million, as well as the costs of legal proceedings. Such technology company has applied to the competent court for compulsory execution of the court judgement.

In January 2020, a supply chain company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue fees of approximately RMB9.5 million, relevant liquidated damages and costs of legal proceedings. The court rendered a judgment on the case in July 2020, which ruled that Xin Run should pay overdue fees of approximately RMB9.5 million, relevant liquidated damages and costs of legal proceedings. Such supply chain company has applied to the competent court for a compulsory execution of this case. In September 2021, such supply chain company has applied to Beijing No.1 Intermediate People's Court, requesting declaration of the bankruptcy liquidation of Xin Run, for Xin Run is lack of solvency. As of the date hereof, this case is still ongoing.

In January 2020, a technology company filed a lawsuit against Beijing Blue I.T. in the Beijing Chaoyang District People's Court, requesting Beijing Blue I.T. to pay overdue fees of approximately RMB38.6 million, relevant interest and costs of legal proceedings. The court ruled that Beijing Blue I.T. should pay overdue fees of approximately RMB38.6 million and the relevant interests thereof, together with the costs of legal proceedings. We appealed such court judgement to higher court, but our appeal has been dismissed. Such technology company has applied to the competent court for compulsory execution of the court judgement.

In March 2020, a technology company filed a lawsuit against Beijing Blue I.T. in the Hangzhou Internet Court, requesting Beijing Blue I.T. to pay overdue fees of approximately RMB15.4 million, relevant interest and costs of legal proceedings. As of the date hereof, this lawsuit is still ongoing. The court ruled that Beijing Blue I.T. should pay overdue fees of approximately RMB15.4 million, the interests accrued thereon and costs of legal proceedings. We appealed such court judgment to higher court, but our appeal has been dismissed. Such technology company has applied to the competent court for compulsory execution of the court judgement.

In August 2020, Xin Run filed a lawsuit against three PRC citizens in the Beijing Tongzhou District People's Court, requesting such PRC citizens to return the service fees of approximately RMB77.2 million, and to pay relevant interest and costs of legal proceedings. As of the date hereof, this lawsuit is still ongoing.

In August 2020, a branch of a telecommunication company filed a lawsuit against Beijing Blue I.T. in the Beijing Xicheng District People's Court, requesting Beijing Blue I.T. to pay overdue service fees of approximately RMB6.83 million, the liquidated damages thereon and the costs of legal proceedings. In December 2020, this case was mediated by the court and Beijing Blue I.T. agrees to pay the plaintiff service fees of approximately RMB8.37 million

and the relevant costs of proceedings. As Beijing Blue I.T. failed to perform such payment obligations, the plaintiff has applied to the competent court for a compulsory execution.

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In October 2020, a branch of a telecommunication company filed a lawsuit against Beijing Blue I.T. in the Tianjin Binhai New Area People's Court, requesting Beijing Blue I.T. to pay overdue service fees of approximately RMB8.41 million, the liquidated damages accrued thereon and the costs of legal proceedings. In December 2020, this case was mediated by the court and Beijing Blue I.T. agrees to pay the plaintiff service fees of approximately RMB8.41 million and the relevant costs of proceedings. As Beijing Blue I.T. failed to perform such payment obligations, the plaintiff has applied to the competent court for a compulsory execution.

In September 2021, a telecommunication company filed an arbitration against Beijing Blue I.T. in the Beijing Arbitration Commission, requesting Beijing Blue I.T. to pay overdue service fees and liquidated damage in a total amount of approximately RMB11.31 million, relevant interest and costs of legal proceedings. In March 2022, the Beijing Arbitration Commission awarded that Beijing Blue I.T. should pay overdue service fees of approximately RMB5.79 million and the relevant liquidated damages and costs of legal proceedings.

In May 2021, a technology company has applied to Beijing No.1 Intermediate People's Court, requesting declaration of the bankruptcy liquidation of Xin Run, for Xin Run is lack of solvency. As of the date hereof, this case is still ongoing.

In January 2022, Ms. Jean Xiaohong Kou filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court to request payment of approximately RMB40.9 million that should be paid by Xin Run to a third party since Ms. Jean Xiaohong Kou has fulfilled such payment obligation as she acted as the guarantor of Xin Run, and the relevant interests and costs of legal proceeding. In March 2022, Ms. Jean Xiaohong Kou changed her claims and requested Xin Run to indemnify her losses of approximately RMB37.46 million due to her fulfillment of payment obligation as the guarantor of Xin Run, and the relevant interests and costs of legal proceeding. As of the date hereof, this lawsuit is still ongoing. In April 2022, the court ruled that Xin Run should make payment of approximately RMB31.54 million and the relevant interests thereof, together with the costs of legal proceedings.

In view of the nature of the above unresolved claims, both factual and legal, that were raised in the proceedings and given the stage of the proceedings, it is impossible at this stage to properly evaluate the prospect of the lawsuits being successful. See "Item3. Key Information — D. Risk Factor — If we are required to seek additional funding, such funding may not be available on commercially acceptable terms, if at all".

Other Litigation Issues

In May 2019, the Group received a notice from a government prosecutors' office in Beijing that the Group was currently under investigation for allegations of enterprise bribery. The Group has engaged a criminal defense counsel to prepare for the relevant legal proceedings. By that date, Mr. Song Wang had been arrested and was also currently under investigation for the allegations of enterprise bribery against the Group. Mr. Song Wang tendered his resignation as the Company's Chief Executive Officer to the Board on May 17, 2019. In July 2020, High People's Court of Beijing rendered a judgment on the case, which ruled that Xin Run is condemned the crime of enterprise bribery and was ordered to pay a penalty in an amount of RMB4 million.

Dividend Policy

We do not have any present plan to pay any dividends on our ordinary shares in the foreseeable future. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and support our business.

Our board of directors has complete discretion whether to distribute dividends. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

Holders of our ADSs will be entitled to receive dividends, if any, subject to the terms of the deposit agreement, to the same extent as the holders of our ordinary shares. Cash dividends will be paid to the depositary in U.S. dollars,

which will distribute them to the holders of ADSs according to the terms of the deposit agreement. Other distributions, if any, will be paid by the depositary to the holders of ADSs by any means it deems legal, fair and practical.

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We are a holding company incorporated in the Cayman Islands. We rely on dividends from our subsidiaries in China for our cash needs. Our PRC subsidiaries are required to comply with applicable PRC regulations when it pays dividends to us. See “Item 3. Key Information — D. Risk Factors — Risks Relating to Doing Business in China — We rely principally on dividends paid by our operating subsidiary to fund cash and financing requirements, and limitations on the ability of our operating subsidiary to make payments to us could have a material adverse effect on our ability to conduct our business and fund our operations.”

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

See “— C. Markets.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing 16 of our ordinary shares, were formerly listed on the Nasdaq Global Select Market. On September 4, 2019, the Nasdaq Hearings Panel determined to delist the Company’s securities from The Nasdaq Stock Market. Suspension of trading in the shares was effective at the open of business on September 6, 2019. Our ADSs currently trade under the symbol “CCIH” in The Over Counter – Pink Sheets. The following table provides the high and low trading prices for our ADSs since the date of our initial public offering and up until May 10, 2019 (the “Last Reported Closing Price”) prior our ADSs being delisted from Nasdaq Stock Market.

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The Last Reported Closing Price for our ADSs on May 10, 2019 was US\$1.21 per ADS.

	Market Price (US\$)	
	High	Low
Annual High and Low		
Fiscal Year 2017	3.05	0.72
Fiscal Year 2018	4.75	1.00
Fiscal Year 2019	1.29	0.88
Fiscal Year 2020	0.29	0.01
Fiscal Year 2021	N/A	N/A
Quarterly Highs and Lows		
First Fiscal Quarter of 2020	0.10	0.03
Second Fiscal Quarter of 2020	0.07	0.02
Third Fiscal Quarter of 2020	0.29	0.01
Fourth Fiscal Quarter of 2020	0.18	0.04
First Fiscal Quarter of 2021	N/A	N/A
Second Fiscal Quarter of 2021	N/A	N/A
Third Fiscal Quarter of 2021	N/A	N/A
Fourth Fiscal Quarter of 2021	N/A	N/A
Monthly Highs and Lows		
January 2021	N/A	N/A
February 2021	N/A	N/A
March 2021	N/A	N/A
April 2021	N/A	N/A
May 2021	N/A	N/A
June 2021	N/A	N/A
July 2021	N/A	N/A
August 2021	N/A	N/A
September 2021	N/A	N/A
October 2021	N/A	N/A
November 2021	N/A	N/A
December 2021	N/A	N/A

On January 6, 2021, Citibank, N.A., notified the Company of its decision to resign as depository for the ADR program and the Company has not appointed a successor depository as at the date of this Form 20-F.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We are a Cayman Islands company and our affairs are governed by our amended and restated memorandum and articles of association, as amended from time to time, and the Companies Act (as amended) of the Cayman Islands, which is referred to below as the Companies Act.

The following are summaries of the material provisions of our amended and restated memorandum and articles of association and the Companies Act insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. As set forth in clause 3 of our amended and restated memorandum of association, the objects for which our company is established are unrestricted.

Board of Directors

See “Item 6. Directors, Senior Management and Employees — C. Board Practices — Board of Directors” and “Item 6. Directors, Senior Management and Employees — C. Board Practices — Terms of Directors and Officers.”

Ordinary Shares

General. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors, subject to the Companies Act.

Voting Rights. Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any shareholders’ meeting is by show of hands unless a poll is demanded. A poll may be demanded by at least three shareholders entitled to vote at the meeting, or one or more shareholders holding at least 10% of the paid-up voting share capital or 10% of the total voting rights entitled to vote at the meeting, present in person or by proxy.

A quorum required for a meeting of shareholders consists of at least one shareholder present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative, who holds no less than one third of our voting share capital. Shareholders’ meetings are held annually and may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding in aggregate at least one-third of our voting share capital. Advance notice of at least 14 days is required for the convening of our annual general meeting and other shareholders’ meetings.

An ordinary resolution to be passed by the shareholders requires a simple majority of votes cast in a general meeting, while a special resolution requires no less than two-thirds of the votes cast. A special resolution is required for important matters such as a change of name. Our shareholders may effect certain changes by ordinary resolution, including increase the amount of our authorized share capital, consolidate and divide all or any of our share capital into shares of larger amount than our existing shares, and cancel any shares.

Transfer of Shares. Subject to the restrictions of our memorandum and articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

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Our board of directors may, in its sole discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any share unless (i) the instrument of transfer is lodged with us, accompanied by the certificate for the shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer; (ii) the instrument of transfer is in respect of only one class of shares; (iii) the instrument of transfer is properly stamped, if required; (iv) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four; (v) the shares conceded are free of any lien in favor of us; or (vi) a fee of such maximum sum as the Nasdaq may determine to be payable, or such lesser sum as our board of directors may from time to time require, is paid to us in respect thereof.”

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers may, on 14 days’ notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a pro rata basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time of payment. The shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption of Shares. Subject to the provisions of the Companies Act, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner as may be determined by our board of directors.

Variations of Rights of Shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Act, be varied either with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority to or *pari passu* with such previously existing shares.

Inspection of Books and Records. Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, each annual statement on Form 20-F that we file with the SEC includes, among other things, annual audited financial statements and certain shareholding information for our directors and officers and principal shareholders.

Anti-Takeover Provisions. Some provisions of our amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preference shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preference shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our amended and restated memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Limitations on the Right to Own Shares. There are no limitations on the right to own our ordinary shares.

C. Material Contracts

For the two years immediately preceding the date of this annual report, we have not entered into any material contracts other than in the ordinary course of business and other than those described below or in “Item 4. Information on the Company” or elsewhere in this annual report.

On April 3, 2019, Xin Run entered into an equity transfer agreement with People.cn, pursuant to which, Xin Run agrees to transfer 100% equity interest in Beijing Shuoge Technology Co., Ltd. to People.cn for a consideration of RMB251.8 million and return RMB73.2 million prepaid by People.cn with related interest for RMB13.0 million before December 31, 2024.

D. Exchange Controls

The Cayman Islands currently has no exchange control restrictions. See also “Item 4. Information on the Company— B. Business Overview—Regulation—Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents,” “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Currency Exchange” and “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Dividend Distribution.”

E. Taxation

The following summary of the material Cayman Islands, People’s Republic of China and U.S. federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us or an investor in ADSs or ordinary shares levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within the jurisdiction of the Cayman Islands. The Cayman Islands is a party to a double taxation treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double taxation treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

Under the PRC enterprise income tax law, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” of the PRC. A circular issued by the SAT on April 22, 2009, or the 2009 Circular, clarified that dividends and other income paid by certain offshore enterprises controlled by a PRC company or a PRC company group established outside of the PRC will be considered PRC-source income and subject to PRC withholding tax, currently at a rate of 10%, when paid to non-PRC resident enterprise shareholders and 20% for shareholders who are non-PRC resident individuals. Under the implementation regulations to the enterprise income tax law, a “de facto management body” is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise. In addition, the 2009 Circular specifies that certain offshore enterprises controlled by a PRC company or a PRC company group will be classified as PRC resident enterprises if the following are located or resident in the PRC: senior management personnel and departments that are responsible for daily production, operation and management; financial and personnel decision making bodies; key properties, accounting books, the company seal, and minutes of board meetings and shareholders’ meetings; and half or more of the senior management or directors having voting rights. Although the 2009 Circular only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals, the determining criteria set forth in the 2009 Circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises or individuals. We are incorporated in the Cayman Islands. We believe that we are not a PRC resident enterprise. However, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our non-PRC resident enterprise shareholders and a 20% withholding tax for our non-PRC resident individual shareholders, including the holders of our ADSs. In addition, non-PRC shareholders may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are treated as a PRC resident enterprise. See “Item 3. Key Information — D. Risk Factors — Risks Related to Doing Business in China — Under China’s Enterprise Income Tax Law, we may be classified as a ‘resident enterprise’ of China. Such classification could result in unfavorable tax consequences to us and our non-PRC resident shareholders.”

In January 2009, the SAT promulgated the Provisional Measures for the Administration of Withholding of Enterprise Income Tax for Non-resident Enterprises, or the Non-resident Enterprises Measures, pursuant to which the entities that have the direct obligation to make certain payments to a non-resident enterprise shall be the relevant tax withholders for such non-resident enterprise. Further, the Non-resident Enterprises Measures provides that in case of an equity transfer between two non-resident enterprises which occurs outside China, the non-resident enterprise which receives the equity transfer payment shall, by itself or engage an agent to, file tax declaration with the PRC tax authority located at place of the PRC company whose equity has been transferred, and the PRC company whose equity has been transferred shall assist the tax authorities to collect taxes from the relevant non-resident enterprise. On April 30, 2009, the MOF and the SAT jointly issued the Notice on Issues Concerning Process of Enterprise Income Tax in Enterprise Restructuring Business, or Circular 59. On December 10, 2009, the SAT issued the Notice on Strengthening the Administration of the Enterprise Income Tax concerning Proceeds from Equity Transfers by Non-resident Enterprises, or Circular 698. Both Circular 59 and Circular 698 became effective retroactively as of January 1, 2008. By promulgating and implementing these two circulars, the PRC tax authorities have enhanced their scrutiny over the direct or indirect transfer of equity interests in a PRC resident enterprise by a non-resident enterprise.

On February 3, 2015, the SAT issued a Public Notice (2015) No.7, or Public Notice 7, to supersede the existing tax rules in relation to the Indirect Transfer as set forth in Circular 698, while the other provisions of Circular 698 remain in force. Public Notice 7 introduces a new tax regime that is significantly different from that under Circular 698. Public Notice 7 extends its tax jurisdiction to capture not only Indirect Transfer as set forth under Circular 698 but also transactions involving transfer of immovable property in China and assets held under the establishment and place, in China of a foreign company through the offshore transfer of a foreign intermediate holding company. Public Notice 7 also addresses the term transfer of the equity interest in a foreign intermediate holding company widely. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and introduces safe harbor scenarios applicable to internal group restructurings. However, it also brings challenges to both the foreign

transferor and transferee of the Indirect Transfer as they have to make self-assessment on whether the transaction should be subject to PRC tax and to file or withhold the PRC tax accordingly.

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On October 17, 2017, the State Administration of Taxation issued the Announcement of the State Administration of Taxation on Issues Concerning the Withholding of Non-resident Enterprise Income Tax at Source, or SAT Bulletin 37, which came into effect on December 1, 2017 and concurrently abolished the Non-resident Enterprises Measures and Circular 698. The SAT Bulletin 37 further clarifies the practice and procedure of the withholding of non-tax resident enterprise income tax. Pursuant to Circular 7 and SAT Bulletin 37, both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties on the reporting and consequences on private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions, under Public Notice 7 and/or SAT Bulletin 37. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Public Notice 7 and/or SAT Bulletin 37.

The PRC tax authorities have the discretion under SAT Circular 59, Public Notice 7 and SAT Bulletin 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the equity interests transferred and the cost of investment.

On May 1, 2017 a SAT Public Notice (2017) No. 6, or Public Notice 6, came into effect, which supersedes the Public Notice No. 16 issued by SAT on March 18, 2015. Public Notice 6 further regulates the transfer pricing administration, the method and process of special tax investigation, as well as the management of mutual consultation process. Public Notice 6 provides certain circumstances where the tax authorities may implement special tax adjustment to the taxable income based on the full amount deducted before tax, including payments to an overseas related party which does not undertake any function, bear any risk or has no substantial operation or activities and which do not comply with arm's-length principles, payments to a related party for non-beneficial services, and royalties paid to a related party which only owns the legal rights of the intangible assets but has no contribution to the creation of such intangible assets and which do not comply with arm's-length principles or royalties paid to a related party where such intangible assets do not yield any economic benefits and which do not comply with arm's-length principles. Although we believe all of our related party transactions, including all payments by our PRC subsidiaries and consolidated affiliated entities to our non-PRC entities, are made on an arm's-length basis and our estimates are reasonable, the ultimate decisions by the relevant tax authorities may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

U.S. Federal Income Tax Considerations

The following discussion is a summary of U.S. federal income tax consequences of the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder described below that acquires and holds our ADSs or ordinary shares as "capital assets" (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. This summary is based upon existing U.S. federal tax law and the regulations, rulings, and decisions thereunder, all of which are subject to differing interpretations or change, possibly with retroactive effect. This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (for example, banks, financial institutions, regulated investment companies or real estate investment trusts, insurance companies, broker-dealers, traders in securities that elect mark-to-market treatment, partnerships and their partners, tax-exempt organizations (including private foundations), investors who own (directly, indirectly, or constructively) 5% or more of our stock, investors that will hold our ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, certain expatriates or former long-term residents of the U.S., persons liable for alternative minimum tax, governments or agencies or instrumentalities thereof, persons holding ADSs or ordinary shares through partnerships or other pass-through entities, persons who acquired ADSs or ordinary shares pursuant to the exercise of any employee share option or otherwise as consideration, or investors that have a functional currency other than the U.S. dollar), all of whom may be subject to tax rules that differ significantly from those summarized below.

In addition, this summary does not discuss the Medicare tax on net investment income or any state, local, or estate or gift tax considerations and, except for the limited instances where PRC tax law and potential PRC taxes are discussed below, does not discuss any non-U.S. tax considerations. Each U.S. Holder is urged to consult its tax advisor regarding the U.S. federal, state, local, and non-U.S. income and other tax considerations of an investment in our ADSs or ordinary shares.

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General

For purposes of this summary, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the U.S., (ii) a corporation (or other entity treated as a corporation) created in, or organized under the law of, the U.S. or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise elected to be treated as a U.S. person under applicable U.S. Treasury regulations.

If a partnership is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partners of a partnership holding our ADSs or ordinary shares are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

For U.S. federal income tax purposes, U.S. Holders of ADSs should be treated as the beneficial owners of the underlying shares represented by the ADSs. The discussion below assumes that the representations contained in the deposit agreement are true and that the obligations in the deposit agreement and any related agreement have been and will be complied with in accordance with the terms.

Passive Foreign Investment Company Considerations

A non-U.S. corporation, such as our company, will be classified as a “passive foreign investment company”, or PFIC, for U.S. federal income tax purposes for any taxable year, if either (i) at least 75% of its gross income for such year consists of certain types of “passive” income or (ii) at least 50% of the value of its assets (determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as passive assets and the total value of assets will be calculated with reference to the market value of the corporation. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, more than 25% (by value) of the stock.

Although the law in this regard is not entirely clear, we treat Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ as being owned by us for U.S. federal income tax purposes, because we control their management decisions and are entitled to substantially all of their economic benefits, and, as a result, we consolidate these entities’ results of operations in our consolidated, U.S. GAAP financial statements. If it were determined, however, that we are not the owner of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ for U.S. federal income tax purposes, we would likely be treated as a PFIC for the current year and any other taxable year.

Assuming that we are the owner of Beijing Blue I.T., Beijing Jingtian, ChinaCache Shouming and ShenRong BJ for U.S. federal income tax purposes, we believe that we primarily operate as an active provider of content and application delivery total solutions in China. Based on the market price of our securities, the value of our assets, and the composition of our assets and income, we do not believe that we were a PFIC for the taxable year ended December 31, 2019 and 2020 and we do not expect to be a PFIC for the current taxable year. However, we can give no assurances with respect to our PFIC status for past or future taxable years as the PFIC determination is inherently factual and the application of the PFIC rules is subject to ambiguity in several aspects.

The determination of whether we are a PFIC is a fact-intensive determination made annually. Accordingly, no assurance can be given that we are not, or will not, become classified as a PFIC for the current or any future taxable year due to changes in our asset or income composition. Because the total value of our assets for purposes of the asset test generally will be calculated with reference to the market value of our equity, a decrease in the price of our securities may also result in our becoming a PFIC. In addition, because of uncertainties in the application of the relevant rules (as described above), it is possible that the U.S. Internal Revenue Service, or IRS, may successfully challenge our classification of certain income items and assets as non-passive or our valuation of our tangible and intangible assets, each of which may result in our company becoming classified as a PFIC for the current or any other taxable year. If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will become subject to special tax

rules discussed below. You are urged to consult with your tax advisor regarding the consequences of potentially holding an interest in a PFIC, and the ramifications of making a “deemed sale” election, as discussed further below.

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The discussion below under “Dividends” and “Sale or Other Disposition of ADSs or Ordinary Shares” assumes that we will not be classified as a PFIC for U.S. federal income tax purposes. The U.S. federal income tax rules that apply if we are classified as a PFIC for the current or any subsequent taxable year are generally discussed below under “Passive Foreign Investment Company Rules.”

Dividends

Any cash distributions (including the amount of any PRC tax withheld if we are deemed to be a resident enterprise under the PRC Enterprise Income Tax Law) paid with respect to our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under U.S. federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution paid will generally be treated as a “dividend” for U.S. federal income tax purposes. Dividends received with respect to our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations.

A non-corporate recipient of dividend income generally will be subject to tax on dividend income from a “qualified foreign corporation” at the lower capital gain tax rate applicable to “qualified dividend income,” rather than the marginal tax rates generally applicable to ordinary income, provided that certain holding period and other requirements are met. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends in their particular circumstances.

For U.S. foreign tax credit purposes, dividends generally will be treated as income from foreign sources and generally will constitute passive category income. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid, if any, on our ADSs or ordinary shares. A U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any non-refundable foreign withholding taxes imposed on dividends received with respect to our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld, may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholdings, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex. U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

A U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of our ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder’s adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if such ADSs or ordinary shares have been held for more than one year and will generally be U.S. source gain or loss for U.S. foreign tax credit purposes. Long-term capital gain recognized by non-corporate U.S. Holders is generally subject to U.S. federal income tax at favorable rates. The deductibility of a capital loss may be subject to limitations. In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law and gain from the disposition of our ADSs or ordinary shares is subject to tax in the PRC, such gain may be treated as PRC source gain for foreign tax credit purposes under the U.S.-PRC income tax treaty. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125% of the average annual distributions paid in the three preceding taxable years or, if

shorter, the U.S. Holder's holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition, including, under certain circumstances, a pledge, of our ADSs or ordinary shares. Under the PFIC rules the:

- excess distribution and/or gain will be allocated ratably over the U.S. Holder's holding period for our ADSs or ordinary shares;

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- amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC, or a pre-PFIC year, will be taxable as ordinary income;
- the amount allocated to each of the other taxable years will be subject to tax at the highest rate of tax in effect for such U.S. Holder for such year and will be increased by an additional tax equal to interest on the resulting tax deemed deferred with respect to each such other taxable year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our non-U.S. subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC and would be subject to the rules described above on certain distributions by a lower-tier PFIC and a disposition of shares of a lower-tier PFIC even though such U.S. Holder would not receive the proceeds of those distributions or dispositions. U.S. Holders should consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary share, our ADSs or ordinary shares generally will continue to be treated as shares in a PFIC for all succeeding years during which a U.S. Holder holds our ADSs or ordinary shares, unless we cease to be a PFIC and the U.S. Holder makes a "deemed sale" election with respect to the ADSs or ordinary shares. If you make a deemed sale election, you will be deemed to have sold the ADSs or ordinary shares you hold at their fair market value as of the last day of the last year during which we were a PFIC. Any gain from such deemed sale would be taxed as an excess distribution as described above. You are urged to consult your tax adviser regarding our possible status as a PFIC as well as the benefit of making a deemed sale election.

As an alternative to the foregoing rules, a holder of "marketable stock" (as defined below) in a PFIC may make a mark-to-market election with respect to such stock. If we are a PFIC, and a U.S. Holder makes this election with respect to our ADSs, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of our ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of our ADSs over the fair market value of such ADSs held at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in our ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of our ADSs and we cease to be classified as a PFIC, the holder will not be required to take into account the mark-to-market gain or loss described above during any period we are not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. The mark-to-market election is available only for "marketable stock," which is stock that is traded in other than de minimis quantities on at least 15 days during each calendar quarter, or regularly traded, on a qualified exchange or other market, as defined in applicable U.S. Treasury regulations.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections, which, if available, would result in tax treatment different from the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must file an annual report with the IRS. In the case of a U.S. Holder who has held our ADSs or ordinary shares during any taxable year in respect of which we were classified as a PFIC and continues to hold such ADSs or ordinary shares (or any portion thereof) and has not previously determined to make a mark-to-market election, and who is now considering making a mark-to-market election, special tax rules may apply relating to purging the PFIC taint of such ADSs or ordinary shares. Each U.S. Holder is urged to consult its tax advisor concerning the U.S. federal income tax consequences of purchasing, holding, and disposing of our ADSs or ordinary shares if we are or become classified as a PFIC, including the possibility of making a mark-to-market or deemed sale election.

Information Reporting and Backup Withholding

Dividend payments with respect to our ADSs or ordinary shares and proceeds from the sale, exchange or redemption of our ADSs or ordinary shares may be subject to information reporting to the IRS and U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number and makes any other required certification, or who is otherwise exempt from backup withholding. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability, and a U.S. Holder generally may obtain a refund of any excess amounts withheld under the backup withholding rules by filing the appropriate claim for refund with the IRS and furnishing any required information.

F. Dividends and Paying Agents

Not applicable.

G. Statements by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC a registration statement on Form F-1 (Registration No. 333-169288), as amended, including the prospectus contained therein, to register our ordinary shares. We have also filed with the SEC a related registration statement on F-6 (Registration No. 333-169390) to register the ADSs. We have previously filed with the SEC a registration statement on Form F-3 (Registration No. 333-195192) with respect to the proposed sale from time to time by certain of our shareholders of up to 3,365,973 ADSs of ours.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC, including filing annually a Form 20-F within four months after the end of each fiscal year, which is December 31. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules under the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act.

Till January 6, 2021, we had furnished Citibank, N.A., the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our written request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

Since January 6, 2021, we have no any depository bank.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Exchange Risk

Our consolidated financial statements are expressed in RMB, which is our reporting currency. ChinaCache Holdings, ChinaCache Beijing, Beijing Blue I.T. and Beijing Jingtian determine their functional currency to be the RMB, while ChinaCache U.S., ChinaCache Hong Kong, ShenRong HongKong and ChinaCache UK determine their functional currency to be the U.S. dollar, Hong Kong dollar, Hong Kong dollar and G.B. pound. However, substantially all of our businesses are transacted in RMB. We earn substantially all of our revenues and incur most of our expenses in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although in general, our exposure to foreign exchange risks should be limited, the value of an investment in our ADSs or ordinary shares will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is denominated in RMB, while the ADSs or ordinary shares are traded in U.S. dollars.

The conversion of RMB into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, this appreciation was halted and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future. It is difficult to predict how long the current situation may last and when and how RMB exchange rates may change in the future. To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amounts available to us.

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits, and interest expenses attributable to short term and long-term loans. As of December 31, 2020 and 2021, RMB17,369,000 and RMB26,389,000 (US\$4,141,000), respectively, were deposited with major financial institutions located in the PRC, RMB1,297,000 and RMB4,386,000 (US\$688,000), respectively, were deposited with in the major financial institutions located in the Hong Kong Special Administration Region, RMB 4,694,000 and RMB3,363,000 (US\$527,000), respectively, were deposited with major financial institutions located in the UK and RMB7,931,000 and RMB11,373,000 (US\$1,784,000), respectively were held in major financial institutions in the United States of America. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Since January 6, 2021, we have no depositary bank.

Fees and Charges

Holders of our ADSs will be required to pay certain service fees and some other expenses incurred by certain taxes.

The depositary fees payable for cash distributions are generally deducted from the cash being distributed.

The fees and charges holders of our ADSs may be required to pay may vary over time and may be changed by us. Holders of our ADSs will receive prior notice of such changes.

In 2019, 2020 and 2021, we received approximately US\$3,154.9, US\$2,000.0 and US\$3,301.0 net of applicable withholding taxes in the U.S., from the depository as reimbursement for our expenses incurred in connection with the establishment and maintenance of the ADS program.

Since January 6, 2021, we have no any depositary bank. And all the outstanding ADSs are deposited with the custodian. There will not be lots of cost associated with maintaining the ADR outstanding by third party vendors. Individual ADSs holders will be charged a 5c per ADR cancellation fees.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information — B. Memorandum and Articles of Association — Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number: 333-169288), or the F-1 Registration Statement, in relation to our initial public offering of 5,014,100 ADSs representing 80,225,600 of our ordinary shares, and the underwriters’ full exercise of their option to purchase from us an additional 909,147 ADSs representing 14,546,352 ordinary shares, at an initial offering price of US\$13.90 per ADS. Our initial public offering closed in October 2010. Merrill Lynch, Pierce, Fenner & Smith Incorporated and Deutsche Bank Securities Inc. were the representatives of the underwriters for our initial public offering.

We received net proceeds of approximately US\$74.9 million from our initial public offering. For the period from September 30, 2010, the date that the F-1 Registration Statement was declared effective by the SEC, As of December 31, 2021, we used net proceeds from our initial public offering as follows:

- approximately US\$28.5 million to expand our research and development efforts and build our cloud infrastructure;
- approximately US\$28.3 million capital expenditure for network and other equipment; and
- approximately US\$18.1 million for general corporate purposes.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures as of December 31, 2019 were not effective due to the material weakness disclosed below in “Management’s Annual Report on Internal Control over Financial Reporting. Based upon this evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were not effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in by the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its published consolidated financial statements. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective may not prevent or detect misstatements and can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management conducted an assessment of the design and operation effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, we used the criteria established within the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). We noted the following deficiencies that we believe to be material weaknesses: i) The Company did not have enough staff resources in the internal audit department, and internal audit evaluation work was not performed effectively from 2019 to 2021; ii) The Company had inadequate risk assessment procedures to continuously assess the legal and compliance risks associated with its business and the related financial impact.

Attestation Report of the Registered Public Accounting Firm

Because the Company is a non-accelerated filer, this annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Qing Zhang is the chairman of audit committee.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers, employees and advisors, which became effective upon the completion of our initial public offering in October 2010.

In November 2016, our board of directors adopted amendment to the code of business conduct and ethics, which has been posted on our website at www.chinacache.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

On December 7, 2018, the Company engaged Grant Thornton China (“GT”), the China member firm of Grant Thornton International Ltd., to be the Company’s independent registered public accounting firm, as Ernst & Young Hua Ming LLP (“EYHM”) formally resigned. On April 8, 2019, the Company engaged Michael T. Struder CPA P.C. (“MS”) to be the Company’s independent registered accounting firm, as GT formally resigned. The changes of the Company’s independent registered public accounting firm from EYHM to GT to MTS were approved by the Company’s Audit Committee. The decisions were not made due to any disagreements with EYHM or GT. As MS failed to start their on-site work timely, The Company believed that Studer’s delay of its audit work was unacceptable. As a result, the

Company's Audit Committee terminated Studer on May 30, 2019. On July 12, 2019, the Company engaged Marcum Bernstein Pinchuk LLP ("Marcum BP") as the Company's independent registered public accounting firm. With the shrinking of the Company business, the Company make every effort to decrease costs. On April 14, 2021, the Company engaged Shanghai Perfect C.P.A. Partnership ("Perfect CPA") as the company's independent registered public accounting firm and terminated Marcum BP on the same day. The decision was approved by the Company's Audit Committee.

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The following table sets forth the aggregate fees by the categories specified below in connection with certain professional services rendered by our independent registered public accounting firm for the years ended December 31, 2020 and 2021. We did not pay any other fees to our auditors during the periods indicated below.

	<u>2020</u>	<u>2021</u>
	<u>US\$</u>	<u>US\$</u>
	(in thousands)	
Audit fees ⁽¹⁾	115	106
Tax fees ⁽²⁾	—	—
Other fees ⁽³⁾	—	—

- (1) “Audit fees” represent the aggregate fees billed for professional services rendered by our auditors.
- (2) “Tax fees” represent the aggregate fees billed for professional services rendered by our principal auditors for tax compliance, tax advice and tax planning.
- (3) “Other fees” represent the aggregate fees billed by our principal auditors for services rendered other than services reported under “Audit fees”, “Audit-related fees” and “Tax fees”.

The policy of our audit committee is to pre-approve all audit and non-audit services to be provided by our independent registered public accounting firm, including audit services, audit-related services, tax services and other services are described above, other than those for de minimus services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

There were no purchases of equity securities made by or on behalf of us or any “affiliated purchaser” as defined in Rule 10b-18 of the Exchange Act during the fiscal year ended December 31, 2021.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

- (a) In October 2018, Ernst & Young Hua Ming LLP (“EYHM”) notified us that they would not stand for reappointment as our independent registered public accounting firm.

On December 7, 2018, the Company engaged GT, the China member firm of Grant Thornton International Ltd., to be the Company’s independent registered public accounting firm. The decision to appoint GT was unanimously approved by our audit committee.

The change was not made due to any disagreements with EYHM. EYHM’s audit reports on our consolidated financial statements for the fiscal years ended December 31, 2016 and 2017 did not contain an adverse opinion or a disclaimer of opinion, nor were such reports qualified or modified as to uncertainty, audit scope, or accounting principles, except for the Company’s ability to continue as a going concern.

During the fiscal years ended December 31, 2016 and 2017 and the subsequent interim period through December 7, 2018, there were no (i) disagreements between us and EYHM on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of EYHM would have caused them to make reference thereto in their reports on the consolidated financial statements for such years, or (ii) reportable events pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

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During each of the fiscal years ended December 31, 2016 and 2017, and the subsequent period prior to our engagement of GT, neither we nor anyone on our behalf consulted GT regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, and neither a written report nor oral advice was provided to us that GT concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue, (ii) any matter that was the subject of disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable events pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

- (b) On April 8, 2019, the Company engaged Michael T. Struder CPA P.C. (“MS”) to be the Company’s independent registered accounting firm, as GT formally resigned on that date.

The decision to appoint MS was unanimously approved by our audit committee. The change was not made due to any disagreements with GT. GT did not prepare any audit reports on our consolidated financial statements for the fiscal years ended December 31, 2016 and 2017.

During the fiscal years ended December 31, 2016 and 2017 and the subsequent interim period from December 7, 2018 through April 8, 2019, there were no (i) disagreements between us and GT on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, or (ii) reportable events pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

We provided a copy of the above statements to GT and requested that GT furnish a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree.

During each of the fiscal years ended December 31, 2016 and 2017, and the subsequent period prior to our dismissal of MS, neither we nor anyone on our behalf consulted MarcumBP regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed; or the type of audit opinion that might be rendered on our financial statements, or (ii) any matter that was either the subject of a disagreement with MS or a reportable event.

During each of the fiscal years ended December 31, 2016 and 2017 and the subsequent period prior to our dismissal of MS, we have not obtained any written report or oral advice that MarcumBP concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue.

- (c) On July 12, 2019, the Company engaged Marcum Bernstein Pinchuk LLP (“MarcumBP”) as the Company’s independent registered public accounting firm, as MS formally resigned.

The decision to appoint MarcumBP was unanimously approved by our audit committee. The change was not made due to any disagreements with MS. MS did not prepare any audit reports on our consolidated financial statements for the fiscal years ended December 31, 2016 and 2017.

During each of the fiscal years ended December 31, 2018 and 2019 and the subsequent period prior to our dismissal of MarcumBP, there were no (i) disagreements between us and MarcumBP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, any of which, if not resolved to MarcumBP’s satisfaction, would have caused MarcumBP to make reference to the subject matter of the disagreement in connection with their reports on the financial statements for such years, or (ii) reportable events pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F except that MarcumBP advised us of two material weaknesses in our internal control over financial reporting related to i) the Company did not have enough staff resources in the internal audit department, and internal audit evaluation work was not performed effectively from 2017 to 2019; (ii) the Company had inadequate risk assessment procedures to continuously assess the legal and compliance risks associated with its business and the related financial impact.

During each of the fiscal years ended December 31, 2018 and 2019 and the subsequent period prior to our dismissal of MarcumBP, neither we nor anyone on behalf of us has consulted with Perfect CPA regarding (i) the application of accounting principles to a specific transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and we have not obtained any written report or

oral advice that Perfect CPA concluded was an important factor considered by us in reaching a decision as to the accounting, auditing or financial reporting issue . (ii) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (iii) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

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The reports of MarcumBP on the Company's financial statements for the years ended December 31, 2018 and 2019 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles other than the explanatory paragraph as to the Company's ability to continue as a going concern.

We provided MarcumBP with a copy of the disclosures under this Item 16F and requested from MarcumBP a letter addressed to the SEC indicating whether it agrees with such disclosures, and if not, stating the respects in which it does not agree. We have received the requested letter from MarcumBP, a copy of which is included as Exhibit 15.4 attached herein.

- (d) On April 14, 2021, the Company engaged Shanghai Perfect C.P.A. Partnership ("Perfect CPA") as the company's independent registered public accounting firm, as MarcumBP is dismissed.

The decision to appoint Perfect CPA was approved by the Company's Audit Committee. MarcumBP did not audit any financial statements of our company as of any date or for any period subsequent to December 31, 2019.

ITEM 16G. CORPORATE GOVERNANCE

We are incorporated in the Cayman Islands and our corporate governance practices are governed by applicable Cayman Islands law and our memorandum and articles of association.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of ChinaCache International Holdings Limited are included at the end of this annual report.

ITEM 19. EXHIBITS

<u>Exhibit Number</u>	<u>Description of Document</u>
1.1**	Fifth Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated herein by reference to Exhibit 3.2 to the registration statement on Form F-1, as amended (File No. 333-169288))
2.1**	Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3) (incorporated herein by reference to Exhibit 4.1 to the registration statement on Form F-1, as amended (File No. 333-169288))
2.2**	Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the registration statement on Form F-1, as amended (File No. 333-169288))
2.3**	Deposit Agreement dated September 30, 2010, among the Registrant, the depository and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the registration statement on Form S-8 (File No. 333-172962))
3.1**	Certificate of Designation for the Company's Series A Junior Participating Preferred Shares, dated May 9, 2018 (incorporated herein by reference to Exhibit 3.1 to the Form 6-K filed on May 10, 2018 (File No. 001-34873))
4.1**	Third Amended and Restated Investors' Rights Agreement dated August 13, 2010, among the Registrant, Series A, B and C investors, and other parties thereto (incorporated herein by reference to Exhibit 4.4 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.2**	2007 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.3**	2008 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.2 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.4**	2010 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.3 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.5**	2011 Share Incentive Plan, as amended (incorporated by reference to Exhibit 4.7 to the Registrant's annual report on Form 20-F, as amended (File No. 001-34873), initially filed with the SEC on April 26, 2013)
4.6**	Form of Indemnification Agreement between the Registrant and its directors (incorporated herein by reference to Exhibit 10.4 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.7**	Form of Employment Agreement between the Registrant and an Executive Officer of the Registrant (incorporated herein by reference to Exhibit 10.5 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.8**	English translation of Loan Agreement dated September 23, 2005, between the Registrant and the shareholders of Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.9 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.9**	English translation of Supplementary Agreement to Loan Agreement dated May 10, 2010, between the Registrant and the shareholders of Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.10 to the registration statement on Form F-1, as amended (File No. 333-169288))

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Exhibit Number	Description of Document
4.10**	Loan Agreements dated January 20, 2016, between the Registrant and each shareholder of Beijing Blue I.T. (incorporated by reference to Exhibit 4.10 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 27, 2016)
4.11**	English translation of Share Pledge Agreements dated September 23, 2005 among ChinaCache Beijing, Beijing Blue I.T. and the shareholders of Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.11 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.12**	English translation of Powers of Attorney dated September 23, 2005 by the shareholders of Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.12 to the registration statement on Form F-1, as amended (File No. 333169288))
4.13**	English translation of Exclusive Business Cooperation Agreement dated September 23, 2005, between ChinaCache Beijing and Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.13 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.14**	English translation of Exclusive Technical Consultation and Training Agreement dated September 23, 2005, between ChinaCache Beijing and Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.14 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.15**	English translation of Exclusive Technical Support and Service Agreement dated September 23, 2005, between ChinaCache Beijing and Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.15 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.16**	English translation of Equipment Leasing Agreement dated September 23, 2005, between ChinaCache Beijing and Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.16 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.17**	English translation of Exclusive Option Agreements dated September 23, 2005, among the Registrant, Beijing Blue I.T. and the shareholders of Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.17 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.18**	English translation of Supplementary Agreements to Exclusive Option Agreement dated May 10, 2010, among the Registrant, Beijing Blue I.T. and the shareholders of Beijing Blue I.T. (incorporated herein by reference to Exhibit 10.18 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.19**	Exclusive Option Agreements dated January 20, 2016, among the Registrant, Beijing Blue I.T. and each shareholder of Beijing Blue I.T. (incorporated by reference to Exhibit 4.19 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 27, 2016)
4.20**	English translation of Loan Agreements dated July 31, 2008, between ChinaCache Beijing and the shareholders of Beijing Jingtian (incorporated herein by reference to Exhibit 10.19 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.21**	English translation of Supplementary Agreements to Loan Agreements dated May 10, 2010, among the Registrant, ChinaCache Beijing and the shareholders of Beijing Jingtian (incorporated herein by reference to Exhibit 10.20 to the registration statement on Form F-1, as amended (File No. 333-169288))



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Exhibit Number	Description of Document
4.22**	English translation of Supplementary Agreements to Loan Agreements dated December 3, 2012, between ChinaCache Beijing and the two shareholders of Beijing Jingtian (incorporated by reference to Exhibit 4.25 to the Registrant's annual report on Form 20-F, as amended (File No. 001-34873), initially filed with the SEC on April 26, 2013)
4.23**	English translation of Loan Assignment Agreement dated July 1, 2013, between Xinxin Zheng and Lei Wang (incorporated by reference to Exhibit 4.26 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 7, 2014)
4.24**	English translation of the Share Pledge Agreements dated December 3, 2012, among ChinaCache Beijing, Beijing Jingtian and the shareholders of Beijing Jingtian (incorporated by reference to Exhibit 4.26 to the Registrant's annual report on Form 20-F, as amended (File No. 001-34873), initially filed with the SEC on April 26, 2013)
4.25**	English translation of the Share Pledge Agreement dated July 1, 2013, among ChinaCache Beijing, Beijing Jingtian and Lei Wang (incorporated by reference to Exhibit 4.28 to the Registrant's annual report on Form 20-F (File No. 00134873), filed with the SEC on April 7, 2014)
4.26**	English translation of the Powers of Attorney dated July 31, 2008 by the shareholders of Beijing Jingtian (incorporated herein by reference to Exhibit 10.22 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.27**	English translation of the Power of Attorney dated July 1, 2013 by Lei Wang (incorporated by reference to Exhibit 4.30 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 7, 2014)
4.28**	English translation of the Exclusive Option Agreements dated December 3, 2012, among ChinaCache Beijing, Beijing Jingtian and the shareholders of Beijing Jingtian (incorporated by reference to Exhibit 4.28 to the Registrant's annual report on Form 20-F, as amended (File No. 001-34873), initially filed with the SEC on April 26, 2013)
4.29**	English translation of the Exclusive Option Agreement dated July 1, 2013, among ChinaCache Beijing, Beijing Jingtian and Lei Wang (incorporated by reference to Exhibit 4.32 to the Registrant's annual report on Form 20-F (File No. 00134873), filed with the SEC on April 7, 2014)
4.30**	English translation of the Exclusive Business Cooperation Agreement dated July 31, 2008, between ChinaCache Beijing and Beijing Jingtian (incorporated herein by reference to Exhibit 10.25 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.31**	English translation of Optical Fiber Line Lease and Services Agreement dated April 10, 2008, between Beijing Blue I.T. and Tong Zhen Networks Co., Ltd. (incorporated herein by reference to Exhibit 10.38 to the registration statement on Form F-1, as amended (File No. 333-169288))
4.32**	Written Confirmation Concerning Extension of Term of Certain Agreements, dated September 20, 2010 (incorporated by reference to Exhibit 4.37 to the Registrant's annual report on Form 20-F, as amended (File No. 001-34873), initially filed with the SEC on April 26, 2013)

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Exhibit Number	Description of Document
4.33**	Securities Purchase Agreement, dated February 28, 2014, by and among the Registrant and the purchasers of the Registrant's ordinary shares (incorporated by reference to Exhibit 4.42 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 7, 2014)
4.34**	Registration Rights Agreement, dated February 28, 2014, by and among the Registrant and the purchasers of the Registrant's ordinary shares (incorporated by reference to Exhibit 4.43 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 7, 2014)
4.35**	Form of Share Repurchase Agreements, dated February 28, 2014, by and among the Registrant and the investors as listed at the end of the form and material terms of each Share Repurchase Agreement (incorporated by reference to Exhibit 4.44 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 7, 2014)
4.36**	English summary of Cooperation Agreement, dated December 30, 2014, between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Beijing Federation of Supply and Marketing Cooperatives (incorporated by reference to Exhibit 4.34 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 10, 2015)
4.37**	English summary of Lease Agreement, dated December 30, 2014, between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Beijing Blue I.T. Technology Co., Ltd. (incorporated by reference to Exhibit 4.35 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 10, 2015)
4.38**	English summary of Framework Agreement for the Transfer of the Equipment Building and Memorandum dated April 10, 2014, and Payment Agreement No. 1 and Payment Agreement No. 2, dated April 11, 2014 and January 26, 2015, respectively, between ChinaCache Xin Run Technology (Beijing) Co., Ltd and Renminwang Co., Ltd. (incorporated by reference to Exhibit 4.36 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 10, 2015)
4.39**	Loan Agreements dated December 19, 2016, between the Registrant and each shareholder of Beijing Blue I.T. (incorporated by reference to Exhibit 4.39 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.40**	Exclusive Option Agreements dated December 19, 2016, among the Registrant, Beijing Blue I.T. and each shareholder of Beijing Blue I.T. (incorporated by reference to Exhibit 4.40 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.41**	Supplemental Agreements to the Share Pledge Agreements dated December 19, 2016, among ChinaCache Beijing, Beijing Blue I.T. and the shareholders of Beijing Blue I.T. (incorporated by reference to Exhibit 4.41 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.42**	English translation of Share Transfer Agreement dated March 5, 2017, among Shanghai Qiaoyong Equity Investment Fund Management Co., Ltd., Tianjin Shuishan, Tianjin Dingsheng, ChinaCache Networks (Hong Kong) Limited and Xin Run. (incorporated by reference to Exhibit 4.42 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)

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Exhibit Number	Description of Document
4.43**	Powers of Attorney dated December 19, 2016, by the shareholders of Beijing Blue I.T. (incorporated by reference to Exhibit 4.43 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.44**	English translation of the Comprehensive Facility Contract dated October 30, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Bank of Fushun Limited, Shenyang Branch (incorporated by reference to Exhibit 4.44 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.45**	English translation of the Fixed Asset Loan Contract dated October 30, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Bank of Fushun Limited, Shenyang Branch (incorporated by reference to Exhibit 4.45 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.46**	English translation of the Contract for Mortgage of Maximum Amount dated October 30, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Bank of Fushun Limited, Shenyang Branch (incorporated by reference to Exhibit 4.46 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.47**	English translation of the Working Capital Loan Contract dated October 30, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Bank of Fushun Limited, Shenyang Branch (incorporated by reference to Exhibit 4.47 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.48**	English translation of the Contract for Guarantee of Maximum Amount in favor of ChinaCache Xin Run Technology (Beijing) Co., Ltd. dated October 30, 2017, by and between Song Wang and Bank of Fushun Limited, Shenyang Branch (incorporated by reference to Exhibit 4.48 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
4.49**	English translation of the Termination Agreement, dated March 23, 2018, by and among Shanghai Qiaoyong Equity Investment Fund Management Co., Ltd., Tianjin Shuishan, Tianjin Dingsheng, ChinaCache Networks (Hong Kong) Limited, Song Wang, Jean Xiaohong Kou and Xin Run (incorporated by reference to Exhibit 4.49 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.
4.50**	English summary of Framework Agreement for the Transfer of 100% Equity Interest in Beijing Shuoge Technology Co., Ltd., dated December 29, 2017, between ChinaCache Xin Run Technology (Beijing) Co., Ltd and Renminwang Co., Ltd. (incorporated by reference to Exhibit 4.50 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.
4.51**	English translation of the Loan Contract dated December 21, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Shenyang Rural & Commercial Bank Co., Ltd., Shenhe Branch (incorporated by reference to Exhibit 4.51 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.
4.52**	English translation of the Pledge Agreement dated December 21, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Shenyang Rural & Commercial Bank Co., Ltd., Shenhe Branch (incorporated by reference to Exhibit 4.52 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.



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<u>Exhibit Number</u>	<u>Description of Document</u>
4.53**	English translation of the Guarantee Agreement dated December 21, 2017, by and among Shenyang Rural & Commercial Bank Co., Ltd., Shenhe Branch, Song Wang and Jean Xiaohong Kou (incorporated by reference to Exhibit 4.53 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.
4.54**	English translation of the Property Supervision Agreement dated December 21, 2017, by and between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and Shenyang Rural & Commercial Bank Co., Ltd., Shenhe Branch (incorporated by reference to Exhibit 4.54 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.
4.55**	Rights Agreement, dated as of May 9, 2018, between ChinaCache International Holdings Ltd. and American Stock Transfer & Trust Company, LLC, which includes the form of Rights Certificate as Exhibit A, the form of Summary of Rights as Exhibit B and the form of Certificate of Designation as Exhibit C (incorporated herein by reference to Exhibit 4.1 to the Form 6-K filed on May 10, 2018 (File No. 001-34873))
4.56**	English translation of the Agreement on Transfer of 100% Equity Interests in Beijing Shuoge Technology Co., Ltd., dated April 3, 2019, between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and People.cn Co., Ltd. (incorporated herein by reference to Exhibit 4.56 to the Form 20-F filed on November 29, 2019 (File No. 001-34873))
4.57**	English translation of the Debt Acknowledgement and Repayment Schedule Agreement, dated April 3, 2019, between ChinaCache Xin Run Technology (Beijing) Co., Ltd. and People.cn Co., Ltd. (incorporated herein by reference to Exhibit 4.57 to the Form 20-F filed on November 29, 2019 (File No. 001-34873))
4.58**	English translation of the Mortgage Contract, dated April 3, 2019, among ChinaCache Xin Run Technology (Beijing) Co., Ltd., People.cn Co., Ltd., and Beijing Blue I.T. Technology Co., Ltd. (incorporated herein by reference to Exhibit 4.58 to the Form 20-F filed on November 29, 2019 (File No. 001-34873))
8.1**	List of Subsidiaries and Consolidated Affiliated Entities (incorporated by reference to Exhibit 8.1 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on November 14, 2017)
11.1**	Amended and Restated Code of Business Conduct and Ethics, adopted on November 4, 2016 (incorporated by reference to Exhibit 11.1 to the Registrant's annual report on Form 20-F (File No. 001-34873), filed with the SEC on April 30, 2018.
12.1*	Certification by Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1*	Certification by Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2*	Certification by Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1**	Consent of Conyers Dill & Pearman

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Exhibit Number	Description of Document
15.2**	Consent of Han Kun Law Offices
15.3**	Letter dated as of May 17, 2022 from Shanghai Perfect C.P.A. Partnership
15.4*	Consent of Marcum Bernstein & Pinchuk LLP
15.5*	Letter dated as of June 13, 2022 from Marcum Bernstein & Pinchuk LLP
*	Filed herewith.
**	Previously filed.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F/A and that it has duly caused and authorized the undersigned to sign this Form 20-F/A on its behalf.

ChinaCache International Holdings Ltd.

By: /s/ Xiaoqiang Wei

Name: Xiaoqiang Wei

Title: Chief Executive Officer

Date: June 13, 2022

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CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2019, 2020 AND 2021

CHINACACHE INTERNATIONAL HOLDINGS LTD.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of ChinaCache International Holdings Ltd.

Opinion on the Financial Statements

We have audited the consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders' deficit of ChinaCache International Holdings Ltd. (the "Company") for the year ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

The Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2 to the financial statements, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of the guidance in Accounting Standards Codification ("ASC") Topic 842, Leases ("Topic 842")

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Marcum Bernstein & Pinchuk LLP

Marcum Bernstein & Pinchuk LLP

We have served as the Company's auditor between 2019 and 2021.

Beijing, China
March 31, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of ChinaCache International Holdings Ltd.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ChinaCache International Holdings Ltd. (the “Company”) as of December 31, 2020 and 2021, the related consolidated statements of operations and comprehensive loss, cash flows and changes in shareholders’ deficit for each of the two years in the period ended December 31, 2021, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2021 and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

The Company’s Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2 to the financial statements, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Shanghai Perfect C.P.A. Partnership

We have served as the Company’s auditor between 2021 and 2022.

Shanghai, China

May 17, 2022

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”), except for number of shares and per share data)

	Note	As of December 31,		
		2020	2021	
		RMB	RMB	US\$
ASSETS:				
Current assets:				
Cash and cash equivalents		20,284	38,432	6,031
Restricted Cash		11,007	7,081	1,111
Accounts receivable, net	4	66,159	39,649	6,222
Prepaid expenses and other current assets, net	5	125,344	56,226	8,823
Amounts due from a related party	21	—	—	—
Amounts due from subsidiaries held for sale	9	447	—	—
Assets held for sale	9	342,570	342,570	53,757
Total current assets		565,811	483,958	75,944
Non-current assets:				
Property and equipment, net	6	362,340	321,280	50,416
Intangible assets, net		—	—	—
Land use right, net	7	30,761	22,688	3,560
Cloud infrastructure construction in progress	10	289,788	157,083	24,650
Long term investments	11	30,148	30,148	4,731
Operating lease right-of-use asset	8	5,869	3,400	534
Long term deposits and other non-current assets		27,696	17,939	2,815
Total non-current assets		746,602	552,538	86,706
TOTAL ASSETS		1,312,413	1,036,496	162,650

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

	Note	As of December 31,		
		2020	2021	
		RMB	RMB	US\$
LIABILITIES AND SHAREHOLDERS' DEFICIT:				
Current liabilities:				
Accounts payable		331,658	318,510	49,981
Accrued employee benefits		30,883	27,793	4,361
Accrued expenses and other current liabilities	13	94,995	130,281	20,444
Other payables	14	1,006,830	902,023	141,547
Income tax payable	20	97,054	89,701	14,076
Amounts due to related parties	21	26	32,089	5,035
Current portion of long-term borrowings	12	319,941	168,739	26,479
Current portion of finance lease obligations	17	25,241	—	—
Deferred government grant	16	—	—	—
Current portion of operating lease liability	8	2,427	2,565	403
Liabilities held for sale	9	7,261	8,944	1,404
Total current liabilities		1,916,316	1,680,645	263,730

CHINACACHE INTERNATIONAL HOLDINGS LTD.**CONSOLIDATED BALANCE SHEETS (CONTINUED)**

(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

	Note	As of December 31,		
		2020	2021	
		RMB	RMB	US\$
LIABILITIES AND SHAREHOLDERS' DEFICIT:				
(CONTINUED)				
Non-current liabilities:				
Non-current portion of finance lease obligations	17	—	—	—
Non-current portion of operating lease liability	8	3,470	905	142
Deferred government grant	16	14,350	14,350	2,252
Other non-current liability	15	52,775	31,139	4,886
Total non-current liabilities		70,595	46,394	7,280
Total liabilities		1,986,911	1,727,039	271,010
Commitments and contingencies	25			
Shareholders' deficit:				
Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)		338	338	44
Additional paid-in capital		1,581,684	1,581,771	248,214
Treasury stock		(15,332)	(15,332)	(2,406)
Statutory reserves		1,326	1,326	208
Accumulated deficit		(2,224,747)	(2,239,219)	(351,382)
Accumulated other comprehensive loss		(12,402)	(14,273)	(2,229)
Total ChinaCache International Holdings Ltd. shareholders' deficit		(669,133)	(685,389)	(107,551)
Noncontrolling interest		(5,365)	(5,154)	(809)
Total shareholder's deficit		(674,498)	(690,543)	(108,360)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT		1,312,413	1,036,496	162,650

The accompanying notes are an integral part of these consolidated financial statements.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Amounts in thousands of RMB and US\$, except for number of shares and per share data)

	Note	For the years ended December 31,			
		2019	2020	2021	
		RMB	RMB	RMB	US\$
Net revenues		918,628	335,337	205,391	32,230
Cost of revenues		(689,820)	(235,889)	(156,390)	(24,541)
Gross profit		228,808	99,448	49,001	7,689
Other operating loss (income), net		(29,176)	(23,943)	1,339	210
Sales and marketing expenses		(36,059)	(22,174)	(22,316)	(3,502)
General and administrative expenses		(152,160)	(65,943)	(55,905)	(8,773)
(Provision for)/ recovery of doubtful accounts		(8,449)	2,121	(70,426)	(11,051)
Research and development expenses		(54,059)	(10,729)	(262)	(41)
Impairment of long-lived assets		—	(13,448)	(114)	(18)
Operating loss		(51,095)	(34,668)	(98,683)	(15,486)
Interest income		181	96	329	52
Interest expense		(49,924)	(44,216)	(45,691)	(7,170)
Other income /(expenses), net		36,367	(7,896)	135,997	21,341
Gain on disposal of subsidiaries	9	18,285	—	—	—
Foreign exchange loss (gain)		1,448	13,567	(6,110)	(959)
Profit (Loss) before income taxes		(44,738)	(73,117)	(14,158)	(2,222)
Income tax expense	20	(7,967)	(6)	(103)	(16)
Net loss		(52,705)	(73,123)	(14,261)	(2,238)
Less: net loss attributable to noncontrolling interest		(1,034)	(616)	211	33
Net loss attributable to the Company's shareholders		(51,671)	(72,507)	(14,472)	(2,271)
Loss per share					
Basic and Diluted	23	(0.12)	(0.17)	(0.03)	(0.01)
Shares used in loss per share computations:					
Basic and Diluted	23	436,649,822	436,763,196	436,816,529	436,816,529

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (CONTINUED)

(Amounts in thousands of RMB and US\$ except for number of shares and per share data)

Note	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Foreign currency translation adjustment	(1,706)	(12,218)	(1,871)	(294)
Unrealized holding loss on available-for-sale investments	—	—	—	—
Amounts reclassified from accumulated other comprehensive income	—	—	—	—
Total other comprehensive loss net of tax	(1,706)	(12,218)	(1,871)	(294)
Comprehensive loss	(54,411)	(85,341)	(16,132)	(2,532)
Less: comprehensive gain (loss) attributable to noncontrolling interest	(1,034)	(616)	211	33
Comprehensive loss attributable to the Company's shareholders	(53,377)	(84,725)	(16,343)	(2,565)

The accompanying notes are an integral part of these consolidated financial statements.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**CONSOLIDATED STATEMENTS OF CASH FLOWS**
(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Cash flows from operating activities:				
Net profit (loss)	(52,705)	(73,123)	(14,261)	(2,238)
Depreciation of property and equipment	28,642	38,169	28,410	4,458
Amortization of intangible assets and land use right	770	769	706	111
Non cash lease expense	37,247	4,307	2,469	387
Allowance for doubtful accounts	8,449	(2,121)	70,426	11,051
Impairment of long-lived assets	—	13,448	114	18
Loss/(gain) from disposal of property and equipment	(37,520)	3,479	9,113	1,430
Gain from disposal of long-term investment	(50)	—	—	—
Gain from disposal of subsidiaries	(18,285)	—	—	—
Interest expense adjustment	4,037	5,725	—	—
Foreign exchange gain	(1,448)	(13,567)	6,110	959
Share-based compensation	1,891	620	87	14
Amortization of other non-current asset	19,838	18,703	9,757	1,531
Amortization of deferred government grant	(1,394)	(302)	—	—
Changes in operating assets and liabilities:				
Accounts receivable	104,739	41,714	23,284	3,654
Prepaid expense and other current assets	31,931	(16,174)	1,969	309
Long term deposits and other non-current assets	2,075	—	—	—
Accounts payable	(60,951)	53,346	(13,148)	(2,063)
Accrued employee benefits	1,091	(7,002)	(3,090)	(485)
Accrued expenses and other payables	27,882	45,294	(14,236)	(2,234)
Income tax payable	15,459	4,563	(7,353)	(1,154)
Amounts due from a related party	(65)	65	—	—
Amounts due to related parties	(42)	(1)	521	82
Operating lease liabilities	(2,647)	(37,113)	(2,427)	(381)
Other non-current liabilities	—	1,802	(21,636)	(3,395)
Net cash (used in)/provided by operating activities	<u>108,944</u>	<u>82,601</u>	<u>76,815</u>	<u>12,054</u>

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Cash flows from investing activities:				
Purchases of property and equipment and intangible assets	(5,742)	(148)	(145)	(23)
Cash receipts from sales of long-term investments	72	—	—	—
Cash paid for cloud infrastructure construction in progress	(54,097)	(53,700)	(29,587)	(4,643)
Repayment of consideration refund with interest	(14,536)	—	—	—
Proceeds from disposal of property and equipment	38,625	1,512	3,568	560
Net cash used in investing activities	<u>(35,678)</u>	<u>(52,336)</u>	<u>(26,164)</u>	<u>(4,106)</u>
Cash flows from financing activities:				
Proceeds from bank borrowings	—	—	—	—
Payment of borrowing cost	(1,873)	(9,626)	—	—
Repayment of bank borrowings	(73,850)	(59)	(3,208)	(503)
Proceeds from employee for exercise of share options	20	—	—	—
Payments of finance lease obligations	(25,950)	(31,782)	(25,241)	(3,961)
Proceeds from sales and lease back	20,500	—	—	—
Proceeds from sales of ordinary shares from treasury stock	2,701	—	—	—
Net cash provided by /(used in) financing activities	<u>(78,452)</u>	<u>(41,467)</u>	<u>(28,449)</u>	<u>(4,464)</u>
Net decrease in cash and cash equivalents and restricted cash	(5,186)	(11,202)	22,203	3,484
Cash and cash equivalents and restricted cash at beginning of the year	46,589	41,144	31,291	4,910
Effect of foreign exchange rate changes on cash	(259)	1,349	(7,981)	(1,252)
Cash, cash equivalents and restricted cash at end of the year	<u>41,144</u>	<u>31,291</u>	<u>45,513</u>	<u>7,142</u>

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Supplemental disclosures of cash flow information:				
Interest paid	(38,339)	(9,626)	—	—
Interest received	181	96	329	52
Income tax paid	(453)	(6)	(5)	(1)
Supplemental disclosures of non-cash activities:				
Acquisition of property and equipment included in accrued expenses and other payables	(393,287)	(352,786)	—	—
Obtaining right-of-use assets in exchange for lease liabilities	166,745	7,414	—	—
Offset of long-term loan	—	—	172,338	27,044

The accompanying notes are an integral part of these consolidated financial statements.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT)
(Amounts in thousands of RMB and US dollars US\$, except for number of shares)

	Attributable to ChinaCache							Noncontrolling interests	Total shareholders' deficit
	Number of ordinary shares	Ordinary shares	Additional paid-in capital	Treasury Stock	Statutory reserves	Accumulated deficit	Accumulated other comprehensive income/(loss)		
		RMB	RMB	RMB	RMB	RMB	RMB		
Balance at January 1, 2019	429,404,977	338	1,579,153	(18,033)	1,326	(2,100,569)	1,522	(3,715)	(539,978)
Net loss	—	—	—	—	—	(51,671)	—	(1,034)	(52,705)
Foreign currency translation adjustment	—	—	—	—	—	—	(1,706)	—	(1,706)
Share-based compensation	—	—	1,891	—	—	—	—	—	1,891
Proceeds from sales of treasury stock	7,047,552	—	—	2,701	—	—	—	—	2,701
Exercise of employee stock options	44,000	—	20	—	—	—	—	—	20
Restricted shares vested	160,000	—	—	—	—	—	—	—	—
Balance at December 31, 2019	436,656,529	338	1,581,064	(15,332)	1,326	(2,152,240)	(184)	(4,749)	(589,777)
Net loss	—	—	—	—	—	(72,507)	—	(616)	(73,123)
Foreign currency translation adjustment	—	—	—	—	—	—	(12,218)	—	(12,218)
Share-based compensation	—	—	620	—	—	—	—	—	620
Restricted shares vested	160,000	—	—	—	—	—	—	—	—
Balance at December 31, 2020	436,816,529	338	1,581,684	(15,332)	1,326	(2,224,747)	(12,402)	(5,365)	(674,498)
Net loss	—	—	—	—	—	(14,472)	—	211	(14,261)
Foreign currency translation adjustment	—	—	—	—	—	—	(1,871)	—	(1,871)
Share-based compensation	—	—	87	—	—	—	—	—	87
Balance at December 31, 2021	436,816,529	338	1,581,771	(15,332)	1,326	(2,239,219)	(14,273)	(5,154)	(690,543)

The accompanying notes are an integral part of these consolidated financial statements

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

1. ORGANIZATION

ChinaCache International Holdings Ltd. (the “Company”) was incorporated under the laws of the Cayman Islands on June 29, 2005 and its principal activity is investment holding. The founders of the Company are Mr. Wang Song and his spouse Kou Xiaohong (the “Founders”).

The Company through its subsidiaries and variable interest entities (collectively "the Group") noted below are principally engaged in the provision of content and application delivery total solutions in the People’s Republic of China (the “PRC”).

As of December 31, 2021, subsidiaries of the Company and variable interest entities (“VIEs”) where the Company is the primary beneficiary include the following:

	<u>Date of incorporation</u>	<u>Place of incorporation</u>	<u>Percentage of ownership</u>	<u>Principal activities</u>
Subsidiaries				
ChinaCache Network Technology (Beijing) Ltd. (“ChinaCache Beijing”)	August 25, 2005	The PRC	100 %	Provision of technical consultation services
ChinaCache North America Inc. (“ChinaCache US”)	August 16, 2007	United States of America	100 %	Provision of content and application delivery services
JNet Holdings Limited (“JNet Holdings”)	September 27, 2007	British Virgin Islands	100 %	Investment holding
ChinaCache Networks Hong Kong Ltd. (“ChinaCache HK”)	April 7, 2008	Hong Kong	100 %	Provision of content and application delivery services
ChinaCache Xin Run Technology (Beijing) Co., Ltd. (“Xin Run”)	July 18, 2011	The PRC	99 % ⁽ⁱ⁾	Construction of cloud infrastructure
Metasequoia Investment Inc. (“Metasequoia”)	March 28, 2012	British Virgin Islands	100 %	Investment holding
Beijing Shou Ming Technology Co., Ltd. (“Beijing Shou Ming”)	August 15, 2014	The PRC	99 % ⁽ⁱⁱ⁾	Computer hardware, technology development
Beijing Zhao Du Technology Co., Ltd. (“Beijing Zhao Du”) ⁽ⁱⁱⁱ⁾	August 15, 2014	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
ChinaCache Networks (UK) Limited (“ChinaCache UK”)	March 10, 2016	England and Wales	100 %	Provision of content and application delivery services
Beijing Xiangqing Technology Co., Ltd (“Beijing Xiangqing”) ^(iv)	April 28, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
Beijing Wangrun Technology Co., Ltd (“Beijing Wangrun”) ^(iv)	April 26, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
ShenRong Technology (Hongkong) Limited (“ShenRong HK”) ^(v)	December 16, 2019	Hong Kong	100 %	Mechanical equipment lease
Beijing Shuosun Technology Co., Ltd (“Beijing Shuosun”) ^(iv)	April 28, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
RuiShen Technology (Beijing) Co., Ltd. (“RuiShen BJ”) ^(v)	January 16, 2020	The PRC	100 %	Technology Development
ChinaCache (Hong Kong) Limited (“CCHK”) ^(vii)	October 30, 2020	The PRC	100 %	Technology Development
VIEs				
Beijing Blue I.T. Technologies Co., Ltd. (“Beijing Blue IT”) ⁽ⁱ⁾	June 7, 1998	The PRC	—	Provision of content and application delivery services

Beijing Jingtian Technology Limited ("Beijing Jingtian") ⁽ⁱ⁾	September 1, 2005	The PRC	—	Provision of content and application delivery services
ChinaCache Shouming Technology (Beijing) Co., Ltd. ("ChinaCache Shouming") ⁽ⁱ⁾	June 6, 2018	The PRC	—	Technology Development
ShenRong Technology (Beijing) Co., Limited("ShenRong BJ") ⁽ⁱ⁾	November 22, 2019	The PRC	—	Technology Development

- (i) The equity interest of Beijing Blue IT is held by the Founders, and Beijing Jingtian is held by two individual shareholders. The equity interest of ChinaCache Shouming is held by Tianjin Ding Sheng Zhi Da Technologies Co., Ltd ("Ding Sheng Zhi Da") and another individual shareholder. The equity interest of Shenrong Bj is held by two individual shareholders. The Founders, Ding Sheng Zhi Da and the other individual shareholders mentioned above are collectively referred as the "Nominal Shareholders".
- (ii) On November 16, 2015, Xin Run received a capital injection of RMB1,292,000 (US\$202,000) from Tianjin Shuishan Technology Co., Ltd, a PRC Company wholly owned by the Founders. As a result, the percentage of the Company's equity ownership in Xin Run and Xin Run's wholly-owned subsidiaries, is 99% as of December 31, 2020 and 2021.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

1. ORGANIZATION (CONTINUED)

- (iii) In July 2017, Xin Run transferred all of its equity interests in Beijing Zhao Du to a buyer (Note 9). However, due to the disputes disclosed in Note 25, the transaction is not yet closed.
- (iv) In April and December 2019, the Group established certain subsidiaries, Beijing Wangrun, Beijing Xiangqing, Beijing Shuosun, and ShenRong HK, all of which have not started any operation.
- (v) In January 2020, the Group established a subsidiary, RuiShen BJ, a wholly-owned subsidiary of ShenRong HK, which has not started any operation.
- (vi) In January 2020, the Group obtained control over ShenRong BJ through contractual arrangement.
- (vii) In October 2020, the group incorporated ChinaCache (Hong Kong) Limited, or CCHK, a wholly-owned subsidiary of ChinaCache UK.

Through the Company's subsidiaries in the PRC, the Company signed a series of contracts with certain VIEs, specifically Beijing Blue IT in September 2005, Beijing Jingtian in July 2008, ChinaCache Shouming in September 2018, and ShenRong BJ in March 2020. The following is a summary of the various VIE agreements:

Exclusive option agreements

Pursuant to the exclusive option agreement amongst the Company and the Nominal Shareholders of Beijing Blue IT in September 2005, the Nominal Shareholders of Beijing Blue IT irrevocably granted the Company or its designated party, an exclusive option to purchase all or part of the equity interests held by the Nominal Shareholders in Beijing Blue IT, when and to the extent permitted under PRC law, at an amount equal to either a) the outstanding loan amount pursuant to the loan agreement owed by the Nominal Shareholders or b) the lowest permissible purchase price as set by PRC law. Such consideration, if in excess of the outstanding loan amount, when received by the Nominal Shareholders upon the exercise of the exclusive option is required to be remitted in full to the Company. Beijing Blue IT cannot declare any profit distributions or grant loans in any form without the prior written consent of the Company. The Nominal Shareholders of Beijing Blue IT must remit in full any funds received from Beijing Blue IT to the Company, in the event any distributions are made by the Beijing Blue IT pursuant to any written consents of the Company. Similar exclusive option agreements were signed by ChinaCache Beijing with Beijing Jingtian in July 2008, by Xin Run with ChinaCache Shouming in September 2018, and by RuiShen BJ and ShenRong BJ in March 2020.

Other than the agreement amongst the RuiShen BJ and the Nominal Shareholders of ShenRong BJ, all the aforementioned exclusive option agreements were valid for ten years, and can be renewed for an additional ten years at the sole discretion of the Company/ ChinaCache Beijing /Xin Run, and the times of such renewals are unlimited. The agreement amongst the Company and the Nominal Shareholders of Beijing Blue IT has been renewed and will expire on January 20, 2026. The agreement amongst the ChinaCache and the Nominal Shareholders of Beijing Jingtian has been renewed and will expire on January 15, 2029. The agreement amongst the Xin Run and the Nominal Shareholders of ChinaCache Shouming will be expired on August 20, 2028. The exclusive option agreements amongst the RuiShen BJ and the Nominal Shareholders of ShenRong BJ will remain effective until all equity interests held by the shareholders of ShenRong BJ have been transferred or assigned to RuiShen BJ or its designated representative.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

1. ORGANIZATION (CONTINUED)

Exclusive business cooperation agreements

Pursuant to the exclusive business cooperation agreement between ChinaCache Beijing/Xin Run /RuiShen BJ and the VIEs, ChinaCache Beijing/Xin Run /RuiShen BJ is to provide exclusive business support, technical and consulting services including technical services, business consultations, access to intellectual property licenses, equipment or property leasing, marketing consultancy, system integration, product research and development and system maintenance in return for fees in an amount as determined and adjustable at the sole discretion of ChinaCache Beijing/Xin Run /RuiShen BJ. The service fees charged to Beijing Blue IT are based on methods set forth in the technical support and service agreement and technical consultation and training agreement, as further discussed below, see “Exclusive technical support and service agreement/Exclusive technical consultation and training agreement/Equipment leasing agreement”. The service fees charged to Beijing Jingtian/ ChinaCache Shouming /ShenRong BJ is based on 100% of their net income respectively.

All the Exclusive business cooperation agreements were valid for ten years, and ChinaCache Beijing/Xin Run/RuiShen BJ can at its sole discretion renew at a term of its choice through written confirmation. The agreement between ChinaCache Beijing and Beijing Blue IT has been renewed and will expire on September 23, 2025. The agreement amongst the ChinaCache and the Nominal Shareholders of Beijing Jingtian has been renewed and will expire on January 15, 2029. The agreement between Xin Run and ChinaCache Shouming was signed in September 2018, and will be expired on August 20, 2028. The agreement between RuiShen BJ and ShenRong BJ was signed in March, 2020, and will be expired on March, 2030.

Exclusive technical support and service agreement/Exclusive technical consultation and training agreement/Equipment leasing agreement

Pursuant to these agreements between ChinaCache Beijing and Beijing Blue IT, ChinaCache Beijing is to provide research and development, technical support, consulting, training and equipment leasing services in return for fees, which is adjustable at the sole discretion of ChinaCache Beijing. The fees charged to Blue IT include an annual fixed amount and a variable quarterly amount which is determined based on the following factors:

- the number of ChinaCache Beijing’s employees who provided the services pursuant to the business cooperation agreement to Beijing Blue IT during the quarter (the “Quarterly Services”) and the qualifications of the employees;
- the number of hours ChinaCache Beijing’s employees spent to provide the Quarterly Services;
- operating expenses incurred by ChinaCache Beijing to provide the Quarterly Services;
- nature and value of the Quarterly Services; and
- Beijing Blue IT’s operating revenue for the quarter.

The original term of each of these three agreements was five years running from September 23, 2005, and each of the agreements was renewed three times for a fifteen-year term which expired on September 23, 2025. The term of the equipment leasing agreement can be extended solely by ChinaCache Beijing by written notice prior to the expiration of the term, and the extended term shall be determined by ChinaCache Beijing.

The exclusive business cooperation agreement, exclusive technical support and service agreement, exclusive technical consultation and training agreement, and equipment leasing agreement are collectively referred to as “Service Agreements”.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

1. ORGANIZATION (CONTINUED)

Loan agreements

The Company provided a loan facility of RMB10,000,000 to the Nominal Shareholders of Beijing Blue IT for the purpose of providing capital to Beijing Blue IT to develop its business. In addition, the Company also agreed to provide unlimited financial support to Beijing Blue IT for its operations and agree to forego the right to seek repayment in the event Beijing Blue IT is unable to repay such funding. The loan agreement between the Company and the Nominal Shareholders of Beijing Blue IT was valid for ten years and expired on September 23, 2015. Such agreement was renewed for an additional ten years to September 23, 2025. Such agreement can be extended for another ten years upon mutual written consent of the Company and the Nominal Shareholders of Beijing Blue IT. On January 20, 2016, the Nominal Shareholders of Beijing Blue IT entered into another loan agreement with the Company. Pursuant to this agreement, the Company provided an interest-free loan facility of RMB10,000,000 to the Nominal Shareholders of Beijing Blue IT for the purpose of subscribing for the capital increase of Beijing Blue IT. The term of the loan agreement is ten years and expires on January 20, 2026. The term of the loan agreement may be extended upon mutual written consent of the parties. On December 19, 2016, the Nominal Shareholders of Beijing Blue IT entered into another loan agreement with the Company. Pursuant to this agreement, the Company provided an interest-free loan facility of RMB20,000,000 to the Nominal Shareholders of Beijing Blue IT for the purpose of purchasing the increased capital of Beijing Blue IT. The term of the loan agreement is ten years and expires on December 19, 2026. The term of the loan agreement may be extended upon mutual written consent of the parties.

ChinaCache Beijing also provided a loan of RMB8,500,000 to the Nominal Shareholders of Beijing Jingtian for their investment in the registered share capital. In addition, the Company, through ChinaCache Beijing, agreed to provide unlimited financial support to Beijing Jingtian for their operations and agree to forego the right to seek repayment in the event this VIE are unable to repay such funding. The loan agreement between ChinaCache Beijing and the Nominal Shareholders of Beijing Jingtian is valid for ten years and expires on December 3, 2022. Such agreement can be extended upon mutual written consent of ChinaCache Beijing and the Nominal Shareholders of Beijing Jingtian.

Xin Run also provided a loan of RMB10,000,000 to the Nominal Shareholders of ChinaCache Shouming for their investment in the registered share capital. In addition, the Company, through Xin Run, agreed to provide unlimited financial support to ChinaCache Shouming for their operations and agree to forego the right to seek repayment in the event this VIE are unable to repay such funding. The loan agreement between Xin Run and the Nominal Shareholders of ChinaCache Shouming is valid for ten years and will expire on August 20, 2028. Such agreement can be extended upon mutual written consent of Xin Run and the Nominal Shareholders of ChinaCache Shouming.

RuiShen BJ also provided a loan of RMB10,000,000 to the Nominal Shareholders of ShenRong BJ for their investment in the registered share capital. In addition, the Company, through RuiShen BJ, agreed to provide unlimited financial support to ShenRong BJ for their operations and agree to forego the right to seek repayment in the event this VIE are unable to repay such funding. The loan agreement between RuiShen BJ and the Nominal Shareholders of ShenRong BJ is valid for thirty years and will expire on August 14, 2050. Such agreement can be extended upon mutual written consent of RuiShen BJ and the Nominal Shareholders of ShenRong BJ.

Power of attorney agreements

The Nominal Shareholders entered into the power of attorney agreement whereby they granted an irrevocable proxy of the voting rights underlying their respective equity interests in the VIEs to ChinaCache Beijing/Xin Run/ RuiShen BJ, which includes, but are not limited to, all the shareholders' rights and voting rights empowered to the Nominal Shareholders by the company law and the Company's Article of Association. This agreement remains continuously valid, as long as the Nominal Shareholders continue to be the shareholders of the VIEs.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

1. ORGANIZATION (CONTINUED)

Power of attorney agreements (continued)

Subsequently, ChinaCache Beijing/Xin Run/RuiShen BJ assigned the power of attorney agreement to ChinaCache Beijing/Xin Run/RuiShen BJ's shareholders or a party designated by ChinaCache Beijing, Xin Run and RuiShen BJ's shareholders, to whom it granted an irrevocable proxy of the voting rights underlying their respective equity interests in the VIEs, which includes, but are not limited to, all the shareholders' rights and voting rights empowered to the Nominal Shareholders by the company law and the Company's Article of Association.

Share pledge agreements

Pursuant to the share pledge agreement between ChinaCache Beijing/Xin Run/RuiShen BJ, and the Nominal Shareholders of VIEs, the Nominal Shareholders have pledged all their equity interests in the VIEs to guarantee the performance of the VIEs' obligations under the Service Agreements.

If the VIEs breach their respective contractual obligations under the business cooperation agreements, ChinaCache Beijing Xin Run/RuiShen BJ, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. The Nominal Shareholders of VIEs agreed not to transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their equity interests in the VIEs without the prior written consent of ChinaCache Beijing/Xin Run/RuiShen BJ. This agreement is continuously valid until all payments due under the above VIE agreements have been fulfilled by the VIEs.

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company and the VIEs through the irrevocable power of attorney agreements, whereby the Nominal Shareholders effectively assigned all of their voting rights underlying their equity interest in the VIEs to the Company. In addition, the Company, either directly or through ChinaCache Beijing/Xin Run/RuiShen BJ, obtained effective control over the VIEs through the ability to exercise all the rights of the VIEs' shareholders pursuant to the share pledge agreements and the exclusive option agreements. The Company demonstrates its ability and intention to continue to exercise the ability to absorb substantially all of the expected losses directly through the loan agreements. In addition, the Company also demonstrates its ability to receive substantially all of the economic benefits of the VIEs through ChinaCache Beijing/Xin Run/RuiShen BJ using the Service Agreements. Thus, the Company is the primary beneficiary of the VIEs and consolidates the VIEs under by Accounting Standards Codification ("ASC") Subtopic 810-10 ("ASC 810-10") "Consolidation: Overall".

Legal compliance

Assessing the legal validity and compliance of these above noted arrangements are a precursor to the Company's ability to consolidate the results of operations and financial condition of its VIEs. In the opinion of the Company's management and PRC counsel, (i) the ownership structure of the VIEs are in compliance with existing PRC laws and regulations; (ii) each of the currently effective documents under the contractual arrangements among the Company, the Group's PRC subsidiary, PRC consolidated variable interest entities and their shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) the Company's business operations are in compliance with existing PRC laws and regulations in all material respects.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

1. ORGANIZATION (CONTINUED)

Legal compliance (continued)

However, there is significant consolidation judgment due to the existence of substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, the Company cannot be assured that PRC regulatory authorities will not ultimately take a contrary view to its opinion. If the current ownership structure of the Company and its contractual arrangements with its VIEs is found to be in violation of any existing or future PRC laws and regulations, the Company may be required to restructure its ownership structure and operations in the PRC. To the extent that changes to and new PRC laws and regulations prohibit the Company's VIE arrangements from also complying with the principles of consolidation, then the Company would no longer be able to consolidate and therefore would have to deconsolidate the financial position and results of operations of its VIEs. In the opinion of management, the likelihood of loss and deconsolidation in respect of the Company's current ownership structure or the contractual arrangements with its VIEs is remote based on current facts and circumstances.

There was no pledge or collateralization of the VIEs' assets. Creditors of the VIEs have no recourse to the general credit of the Company, who is the primary beneficiary of the VIEs, and such amounts have been parenthetically presented on the face of the consolidated balance sheets. The Consolidated VIEs operate the data centers and own facilities including data center buildings, leasehold improvements, fiber optic cables, computers and network equipment, which are recognized in the Company's consolidated financial statements. They also hold certain value-added technology licenses, registered copyrights, trademarks and registered domain names, including the official website, which are also considered as revenue-producing assets. However, none of such assets were recorded on the Company's consolidated balance sheets as such assets were all acquired or internally developed with insignificant cost and expensed as incurred. In addition, the Company also hires data center operation and marketing workforce for its daily operations and such costs are expensed when incurred. The Company has not provided any financial or other support that it was not previously contractually required to provide to the VIEs during the periods presented.

Unrecognized revenue-producing assets held by the VIEs mainly include licenses, such as the Internet Content Provision License, the Value-Added Telecommunication Services Operating License, the Online Culture Operating Permit, and trademarks, patents, copy rights and the domain names. However, none of such assets was recorded on the Company's consolidated balance sheets as such assets were all acquired or internally developed with insignificant cost and expensed as incurred. Recognized revenue-producing assets held by the VIEs include core technology, trademarks and domain names. Unrecognized revenue-producing assets, including customer lists for provision of content and application delivery total solutions, as well as trademarks, are held by ChinaCache Beijing / Xin Run and/or RuiShen BJ.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****1. ORGANIZATION (CONTINUED)***Legal compliance (continued)*

The following tables represent the financial information of the consolidated VIEs as of December 31, 2020 and 2021 and for the years ended December 31, 2019, 2020 and 2021 before eliminating the intercompany balances and transactions between the VIEs and other entities within the Group:

	As of December 31,		
	2020	2021	
	RMB	RMB	US\$
ASSETS:			
Current assets:			
Cash and cash equivalents	2,407	12,775	2,005
Restricted cash	8,463	5,867	921
Accounts receivable (net of allowance for doubtful accounts of RMB75,225 and RMB80,556 (US\$12,641) as of December 31, 2020 and 2021, respectively)	51,074	14,509	2,277
Prepaid expenses and other current assets, net	39,664	39,864	6,255
Amounts due from inter-companies ⁽¹⁾	270,245	248,628	39,015
Amounts due from related parties	—	—	—
Total current assets	371,853	321,643	50,473
Non-current assets:			
Property and equipment, net	2	—	—
Intangible assets, net	—	—	—
Long term investments	10,103	10,103	1,585
Operating lease right-of-use asset	5,814	3,400	534
Long term deposits and other non-current assets	128	122	19
Total non-current assets	16,047	13,625	2,138
TOTAL ASSETS	387,900	335,268	52,611

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****1. ORGANIZATION (CONTINUED)***Legal compliance (continued)*

	As of December 31,		
	2020	2021	
	RMB	RMB	US\$
LIABILITIES:			
Current liabilities:			
Accounts payable	257,499	232,662	36,510
Accrued employee benefits	22,367	20,355	3,194
Accrued expenses and other current liabilities	48,883	58,121	9,120
Other payables	—	—	—
Income tax payable	12,196	10,812	1,697
Amounts due to inter-companies ⁽¹⁾	465,151	469,183	73,625
Current portion of operating lease liabilities	2,372	2,565	403
Deferred government grant	—	—	—
Total current liabilities	808,468	793,698	124,549
Non-current liabilities:			
Non-current portion of operating lease liabilities	3,470	905	142
Deferred government grant	14,350	14,350	2,252
Other noncurrent liabilities	9,210	—	—
Total non-current liabilities	27,030	15,255	2,394
Total liabilities	835,498	808,953	126,943

(1) Amount due from/to inter-companies consist of intercompany receivables/payables to the other companies within the Group.

	For the Years Ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Net revenues				
-Third party customers	287,653	243,224	63,038	9,892
-Inter-companies	532,766	30,670	16,082	2,523
Net profit/(loss)	60,994	9,718	(26,087)	(4,094)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of presentation**

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

(b) Going concern

The Group experienced net loss of approximately RMB52,705,000 · RMB73,123,000 and RMB14,261,000 for the years ended December 31, 2019, 2020 and 2021, respectively. As of December 31, 2021, the Group had net current liabilities of approximately RMB1,530,313,000 (US\$240,139,000), excluding net asset held for sale. These conditions raise substantial doubt about the Group's ability to continue as a going concern.

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CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Going concern (continued)

When preparing the consolidated financial statements as of December 31, 2021 and for the year then ended, the Group's management concluded that a going concern basis of preparation was appropriate after analyzing the cash flow forecast for the next twelve months. In preparing the cash flow analysis, management took into account of a) estimated consideration of RMB1,528,000,000 (US\$239,776,000) from planned disposal of the cloud infrastructure buildings and assets held for sale, and b) locating more domestic CDN customers from 2022 to compensate the estimated revenue decrease from US, and controlling its operating costs and negotiating with vendors for more favorable payment terms.

If the Group fails to achieve these goals, the Group may need additional financing to execute its business plan. If additional financing is required, the Group cannot predict whether this additional financing will be in the form of equity, debt, or another form, and the Group may not be able to obtain the necessary additional capital on a timely basis, on acceptable terms, or at all. In the event that financing sources are not available, or that the Group is unsuccessful in increasing its gross profit margin and reducing operating losses, the Group may be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures, any of which would have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Management prepared the consolidated financial statements assuming the Group will continue as a going concern. However, there is no assurance that the measures above can be achieved as planned. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. If the Group is unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on the financial statements.

(c) Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs for which the Company is the primary beneficiary. All inter-company transactions and balances between the Company, its subsidiaries and the VIEs are eliminated upon consolidation. Results of acquired subsidiaries or VIEs are consolidated from the date on which control is transferred to the Company.

(d) Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, estimating the useful lives of long-lived assets and intangible assets, renewal period of lease terms and incremental borrowing rate of right-of-use assets and related lease obligations, impairment of long-term investments, long-lived assets and intangible assets, allowance for doubtful accounts, accounting for deferred income taxes, and accounting for share-based compensation arrangements. The valuation of and accounting for the Group's financial instruments also require significant estimates and judgments provided by management. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.



CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency

The functional currency of the Company and each of its subsidiaries and VIEs is the Renminbi (“RMB”), except for ChinaCache US, ChinaCache HK, ShenRong HK, and ChinaCache UK, which are the United States dollar (“US\$”), Hong Kong dollar (“HK\$”), and Great Britain Pound (“GBP”) respectively, as determined based on the criteria of Accounting Standards Codification (“ASC”) 830 (“ASC 830”) “*Foreign Currency Matters*”. The reporting currency of the Company is also the RMB. Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are re-measured at the balance sheet date exchange rate. Exchange gains and losses are included in foreign exchange gains and losses in the consolidated statements of comprehensive loss.

(f) Convenience translation

Amounts in US\$ are presented for the convenience of the reader and are translated at the noon buying rate of US\$1.00 to RMB6.3757 on December 31, 2021 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US\$ at such rate.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits placed with banks or other financial institutions which are unrestricted as to withdrawal and use and have original maturities less than three months.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents also consist of cash and cash equivalents included in assets held for sale.

(h) Restricted Cash

As of December 31, 2020 and 2021, all the restricted cash relates to cash frozen by courts order during the ongoing legal proceedings.

(i) Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when loss is probable based on an assessment of specific evidence indicating troubled collection, historical experience, accounts aging and other factors. An accounts receivable is written off after all collection effort has ceased.

(j) Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Optical Fibers	20 years
Computer equipment	3-15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	10 years
Leasehold improvements	Over the shorter of lease term or the estimated useful lives of the assets
Building	20-40 years

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment (continued)

Repair and maintenance costs are charged to expense when incurred, whereas the cost of betterments that extend the useful life of property and equipment are capitalized as additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Property and equipment that are purchased or constructed which require a period of time before the assets are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs. Construction-in-progress is transferred to specific property and equipment accounts and commences depreciation when these assets are ready for their intended use. The amounts of interest that would be capitalized were immaterial during the years ended December 31, 2019, 2020 and 2021.

(k) Land use right

The land use right represents the amounts paid and relevant costs incurred for the right to use land in the PRC and are recorded at purchase cost less accumulated amortization. Amortization is provided on a straight-line basis over the terms of the respective land use right agreement.

(l) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any impairment. Intangible assets with a finite useful life are amortized using the straight-line method over the estimated economic life of the intangible assets as follows:

Purchased software	5 years
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CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Long-lived assets (disposal groups) to be disposed of by sale

The Group classifies long-lived assets and disposal groups as held for sale if their carrying amounts will be recovered principally through disposal by sale rather than through continuing use. Such long-lived assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn.

Property and equipment, land use right and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheets.

If circumstances arise that previously were considered unlikely and, as a result, an entity decides not to sell a long-lived asset or disposal group previously classified as held for sale, the asset or disposal group would be reclassified as held and used. The Group measures long-lived assets that are reclassified on an individually basis at the lower of the following:

- a. Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation or amortization expense that would have been recognized had the asset or disposal group been continuously classified as held and used; and
- b. Its fair value at the date of the subsequent decision not to sell.

A disposal group qualifies as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and the disposal represents a strategic shift that has (or will have) a major effect on the Group's operations and financial results.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of long-lived assets

The Group evaluates its long-lived assets or asset group, including intangible assets with finite lives, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or a group of long-lived assets may not be recoverable. When these events occur, the Group evaluates for impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount of the assets, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. For long-lived assets held for sale, assets are written down to fair value less cost to sell. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available for the long-lived assets. Impairment charge of nil, RMB13,448,000 and RMB114,000 (US\$18,000) were recognized from properties and equipment and intangible assets for the years ended December 31, 2019, 2020 and 2021, respectively.

(o) Investments

Available-for-sale investments

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Such available-for-sale investments are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss in shareholders' deficit. Realized gains or losses are charged to earnings during the period in which the gain or loss is realized. If the Group determines a decline in fair value is other-than-temporary, the cost basis of the individual security is written down to its estimated fair value. The new cost basis will not be adjusted for subsequent recoveries in fair value. Determination of whether declines in value are other-than-temporary requires significant judgment. Subsequent increases and decreases in the fair value of available-for-sale securities will be included in other comprehensive loss except for other-than-temporary impairment, which would be charged to current period earnings. Impairment of available-for-sale investments for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

Investment in limited partnerships

Where consolidation is not appropriate, the Group applies the equity method of accounting that is consistent with ASC 323 "Investments - Equity Method and Joint Ventures" to limited partnerships in which the Group holds either (a) a five percent or greater interest or (b) less than a five percent interest when the Group has more than virtually no influence over the operating or financial policies of the limited partnership. The Group considers certain qualitative factors in assessing whether it has more than virtually no influence for partnership interests of less than five percent. For investments other than those described in (a) and (b) above, the Group applies the cost method of accounting.

Cost method investment

Prior to adopting ASC Topic 321 ("ASC 321"), Investments – Equity Securities, on January 1, 2018, the Group carries at cost its investments in investees that do not have readily determinable values or investments and over which the Group does not have significant influence, in accordance with ASC subtopic 325-20 ("ASC 325-20"), Investments-Other: Cost Method Investments. The Group carries the investment at cost and only adjusts for other-than-temporary declines in fair value and distributions of earnings that exceed the Group's share of earnings since its investment.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments (continued)

Management regularly evaluates the impairment of equity investments without readily determinable fair value based on the performance and financial position of the investee as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment's cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. Impairment of cost method investment for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

The Group adopted ASC 321 on January 1, 2018 and the cumulative effect of adopting the new standard on opening accumulated deficit is nil. Pursuant to ASC 321, equity investments, except for those accounted for under the equity method and those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC Topic 820 ("ASC 820"), Fair Value Measurements and Disclosures, to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. Equity securities with readily determinable fair value are measured at fair values, and any changes in fair value are recognized in earnings.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether those securities are impaired. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.

(p) Fair value of financial instruments

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, restricted cash, accounts receivable, other receivables included in prepaid expenses and other current assets, short-term investments, short term borrowings, accounts payables, accrued expenses, balances with related parties and other payables, approximate their fair values because of the short-term maturity of these instruments. The carrying amounts of long-term borrowings approximates its fair value since it bears interest rate which approximates market interest rates. Available-for-sale investments were initially recognized at cost and subsequently remeasured at the end of each reporting period with the adjustment in its fair value recognized in accumulated other comprehensive income. The Group, with the assistance of an independent third-party valuation firm, determined the estimated fair value of its available-for-sale investments that are recognized in the consolidated financial statements.

(q) Revenue recognition

The Group provides a portfolio of content and application delivery total solutions within its one class of services, such as, web page content services; file transfer services; rich media streaming services; guaranteed application delivery; managed internet data services; cloud hosting services; content bridging services; mobile internet solution; and value-added services to its customers that in turn improve the performance, reliability and scalability of their internet services and applications.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

On January 1, 2018, the Group adopted ASU No. 2014-09, Revenue from Contracts with Customers, (“ASC 606”), which supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, (“ASC 605”), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been adjusted and continue to be reported in accordance with historic accounting under ASC 605. The impact of adopting the new revenue standard was not material to the consolidated financial statements and there was no adjustment to beginning retained earnings on January 1, 2018.

Under ASC 606, an entity recognizes revenue as the Group satisfies a performance obligation when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Group reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Group recognizes revenue based on the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Group is a principal and records revenue on a gross basis when the Group is primarily responsible for fulfilling the service, has discretion in establish pricing and controls the promised service before transferring that service to customers. Otherwise, the Group records revenue at the net amounts as commissions.

The Group generates revenue from CDN, IDC and IX services under ASC Topic 606:

CDN Services

CDN is a content distribution network built on the network. Relying on the edge servers deployed in various regions, through load balancing, content distribution, scheduling and other functional modules of the central platform, CDN enables users to obtain the required content nearby, reduces network congestion, and improves user access response speed and hit rate. For revenue stream of CDN, the promised service is to provide CDN service to the customer, which is qualified as a single distinct performance obligation. The unit price is fixed when contract entered with customers. CDN services are typically provided to customers over the contract service period and the related revenues are recognized based on actual usage over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for CDN service on a gross basis.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(q) Revenue recognition (continued)**

IDC Services

IDC services provide cabinet rental and bandwidth service to customer. The Group provides two promised services, cabinet rental and bandwidth service. The promise services are not distinct within the context of the contract as the goal of IDC is to combine traditional internet data center and content delivery. The reason why the customers rent the Group's cabinet is not only to benefit from the Group's physical hosting location and maintenance service, but also to enjoy the bandwidth service provided by the Group. It is cost efficient to consume the Group's bandwidth service rather than to connect directly to bandwidth service provider such as China Unicom or China Mobile. Thus, these two promise services within the contract of IDC service-cabinet rental and bandwidth service are not distinct and shall be identified as one performance obligation. Typically, IDC services are provided to customers for a fixed unit price over the contract service period and the related revenues are recognized based on actual usage and unit price over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for IDC service on a gross basis.

IX Services

IX Services allow networks to interconnect directly, via the exchange, rather than through one or more third-party networks. The primary advantages of direct interconnection are cost, latency, and bandwidth. Same as IDC, there are two promised services within the contract, one is to provide a port usage and the other is to provide bandwidth. However, the service is not distinct within context of the contract as the services provided is highly integrated. Thus, only one performance obligation is identified for IX revenue stream. The unit price is fixed when contract entered with customers. IX services are provided to customers over the contract service period and the related revenues are recognized based on actual usage and unit price over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for IX service on a gross basis.

6% of value-added tax, or VAT are applied on all services provided by the Group's PRC subsidiaries and VIEs and VIEs' subsidiaries.

Disaggregation of revenues

The following table illustrates the disaggregation of revenue by revenue stream for the years ended December 31, 2019, 2020 and 2021.

	For the Years Ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
CDN Services	648,117	103,548	62,270	9,772
IDC Services	255,524	223,887	142,870	22,419
IX Services	14,987	7,902	251	39
Total	918,628	335,337	205,391	32,230

The following table provides information about accounts receivables and contract liabilities from contracts with customers:

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000

Accounts receivables	66,159	39,649	6,222
Advance from customers	17,466	—	—

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CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cost of revenues

Cost of revenue consists primarily of depreciation of the Group's long-lived assets, amortization of acquired intangible assets, maintenance, purchase of bandwidth and other overhead expenses directly attributable to the provision of content and application delivery total solutions.

All the services provided by the Group in the PRC, including VIEs are subject to VAT. Such VAT (to the extent that is non-deductible) and other surcharges are accrued and charged to cost of revenues as the related exclusive business support, technical and consulting services are rendered.

(s) Advertising expenditures

Advertising expenditures are expensed as incurred. Advertising expenditures, included in sales and marketing expenses, amounted to approximately nil, nil and nil for the years ended December 31, 2019, 2020 and 2021, respectively.

(t) Research and development costs

Research and development costs consist primarily of payroll and related personnel costs for minor routine upgrades and related enhancements to the Group's services and network. Costs incurred in the development of the Group's services are expensed as incurred. To date, the amount of costs qualifying for capitalization has been insignificant.

(u) Government grant

Government grant are provided by the relevant PRC municipal government authorities to subsidize the cost of certain research and development projects. The amount of such government grant is determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will continue to receive these government grant in the future. Government grant are recognized when it is probable that the Group will comply with the conditions attached to them, and the grant are received. When the grant relates to an expense item, it is recognized as deferred government grant and released to the consolidated statements of comprehensive loss over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate, as other operating income. Where the grant relates to an asset, it is recognized as deferred government grant and released to the consolidated statements of comprehensive loss in equal amounts over the expected useful life of the related asset, when operational, as other operating income.

Government grant received by the Group also consist of unrestricted grant which are received on an unsolicited and unconditional basis to support the growth of the Group and do not relate to the Group's operating activities. Unrestricted grant is classified as non-operating income and recorded in other income on the consolidated statements of comprehensive loss upon receipt.

(v) Leases

Leases are classified at the inception date as either a finance lease or an operating lease. The Group did not enter into any leases whereby it is the lessor for any of the periods presented. The Group leases equipment under finance lease agreements. As the lessee, a lease is a finance lease if any of the following conditions exists: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is for the major part of the equipment's estimated remaining economic life, or d) the present value of the sum of the lease payments and any residual value guaranteed that is not already reflected in the lease payments equals or exceeds substantially all of the fair value of equipment, d) the equipment is of such specialized nature that is expected to have no alternative use to the lessor at the

end of lease term. A lease involving integral equipment is a finance lease only if condition (a) or (b) exists. A finance lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases (continued)

The Group has certain operating leases for offices and IDC buildings 3# with equipment in it. Some leases include one or more options to renew, which is typically at the Group's sole discretion. The majority of renewals to extend the lease terms are not included in our right of use assets and lease liabilities as they are not reasonably certain of exercise. The Group regularly evaluates the renewal options, and, when it is reasonably certain of exercise, it will include the renewal period in its lease term. New lease modifications result in remeasurement of the right of use asset and lease liability. The Group's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of operating lease right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Group is also required to recognize and measure new leases at the adoption date and recognize a cumulative-effect adjustment in the period of adoption using a modified retrospective approach, with certain practical expedients available.

On January 1, 2019, the Group adopted the new lease accounting standard using a modified retrospective transition method which allowed the Group not to recast comparative periods presented in its consolidated financial statements. Adoption of this standard resulted in the recording of operating lease ROU assets and corresponding operating lease liabilities and had no impact on accumulated deficit as of January 1, 2019. It had an impact on the Group's consolidated balance sheets, by initial recognition of ROU assets and lease liabilities of RMB166,124,000 (US\$23,862,000) and RMB164,358,000 (US\$23,608,000), respectively, for operating leases, while the Group's accounting for finance leases remained substantially unchanged. The adoption of ASC 842 did not have a material impact on the Group's results of operations or cash flows in the current year and prior year comparative periods and as a result, a cumulative-effect adjustment was not required. ROU assets and related lease obligations are recognized at commencement date based on the present value of remaining lease payments over the lease term, using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate for the same term as the underlying lease.

(w) Income taxes

The Group follows the liability method in accounting for income taxes in accordance to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

The Group adopted ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by prescribing the recognition threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Group has elected to classify interest and penalties related to unrecognized tax benefits, if and when required, as part of "interest expense" and "other expenses," respectively, in the consolidated statements of comprehensive loss.



CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) *Share-based compensation*

Share options and restricted share units award granted to employees are accounted for under ASC 718 “*Compensation – Stock Compensation*”. In accordance with ASC 718, the Company determines whether share options or restricted share units award should be classified and accounted for as liability or equity award. All grants of share options and restricted share units award to employees classified as equity award are recognized in the financial statements over their requisite service periods based on their grant date fair values.

The Company has elected to recognize compensation expenses using the accelerated method for its share options and restricted share units granted. For restricted share awards granted with performance conditions, the Company commences recognition of the related compensation expense if it is probable the defined performance condition will be met. To the extent that the Company determines that it is probable that a different number of share-based awards will vest depending on the outcome of the performance condition, the cumulative effect of the change in estimate is recognized in the period of change. Forfeitures are recognized when they occur.

The Company, with the assistance of an independent valuation firm, determined the estimated fair values of the share options granted to employees and non-employees using the binomial option pricing model.

On January 1, 2018, the Company adopted ASU 2017-09 “*Compensation - Stock Compensation: Scope of Modification Accounting*”, which provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in ASC 718 to a change to the terms or conditions of a share-based payment award. The adoption of ASU 2017-09 did not have a material impact on the Company’s consolidated financial statements.

(y) *Loss per share*

In accordance with ASC 260, “*Earnings per Share*”, basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the share options, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted per share if their effects would be anti-dilutive.

(z) *Comprehensive income/(loss)*

Comprehensive income/(loss) is defined as the increase/(decrease) in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Comprehensive income/(loss) is reported in the consolidated statements of operations and comprehensive loss. Accumulated other comprehensive loss of the Group includes foreign currency translation adjustments related to ChinaCache US, ChinaCache HK, ShenRong HK and ChinaCache UK whose functional currency are US\$, HK\$, HK\$ and GBP respectively, and the change in fair value of available-for-sale investments and their corresponding deferred tax impact, if any.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

The Group follows ASC 280, “*Segment Reporting*.” The Group’s Chief Executive Officer or chief operating decision-maker reviews the consolidated financial results when making decisions about allocating resources and assessing the performance of the Group as a whole and hence, the Group has only one reportable segment. The Group operates and manages its business as a single segment through the provision of a single class of global services for accelerating and improving the delivery of content and applications over the Internet. As the Group’s long-lived assets are substantially all located in the PRC, revenues are derived from each subsidiary and most of the services are provided in PRC, no geographical segments are presented.

(bb) Treasury Stock

The Group accounted for shares repurchased as treasury stock at cost in accordance with ASC Subtopic 505-30 (“ASC 505-30”), “*Treasury Stock*”, and is shown separately in the shareholders’ deficit as the Group has not yet decided on the ultimate disposition of those ADSs acquired. When the Group uses the treasury stock to settle the exercise of share options and restricted share units vested, the difference between the proceeds received upon settlement and the repurchase price is debited into accumulated deficit. When the Group decides to retire the treasury stock, the difference between the par value and the repurchase price is debited into accumulated deficit.

(cc) Recent accounting pronouncement

In June 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”), *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. In November 2019, the FASB issued ASU No. 2019-10 to postpone the effective date of ASU No. 2016-13 for public business entities eligible to be smaller reporting companies defined by the SEC to fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 (“ASU 2018-13”), *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in the issued update remove, modify and add disclosure requirements on fair value measurements in Topic 820 Fair Value Measurements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Certain amendments in the update should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented. Early adoption is permitted upon issuance of this update. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17 (“ASU 2018-17”), *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The updated guidance requires entities to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety when determining whether a decision-making fee is a variable interest. The amendments in this update are effective for public business entities for fiscal years, and interim periods within those fiscal years,

beginning after December 15, 2019, with early adoption permitted. These amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Recent accounting pronouncement (continued)

In November 2018, the FASB issued ASU No. 2018-19 (“ASU 2018-19”), *Codification Improvements to Topic 326: Financial Instruments-Credit Losses*. It clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Recently issued ASUs by the FASB, except for the ones mentioned above, have no material impact on the Group’s consolidated results of operations or financial position.

3. CONCENTRATION OF RISK

(a) Credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, other receivables included in prepaid expenses and other current assets, available-for-sale investments and amounts due from related parties. As of December 31, 2020 and 2021, RMB 17,369,000 and RMB 26,389,000 (US\$4,141,000), respectively, were deposited with major financial institutions located in the PRC, RMB 1,297,000 and RMB 4,386,000 (US\$688,000), respectively, were deposited with in the major financial institutions located in the Hong Kong Special Administration Region, RMB 4,694,000 and RMB 3,363,000 (US\$527,000), respectively, were deposited with major financial institutions located in the UK, RMB 7,931,000 and RMB 11,373,000 (US\$1,784,000), respectively were held in major financial institutions in the United States of America. Management believes that these financial institutions are of high credit quality and continually monitor the credit worthiness of these financial institutions. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors’ interests. However, China promulgated a new Bankruptcy Law in August 2006 that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go into bankruptcy. In addition, since China’s accession to the World Trade Organization, foreign banks have been gradually permitted to operate in China and have been significant competitors against Chinese banks in many aspects, especially since the opening of the Renminbi business to foreign banks in late 2006. Therefore, the risk of bankruptcy of those Chinese banks in which the Group has deposits has increased. In the event of bankruptcy of one of the banks which holds the Group’s deposits, it is unlikely to claim its deposits back in full since it is unlikely to be classified as a secured creditor based on PRC laws.

(b) Business, supplier, customer, and economic risk

The Group participates in a relatively young and dynamic industry that is heavily reliant and also susceptible to complementary and/or competitive technological advancements. The Group believes that changes in any of the following areas could have a material adverse effect on the Group’s future financial position, results of operations or cash flows:

- (i) **Business Risk** - Third parties may develop technological or business model innovations that address content delivery requirements in a manner that is, or is perceived to be, equivalent or superior to the Group’s services. If competitors introduce new products or services that compete with, or surpass the quality, price or performance of the Group’s services, the Group may be unable to renew its agreements with existing customers or attract new customers at the prices and levels that allow the Group to generate reasonable rates of return on its investment.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****3. CONCENTRATION OF RISK (CONTINUED)****(b) Business, supplier, customer, and economic risk (Continued)**

- (ii) Supplier Risk - Changes in key telecommunications resources suppliers and certain strategic relationships with telecom carriers. The Group's operations are dependent upon communications capacity provided by the third-party telecom carriers and third-party controlled end-user access network. There can be no assurance that the Group are adequately prepared for unexpected increases in bandwidth demands by its customers. The communications capacity the Group has leased may become unavailable for a variety of reasons, such as physical interruption, technical difficulties, contractual disputes, or the financial health of its third-party providers. Any failure of these network providers to provide the capacity the Group requires may result in a reduction in, or interruption of, service to its customers. Details of the purchase from suppliers accounting for 10% or more of total purchase cost are as follows:

	Years as of December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Supplier A	59,465	*	*	*
Supplier B	49,802	63,608	*	*
Supplier C	91,268	*	*	*
Supplier D	*	13,833	*	*
Supplier E	*	12,431	*	*
Supplier F	*	*	62,296	9,776
Supplier G	*	*	29,522	4,633

Details of the accounts payable for purchases accounting for 10% or more of total cost are as follow:

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Supplier A	*	*	*
Supplier B	28,929	28,929	4,540
Supplier C	*	*	*
Supplier D	12,853	*	*
Supplier E	6,290	*	*

*not greater than 10%

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****3. CONCENTRATION OF RISK (CONTINUED)****(b) Business, supplier, customer, and economic risk (Continued)**

- (iii) Customer Risk - Revenue concentration on certain customers. The success of the Group's business going forward will rely in part on Group's ability to continue to obtain and expand business from existing customers while also attracting new customers. Although the Group has a diversified base of customers covering its one class of services, such as, web page content services; file transfer services; rich media streaming service; guaranteed application services; managed internet data services; cloud hosting services; content bridging services; mobile internet solution; and value-added services, the Group does depend on a limited number of customers for a substantial portion of their revenue, and the loss of, or a significant shortfall in demand from, these customers could significantly harm the Group's results of operations. Details of the revenues for customers accounting for 10% or more of total revenues are as follows:

	Years as of December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Customer E	520,358	*	*	*
Customer F	*	54,389	*	*
Customer G	*	*	65,505	10,279
Customer H	*	*	20,774	3,260

Details of the accounts receivables for customers accounting for 10% or more of total accounts receivable are as follows:

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Customer A	7,019	*	*
Customer B	*	15,113	2,372
Customer C	6,352	5,387	845
Customer D	*	5,012	786
Customer F	17,706	*	*
Customer H	*	5,160	810

- (iv) Emerging or unproven business models of customers. Many of the Group's existing and potential customers are pursuing emerging or unproven business models which, if unsuccessful, could lead to a substantial decline in demand for the Group's services, and the Group's growth and prospects may be materially and adversely affected.
- (v) Political, economic and social uncertainties. The Group's operations could be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.
- (vi) Regulatory restrictions. The applicable PRC laws, rules and regulations currently prohibit foreign ownership of companies that provide content and application delivery services. Accordingly, both the Company's subsidiaries,

ChinaCache Beijing and Xin Run are currently ineligible to apply for the required licenses for providing content and application delivery services in China. As a result, the Company operates its business in the PRC through its VIEs, which holds the licenses and permits required to provide content and application delivery services in the PRC. The PRC Government may also choose at any time to block access to the Company's customers' content which could also materially impact the Company's ability to generate revenue.

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CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****3. CONCENTRATION OF RISK (CONTINUED)***(c) Currency convertibility risk*

Half of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China. However, the unification of the exchange rates does not imply the convertibility of RMB into US\$ or other foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

(d) Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The depreciation/(appreciation) of the RMB against US\$ was approximately 1.3%, (6.27)% and (2.34)% in the years ended December 31, 2019, 2020 and 2021, respectively. Most of revenues and costs of the Company are denominated in RMB, while a portion of cash and cash equivalents, short-term financial assets and investments denominated in U.S. dollars. Any significant revaluation of RMB may materially and adversely affect the Company's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the ADS in US\$.

4. ACCOUNTS RECEIVABLE, NET

Accounts receivable and allowance for doubtful accounts consist of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Accounts receivable	146,389	123,105	19,318
Less: allowance for doubtful accounts	(80,230)	(83,456)	(13,096)
	<u>66,159</u>	<u>39,649</u>	<u>6,222</u>

As of December 31, 2020 and 2021, all accounts receivable were due from third party customers.

An analysis of the allowance for doubtful accounts is as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Balance, beginning of year	82,495	80,230	12,590
Additions for the current year	350	5,934	931
Recovery	(2,615)	(2,708)	(425)
Balance, end of year	<u>80,230</u>	<u>83,456</u>	<u>13,096</u>

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****5. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET**

Prepaid expenses and other current assets consist of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Prepaid expense for bandwidth and servers (i)	3,533	3,584	562
Staff field advances	665	902	142
Prepaid commission (ii)	74,520	74,520	11,694
Prepaid service fee	8	8	1
Other deposit and receivables(iii)	49,006	51,883	8,142
Prepaid income tax	6,227	—	—
Prepaid expense and other current assets	133,959	130,897	20,541
Provision of doubtful accounts	(8,615)	(74,671)	(11,718)
Prepaid expense and other current assets, net	<u>125,344</u>	<u>56,226</u>	<u>8,823</u>

- i) Prepaid expense for bandwidth and servers represents the unamortized portion of prepayments made to the Group's telecom operators and certain technology companies, who provide the Group with access to bandwidth and network servers.
- ii) The balance represents the prepaid commission to an agent for the pending sales of certain cloud infrastructure that were held for sale (Note 9), consisting of RMB 67,200,000 (US\$10,545,000) related to Beijing Zhao Du and RMB7,320,000 (US\$1,149,000) related to disposal of Beijing Shuo Ge, which was provided in 2019.
- iii) Other deposit and receivables represent deductible VAT, and other deposits for operation.

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, including those held under finance leases, consists of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
At cost:			
Optical fibers	13,100	13,100	2,056
Computer equipment	825,796	770,218	120,864
Furniture, fixtures and office equipment	6,011	5,964	936
Leasehold improvements	18,439	18,439	2,894
Motor vehicles	6,838	6,559	1,029
Buildings	317,602	312,125	48,979
	<u>1,187,786</u>	<u>1,126,405</u>	<u>176,758</u>
Less: accumulated depreciation	(476,864)	(458,450)	(71,941)
Less: impairment	(348,582)	(346,675)	(54,401)
	<u>362,340</u>	<u>321,280</u>	<u>50,416</u>

Impairment of nil, RMB 13,448,000 and RMB 114,000 (US\$18,000) were recognized for the years ended December 31, 2019, 2020 and 2021, respectively, and impairment of RMB 2,021,000 (US\$317,000) were reduced as a result of the disposition during 2021.

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CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****6. PROPERTY AND EQUIPMENT, NET (CONTINUED)**

For the years ended December 31, 2019, 2020 and 2021, depreciation expenses were RMB28,642,000, RMB38,169,000 and RMB 28,410,000 (US\$4,459,000), respectively, and were included in the following captions:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Cost of revenue	28,598	38,169	28,400	4,457
Sales and marketing expenses	6	—	—	—
General and administrative expenses	18	—	10	2
Research and development expenses	20	—	—	—
	<u>28,642</u>	<u>38,169</u>	<u>28,410</u>	<u>4,459</u>

The Group accounted for the leases of certain computer equipment and optical fibers as finance leases that transfer to the Group substantially all the benefits and risks incidental to the ownership of assets. The carrying amounts of the Group's property and equipment held under finance leases at respective balance sheet dates were as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
At Cost:			
Optical fibers	13,100	—	—
Computer equipment	262,989	—	—
	<u>276,089</u>	—	—
Less: accumulated depreciation	(88,039)	—	—
Less: impairment	<u>(166,162)</u>	—	—
	<u>21,888</u>	—	—

In 2021, the Group paid off the remaining finance lease obligation and purchased the pledged assets back.

The carrying amount of buildings pledged by the Group to secure the borrowings (Note 12 (b)) and finance lease obligation (Note 17) as of December 31, 2020 and 2021 was RMB306,608,000 and RMB296,744,000 (US\$46,566,000), respectively.

All the buildings were sealed up by the court due to the lawsuits as of December 31, 2021 (Note 25).

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****7. LAND USE RIGHT, NET**

	December 31		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Land use right	34,057	25,410	3,987
Less: accumulated amortization	(3,296)	(2,722)	(427)
	<u>30,761</u>	<u>22,688</u>	<u>3,560</u>

In 2013, the Group paid RMB51,678,000 to acquire a land use right of approximately 39,000 square meters of land in Beijing Shunyi District, on which the Group developed a cloud infrastructure. According to the land use right contract, the Group has a 50-year use right over the land, which is used as the basis for amortization.

In December 2017, land use right, excluding land use right held by Beijing Shuo Ge and Beijing Zhao Du, was transferred out from the assets held for sale and re-designated as assets held for use (Note 9). The Group re-measured the amortization expense that would have been recognized had the land use right been continuously classified as held and used. Amortization expense for land use right for the years ended December 31, 2019, 2020 and 2021 was RMB706,000, RMB706,000 and RMB706,000 (US\$ 110,000), respectively.

The carrying amount of land use right pledged by the Group to secure the borrowings (Note 12 (b)) as of December 31, 2020 and 2021 was RMB30,761,000 and RMB15,768,000, respectively.

All the land use right (excluding land use right held by Beijing Zhao Du) were sealed up by the court due to the lawsuits (Note 25) as of December 31, 2021.

8. RIGHT-OF-USE ASSETS AND OPERATING LIABILITIES

The following table presents the Group's right-of-use assets and operating lease liabilities as of the respective balance sheet dates:

	December 31		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Right-of-use assets	5,869	3,400	534
Operating lease liabilities - current	2,427	2,565	403
Operating lease liabilities - non-current	3,470	905	142
Total operating lease liabilities	<u>5,897</u>	<u>3,470</u>	<u>545</u>

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of December 31, 2021:

Remaining lease term and discount rate:		
Weighted average remaining lease term (years)		1.40
Weighted average discount rate		6.18 %

During year ended December 31, 2021, cash payment for operating leases was RMB 2,034,000 (US\$ 316,000).

During year ended December 31, 2019, 2020 and 2021, the Group incurred total operating lease expenses of RMB45,384,000, RMB 4,307,000 and RMB 2,034,000 (US\$ 316,000), respectively.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

8. RIGHT-OF-USE ASSETS AND OPERATING LIABILITIES (CONTINUED)

The following is a schedule, by fiscal years, of maturities of lease liabilities as of December 31, 2021:

2022	2,708
2023	917
Total lease payments	3,625
Less: imputed interest	(155)
Present value of lease liabilities	3,470

9. ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE

On December 30, 2014, Xin Run entered into a definitive sale and leaseback agreement with Beijing Federation of Supply and Marketing Cooperatives ("BFSMC"), according to which Xin Run should hand over to BFSMC two IDC buildings (5# and 6#) by September 2015 for a consideration of RMB 960 million through transferring the ownership of the two IDC buildings from Xin Run to Beijing Zhao Du, and selling all Beijing Zhao Du's equity interests to BFSMC. On February 6, 2015, Xin Run entered into a supplementary agreement with BFSMC and one subsidiary of BFSMC, Beijing Shi Xin Heng Tai Investment Co., Ltd ("SXHT"), according to which the subsidiary SXHT became the beneficiary of the original arrangement and took over the rights and obligations from February 27, 2015. Consideration of RMB 672 million was received from the subsidiary by September 2015. Starting in August 2017, Xin Run and the buyer entered into a series of lawsuits. On December 31, 2019, the court sentenced that the original equity transfer agreement with SXHT is invalid and both parties should return the money received. As of December 31, 2021, the second instance of this case has been completed (Note 25).

In April 2014, Xin Run entered into a framework agreement with a third-party company, pursuant to which Xin Run agreed to sell the IDC building 3# to it. In August 2014, the Group established Beijing Shuo Ge. The consideration of RMB 325 million was received from the third-party company by January 2015. In July 2015, Xin Run sold the total CIP along with related land use right of IDC building 3# to Beijing Shuo Ge. On December 29, 2017, Xin Run entered into an equity transfer agreement with the third-party company, under which Xin Run would transfer 100% equity interest in Beijing Shuo Ge to it before September 2018. On April 3, 2019, Xin Run entered into a definitive equity transfer agreement with the third-party company, pursuant to which, Xin Run agrees to transfer 100% equity interest in Beijing Shuo Ge to the third-party company with a reduced consideration of RMB251,800,000 (US\$36,169,000) and would return the difference of RMB73,200,000 (US\$10,515,000) between original and reduced consideration in 5 years from 2019 to 2024 (Note 15). The disposal of Beijing Shuo Ge was completed in May 2019, resulting a disposal gain of RMB18,285,000 (US\$2,626,000).

As of December 31, 2020 and 2021, all the assets and liabilities of Beijing Zhao Du were classified as assets and liabilities held for sale.

Assets and liabilities classified as held for sale are required to be recorded at the lower of carrying value or fair value less any costs to sell. As of December 31, 2020 and 2021, the carrying value of Beijing Zhao Du and Beijing Shuo Ge's net assets were less than fair value less costs to sell, and accordingly, no adjustment to the asset value was made necessary. Beijing Zhao Du and Beijing Shuo Ge did not meet the criteria to be classified as discontinued operations because they did not represent a strategic shift that has (or will have) a major impact on the Group's operations and financial results to meet the criteria to be classified as discontinued operations.



CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****9. ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE (CONTINUED)**

The major classes of assets and liabilities held for sale were as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Prepaid expenses and other current assets	15,478	15,478	2,429
Property and equipment	318,446	318,446	49,971
Land use right, net	8,646	8,646	1,357
Assets held for sale	342,570	342,570	53,757
Accrued expenses and other current liabilities	6,814	8,944	1,404
Amounts due to the Company	447	—	—
Liabilities held for sale	7,261	8,944	1,404

The operating results of the subsidiaries held for sale during the three years ended December 31, 2021 that are not presented within discontinued operations and are summarized as follow:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Net revenue	—	—	—	—
Loss before income taxes	(5,682)	(2,960)	(1,188)	(186)

Loss before income taxes attributable to the non-controlling interest from the subsidiaries held for sale for the years ended December 31, 2019, 2020 and 2021 were RMB57,000, RMB30,000 and RMB 12,000 (US\$2,000), respectively.

10. CLOUD INFRASTRUCTURE CONSTRUCTION IN PROGRESS

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Cloud infrastructure construction in progress	289,788	157,083	24,650

As of December 31, 2017, the Group capitalized direct costs of RMB416,352,000 that were directly attributable to the development of the cloud infrastructure.

During the year ended December 31, 2018, additional costs of RMB333,286,000 was capitalized for buildings completed. Costs of other completed buildings in the aggregate of RMB265,152,000 and costs of other completed equipment in the aggregate of RMB104,078,000 were transferred to property and equipment; RMB91,128,000 was transferred to other non-current assets.

As of December 31, 2018, the remaining RMB289,280,000 capitalized to date for construction in progress was re-designated as cloud infrastructure construction in progress.

During the year ended December 31, 2019, additional cost of RMB12,637,000 was capitalized for buildings completed, and among which RMB 9,278,000 was transferred to property and equipment.

During the year ended December 31, 2020, cost reduction of RMB25,960,000 (US\$3,979,000) was capitalized for buildings completed, and among which RMB 28,811,000 (US\$4,415,000) was transferred to property and equipment.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****10. CLOUD INFRASTRUCTURE CONSTRUCTION IN PROGRESS (CONTINUED)**

During the year ended December 31, 2021, reduced cost of RMB12,045,000 (US\$1,890,000) was capitalized for buildings completed, among which RMB 12,578,000 (US\$1,974,000) was written off from property and equipment, and among which RMB 133,238,000 (US\$20,908,000) was transferred to asset hold for sale.

All the cloud infrastructure construction in progress were pledged by the Group to secure borrowings (Note 12(b)) as of December 31, 2020 and the IDC buildings (1#) were pledged by the Group to secure borrowings (Note 12(b)) as of December 31, 2021. The cloud infrastructure was sealed up by court due to litigations. (Note 25).

11. LONG TERM INVESTMENTS

Long term investments consisted of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Cost method investments:			
PRC Fund	10,103	10,103	1,585
United States Fund	20,045	20,045	3,146
Total	30,148	30,148	4,731

Cost method investments

In 2017, the Group made an additional RMB361,000 (US\$53,000) investment in the United States Fund. As of December 31, 2020 and 2021, the Group had made an accumulated investment in the United States Fund of RMB20,045,000. Given that the Group holds less than five percent interest in each fund, the Group has accounted for such investments using the cost method.

In 2011, the Group made a 9-year term investment in the PRC Fund in the amount of RMB 10,103,000. Given that the Group holds less than five percent interest in each fund, the Group has accounted for such investments using the cost method.

12. BORROWINGS**(a) Long-term borrowings**

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Long-term bank loan	319,941	168,739	26,479
Less: current portion	(319,941)	(168,739)	(26,479)
Total	—	—	—



CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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12. BORROWINGS (CONTINUED)

(a) Long-term borrowings (continued)

On October 30, 2017, the Group obtained a three-year credit facility of RMB240,000,000 from Bank B in PRC, at 8.00004% per annum. The credit facility includes RMB150,000,000 for working capital and RMB90,000,000 for capital expenditure. The credit facility is secured by Xin Run's assets, while Mr. Wang Song and Ms. Kou Xiaohong, the Founders and ex- directors of the Company, take joint-and-several liability for the repayment of the loan. The Group paid RMB2,400,000 to a third-party agent in December 2017 as borrowing cost to obtained the facility. On November 7, 2017, the first RMB150,000,000 was drawn down and used as working capital. On December 13, 2017, the second RMB23,000,000 was drawn down and used for capital expenditure. On January 30, 2018, the third RMB27,000,000 (US\$3,927,000) was drawn down and used for capital expenditure. The borrowing cost paid for the facility was allocated to the draw down and the remaining facility on a pro rata basis. Borrowing costs allocated to the actual draw down were presented as deductions of the loan carrying value. The borrowing costs are recognized over the lives of the term loans as interest expense, using the effective interest rate method.

In October 2019, Bank B sent notice of early maturity of loan to Xin Run and asked for the early repayment of bank loans amounted to RMB170,000,000 (US\$24,419,000) and related unpaid interest immediately, as the buildings and land use right that pledged to Bank B has been sealed up by the court arising from other lawsuits (Note 25), the bank account in Bank B has been frozen, and Xin Run did not make repayment of loans according to the repayment plan, which violated the bank facility agreement. In November, 2019, Bank B has filed a lawsuit against Xin Run (Note 25). In October 2020, Bank C automatically deducted Xin Run RMB 36,986(US\$ 5,668).In May and December 2021, Bank C automatically deducted Xin Run total RMB 1,224,481(US\$192,147). As a result, the Group reclassified all carrying value of the bank loan RMB 168,738,533 (US\$ 26,478,758) to current liabilities as of December 31, 2021.

On December 21, 2017, the Group obtained a five-year credit facility of RMB220,000,000 from Bank C in PRC with a floating rate of 30% above PBOC benchmark interest rate. The credit facility is for working capital and is secured by Xin Run's assets, while Mr. Wang Song and Ms. Kou Xiaohong, the Founders and ex-directors of the Company, take joint-and-several liability for the repayment of the loan. The Group paid RMB6,775,000 as borrowing cost to obtained the facility. On December 21, 2017, the first RMB40,000,000 was drawn down and used as working capital. On January 15, 2018, the second RMB50,000,000 (US\$7,272,000) was drawn down and used as working capital. On May 14, 2018, the third RMB20,000,000 (US\$2,909,000) was drawn down and used as working capital. On June 15, 2018, the fourth RMB90,000,000 (US\$13,090,000) was drawn down and used as working capital. The borrowing cost paid for the facility was allocated to the draw down and the remaining facility on a pro rata basis. Borrowing cost allocated to the actual draw down was presented as deduction of the loan carrying value. The borrowing cost is recognized over the life of the term loan as interest expense using the effective interest rate method.

In October 2019, Bank C sent notice of early maturity of loan to Xin Run and asked for the early repayment of bank loan balance amounted to RMB160,000,000 (US\$22,983,000) and related unpaid interest. As the buildings and land use right that pledged to the bank has been sealed up by the Shunyi District Court mainly due to the lawsuit with a subsidiary of BFSMC, the bank considered that Xin Run has defaulted and asked for the immediate repayment of the RMB160,000,000 (US\$22,983,000) and related unpaid interest within three days. In November 2019, Bank C has filed a lawsuit against Xin Run (Note 25), and Xin Run made a repayment of RMB10,000,000(US\$1,436,000) to Bank C thereafter. In April and June 2020, Bank C automatically deducted Xin Run total RMB 21,885(US\$ 3,354). In March, June and October 2021, Bank C automatically deducted Xin Run and Mr. Wang Song and Ms. Kou Xiaohong, the Founders and ex-directors of the Company, total RMB 2,008,210 (US\$ 315,132). In November 2020, the company received a court decision, requiring Xin Run to repay the principal and interest total RMB175,078,000(US\$27,473,000).In September 2021, Xin Run used Building 9, Building 10 and Ms. Kou Xiaohong's two villas to pay off the debt. As a result, the loan has been fully repaid as of December 31, 2021.

The above loans from Bank B and C are secured by Xin Run's buildings and corresponding land use right in the net carrying value of RMB475,236,000(US\$74,574,000) as of December 31, 2021 and RMB622,780,000 (US\$95,455,000) as of December 31, 2020 (see Note 6 and 7).

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Accrued expenses and other current liabilities consisted of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Advance from customers	17,836	17,954	2,817
Other accrued expenses	69,186	102,679	16,113
Other tax payables	7,973	9,648	1,514
	<u>94,995</u>	<u>130,281</u>	<u>20,444</u>

Other accrued expenses represent accrued rental and overdue penalty interest (see Note 25).

14. OTHER PAYABLES

Other payables consisted of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Payables for purchase of property and equipment	268,073	281,315	44,144
Consideration received for disposal of Beijing Zhao Du (Note 9)	585,164	585,164	91,825
Penalty accrual	128,890	—	—
Current portion of other non-current liability (Note 15)	23,118	35,544	5,578
Other Payables	1,585	—	—
Total	<u>1,006,830</u>	<u>902,023</u>	<u>141,547</u>

15. OTHER NON-CURRENT LIABILITY

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Consideration refund payable	62,255	62,255	9,769
Other noncurrent payable	13,638	4,428	695
Less: current portion	(23,118)	(35,544)	(5,578)
Total	<u>52,775</u>	<u>31,139</u>	<u>4,886</u>

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****15. OTHER NON-CURRENT LIABILITY (CONTINUED)**

Other non-current liability includes the difference in the consideration between original agreement and revised agreement entered in April 2019 (Note 9) relating to disposal of Beijing Shuo Ge. Pursuant to the revised agreement, Xin Run agrees to return the difference of RMB73,200,000 (US\$10,515,000) along with a total interest of RMB13,018,000 (US\$1,870,000) from June 30, 2019 to December 31, 2024. The total balance to be refunded together with the interest to be paid over 1 year as of December 31, 2021 is recognized as non-current liability using the effective interest rate method.

For the year ended December 31, 2021, the company had not pay the refund as planned schedule, the buyer has not filed a law suit with the company. The amount due in 2020 and 2021 according to agreement was classified as current liability.

16. DEFERRED GOVERNMENT GRANT

The following table presents the Group's deferred government grant as of the respective balance sheet dates:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Beginning balance	14,652	14,652	2,299
Recognized as income during the year	(302)	(302)	(47)
Total balance of deferred government grant	14,350	14,350	2,252
Less: current portion	—	—	—
Balance of non-current deferred government grant	14,350	14,350	2,252

During the years ended December 31, 2019, 2020 and 2021, a certain government grants complied with the attached conditions. Hence, relevant government grants of RMB1,394,000, RMB302,000 and RMB302,000 (US\$47,000) respectively, were recognized in the consolidated statements of operations and comprehensive loss as other operating income during the years ended December 31, 2019, 2020 and 2021, respectively.

17. FINANCE LEASE OBLIGATIONS

Certain computer, UPS and switch equipment were acquired through finance leases entered into by the Group. Future minimum lease payments under non-cancellable finance lease arrangements are as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
2020	—	—	—
2021	27,027	—	—
Total minimum lease payment	27,027	—	—
Less: amount representing interest	(1,786)	—	—
Present value of remaining minimum lease payment	25,241	—	—
Less: current portion	25,241	—	—

—	—	—
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CHINACACHE INTERNATIONAL HOLDINGS LTD.

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18. SHARE-BASED COMPENSATION

In order to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of the Group's business, the Group adopted a stock option plan in 2007 (the "2007 Plan"). Under the 2007 Plan, the Group may grant options to its employees, directors and consultants to purchase an aggregate of no more than 14,000,000 ordinary shares of the Group, subject to different vesting requirements. The 2007 Plan was approved by the Board of Directors and shareholders of the Group on October 16, 2008. On May 28, 2009, the Group adopted a new stock option plan (the "2008 Plan") which allows the Group to grant options to its employees, directors and consultants to purchase an aggregate of no more than 8,600,000 ordinary shares of the Group, subject to different vesting requirements. On May 20, 2010, the Group adopted a new stock option plan (the "2010 Plan") which allows the Group to grant options to its employees, directors and consultants to purchase an aggregate of no more than 9,000,000 ordinary shares of the Group, subject to different vesting requirements. On June 20, 2011, the Group adopted a new stock option plan (the "2011 Plan") which allows the Group to grant options to its employees, directors and consultants to purchase an aggregate of no more than 22,000,000 ordinary shares of the Group, subject to different vesting requirements. On July 2, 2012, the Group approved amendments to the 2011 Plan which provide, in effect, that the maximum aggregate number of ordinary shares that may be issued pursuant to all awards (the "Award Pool") under the 2011 Plan shall be equal to five percent of the total issued and outstanding ordinary shares as of July 2, 2012; provided that, the ordinary shares reserved in the Award Pool shall be increased automatically if and whenever the unissued ordinary shares reserved in the Award Pool accounts for less than one percent of the total then issued and outstanding ordinary shares, as a result of which increase the unused ordinary shares reserved in the Award Pool immediately after each such increase shall equal to five percent of the then issued and outstanding ordinary shares.

The 2007 Plan, 2008 Plan, 2010 Plan and 2011 Plan (collectively, the "Option Plans") will be administered by the Compensation Committee as set forth in the Option Plans (the "Plan Administrator"). The board of directors of a committee designated by the board will administer the plan to execute option agreements with those persons selected by the Plan Administrator and issue ordinary shares of the Group upon exercise of any options so granted pursuant to the terms of an option agreement.

The 2007 and 2008 Option Plans contain the same terms and conditions. All options granted under the 2007 and 2008 Option Plans have a term of nine years from the option grant date and have two different vesting schedules: 1) vest 100% on the stated vesting commencement date in the grantee's option agreement; or 2) vest 50% on the second anniversary of the stated vesting commencement date and 25% on the third and fourth anniversaries of the stated vesting commencement date. All options granted under the 2010 Option Plan have a term of seven to ten years from the option grant date and have three different vesting schedules: 1) vest 100% on the stated vesting commencement date in the grantee's option agreement; 2) vest 25% on the first, second, third and fourth anniversaries of the stated vesting commencement date; or 3) vest 25% on the first anniversary of the stated vesting commencement date and 6.25% every quarter for each of the second, third and fourth anniversaries of the stated vesting commencement date. All options granted under the 2011 Option Plan have a term of six to ten years from the option grant date and have four different vesting schedules: 1) vest 100% on the stated vesting commencement date in the grantee's option agreement; or 2) vest 25% on the first, second, third and fourth anniversaries of the stated vesting commencement date; or 3) vest 25% on the first anniversary of the stated vesting commencement date and 6.25% every quarter for each of the second, third and fourth anniversaries of the stated vesting commencement date; or 4) vest one-third on the first, second and third anniversaries of the stated vesting commencement date.

During the years ended December 31, 2019, 2020 and 2021, the Group granted nil, nil and nil options, respectively, to a combination of employees and directors of the Group at exercise prices ranging from US\$0.06 to US\$0.07. As of December 31, 2021, options to purchase 19,097,149 of ordinary shares were outstanding and options to purchase 13,658,508 ordinary shares were available for exercise under the Option Plans.

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18. SHARE-BASED COMPENSATION (CONTINUED)

The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees and non-employees. The model requires the input of highly subjective assumptions including the estimated expected stock price volatility, the expected price multiple at which employees are likely to exercise share options. For expected volatilities, the Group has made reference to the historical price volatilities of ordinary shares of several comparable companies in the same industry as the Group. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury Bills yield in effect at the time of grant.

(a) Options Granted to Employees

The following table summarized the Group's employee share option activity under the Option Plans:

	<u>Number of options</u>	<u>Weighted average Exercise price (US\$)</u>	<u>Weighted average remaining contractual term (Years)</u>	<u>Aggregate intrinsic value (US\$'000)</u>
Outstanding, January 1, 2019	<u>37,369,229</u>	<u>0.11</u>	<u>7.81</u>	<u>2</u>
Granted	—	—	—	—
Exercised	(44,000)	0.08	—	—
Forfeited	(6,143,024)	0.16	—	—
Outstanding, December 31, 2019	<u>31,182,205</u>	<u>0.10</u>	<u>7.23</u>	<u>1.35</u>
Exercisable at December 31, 2019	<u>20,119,147</u>	<u>0.10</u>	<u>7.10</u>	<u>1.35</u>
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(9,945,152)	0.08	—	—
Outstanding, December 31, 2020	<u>21,237,053</u>	<u>0.11</u>	<u>5.40</u>	—
Exercisable at December 31, 2020	13,529,251	0.11	5.40	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(2,139,904)	0.18	—	—
Outstanding, December 31, 2021	<u>19,097,149</u>	<u>0.10</u>	<u>4.90</u>	—
Exercisable at December 31, 2021	<u>13,658,508</u>	<u>0.10</u>	<u>4.90</u>	—

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18. SHARE-BASED COMPENSATION (CONTINUED)

(a) Options Granted to Employees (continued)

The aggregated intrinsic value of share options outstanding and exercisable at December 31, 2021 was calculated based on the closing price of the Group's ordinary shares on December 31, 2021. As no trading has been made during 2021, it can be assumed that the share price is nil. The total intrinsic value of share options exercised during the years ended December 31, 2019, 2020 and 2021 was RMB18,000, nil and nil, respectively.

As of December 31, 2021, there was nil of unrecognized share-based compensation cost related to share options issued to employees, which are expected to be recognized following the graded vesting method over the remaining vesting periods of different tranches, within 1 year.

The total fair value of options vested during the years ended December 31, 2019, 2020 and 2021 was RMB 1,834,000, RMB649,000 and nil, respectively.

(b) Restricted Share Units Award Granted to Employees

On December 23, 2014, the Group issued 11,265,520 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2014, 2015, 2016 and 2017, respectively.

On December 11, 2015, the Group issued 40,106,656 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2016, 2017 and 2018, respectively.

On December 13, 2017, the Group issued 16,813,344 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2018, 2019 and 2020, respectively.

On April 9, 2018, the Group issued 480,000 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2018, 2019 and 2020, respectively.

As of December 31, 2020 and 2021, there was RMB nil (US\$nil) of unrecognized share-based compensation cost, related to unvested restricted share units.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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18. SHARE-BASED COMPENSATION (CONTINUED)

(b) Restricted Share Units Award Granted to Employees (continued)

The following table summarized the Group's restricted shares award issued under the 2011 Plan:

	<u>Number of ordinary shares</u>	<u>Weighted average grant date fair value</u> (US\$)
Outstanding, January 1, 2019	<u>640,000</u>	0.07
Granted	—	—
Vested	(320,000)	0.07
Forfeited	<u>(160,000)</u>	0.07
Outstanding, December 31, 2019	<u>160,000</u>	0.07
Granted	—	—
Vested	(160,000)	0.07
Forfeited	<u>—</u>	—
Outstanding, December 31, 2020	—	—
Granted	—	—
Vested	—	—
Forfeited	<u>—</u>	—
Outstanding, December 31, 2021	<u>—</u>	—

The cost of the restricted share units is determined using the fair value (determined based on the fair market value of the Group's ordinary shares on the grant date, or if the grant date is not a trading day then the immediately preceding trading date), net of expected forfeitures. The aggregate fair value of the unvested restricted share units for the years ended December 31, 2020 and 2021 was RMB nil and RMB nil (US\$nil), respectively. The total fair value of restricted share units vested during the years ended December 31, 2019, 2020 and 2021 was RMB151,000, RMB72,000 and RMB nil (US\$ nil), respectively.

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18. SHARE-BASED COMPENSATION (CONTINUED)

(b) Restricted Share Units Award Granted to Employees (continued)

A total compensation expenses relating to all options and restricted share units recognized for the years ended December 31, 2019, 2020 and 2021 are as follows:

	For the years ended December 31,			
	2019	2020	2021	
	(RMB)'000	(RMB)'000	(RMB)'000	(US\$)'000
Cost of revenues	211	79	11	2
Sales and marketing expenses	83	32	5	1
General and administration expenses	1,114	367	48	7
Research and development expenses	483	176	24	4
	<u>1,891</u>	<u>654</u>	<u>88</u>	<u>14</u>

19. MAINLAND CHINA EMPLOYEE CONTRIBUTION PLAN

As stipulated by the regulations of the PRC, full-time employees of the Group in the PRC participate in a government-mandated multiemployer defined contribution plan organized by municipal and provincial governments. Under the plan, certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Group is required to make contributions to the plan based on certain percentages of employees' salaries. The total expenses for the plan were RMB28,285,000, RMB15,420,000 and RMB6,532,000 (US\$1,025,000) for the years ended December 31, 2019, 2020 and 2021, respectively.

20. INCOME TAXES

Enterprise income tax

Cayman Islands

The Company is a tax-exempt company incorporated in the Cayman Islands and conducts substantially all of its business through its subsidiaries and VIEs.

United States of America

ChinaCache North America, Inc. was registered in California, United States of America in 2007. For the years ended December 31, 2019, 2020 and 2021, the entity is subject to both California State Income Tax (8.84%) and Federal Income Tax (graduated income tax rate up to 21%, a flat 21% and 21%, respectively) on its taxable income under the current laws of the state of California and United States of America.

Hong Kong

The two-tier profits tax rates system was introduced under the Inland Revenue (Amendment)(No.3) Ordinance 2018 ("the Ordinance") of Hong Kong became effective for the assessment year 2018/2019. Under the two-tier profit tax rates regime, the profits tax rate for the first HKD 2 million of assessable profits of a corporation will be subject to the lowered tax rate, 8.25% while the remaining assessable profits will be subject to the legacy tax rate, 16.5%.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****20. INCOME TAXES (CONTINUED)***Enterprise income tax (continued)*

ChinaCache Networks (Hong Kong) Limited, the Company's wholly owned subsidiary incorporated in Hong Kong, for the years ended December 31, 2020 and 2021, income tax rate decreased to 8.25% for profit below HKD 2 million, and 16.5% for excessive profit over HKD 2 million.

The PRC

The Company's subsidiaries and the VIEs that are each incorporated in the PRC are subject to Corporate Income Tax ("CIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the new PRC Enterprise Income Tax Laws ("PRC Income Tax Laws") effective from January 1, 2008. Pursuant to the PRC Income Tax Laws, the Company's PRC subsidiaries and the VIEs are subject to a CIT statutory rate of 25%.

Under the PRC Income Tax Laws, an enterprise which qualifies as a High and New Technology Enterprise ("the HNTE") is entitled to a preferential tax rate of 15% provided it continues to meet HNTE qualification standards on an annual basis. ChinaCache Beijing qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2016 to 2021 if it continues to qualify on an annual basis. The HNTE certificate of ChinaCache Beijing was expired in 2022. Beijing Blue IT qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2016 to 2020 if it continues to qualify on an annual basis. The HNTE certificate of ChinaCache Blue IT was expired in 2021.

In accordance with the PRC Income Tax Laws, enterprises established under the laws of foreign countries or regions but whose "place of effective management" is located within the PRC are considered PRC tax resident enterprises and subject to PRC income tax at the rate of 25% on worldwide income. The definition of "place of effective management" refers to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, etc. of an enterprise. As of December 31, 2021, no applicable detailed interpretation or guidance has been issued to define "place of effective management". Furthermore, the administrative practice associated with interpreting and applying the concept of "place of effective management" is unclear. Based on the assessment of facts and circumstances available at December 31, 2021, management believes none of its non-PRC entities are more likely than not PRC tax resident enterprises. It is possible the assessment of tax residency status may change in the next twelve months, pending announcement of new PRC tax rules in the future. The Group will continue to monitor its tax status.

Loss before income tax expense consists of:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Non-PRC	(12,095)	(15,467)	(19,608)	(3,077)
PRC	(32,643)	(57,650)	5,450	855
	<u>(44,738)</u>	<u>(73,117)</u>	<u>(14,158)</u>	<u>(2,222)</u>



CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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The income tax expense comprises of:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Current	7,967	6	103	16
Deferred	—	—	—	—
	<u>7,967</u>	<u>6</u>	<u>103</u>	<u>16</u>

A reconciliation of the differences between the income tax calculated using statutory tax rate and the effective tax rate for the year ended December 31, 2019, 2020 and 2021 is as follows:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Loss before income tax expense	(44,738)	(73,117)	(14,158)	(2,222)
Income tax computed at PRC statutory tax rate of 25%	(11,184)	(18,279)	(3,540)	(555)
Preferential tax rates	(2,737)	1,100	(2,252)	(353)
International rate differences	7,636	338	5,856	919
Additional 75% tax deduction for qualified research and development expenses	(9,697)	(1,207)	(60)	(9)
Non-deductible expenses	3,629	1,365	30	5
Effect of changes in tax rates on deferred taxes	1,765	—	(81,413)	(12,775)
Changes in the valuation allowance	10,996	9,751	17,639	2,768
Realization gain from intercompany transaction	7,435	—	—	—
Expiration of tax loss carry forward	77	6,932	72,085	11,312
other adjustment	47	6	(8,242)	(1,293)
Income tax expense	<u>7,967</u>	<u>6</u>	<u>103</u>	<u>16</u>

CHINACACHE INTERNATIONAL HOLDINGS LTD.

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20. INCOME TAXES (CONTINUED)

Enterprise income tax (continued)

The components of deferred taxes are as follows:

	For the years ended December 31,		
	2020	2021	
	(RMB'000)	(RMB'000)	(US\$'000)
Deferred tax assets:			
- Allowance for doubtful accounts	12,257	39,541	6,205
- Deferred revenue	2,832	4,499	706
- Accruals	2,489	3,410	535
- Tax losses	197,885	162,420	25,487
- Property and equipment	6,488	28,514	4,474
- Intangible assets	2,611	3,817	599
- Long-term investment impairment	960	960	151
- Unrealized profit	71,868	71,868	11,278
Less: valuation allowance	(297,390)	(315,029)	(49,435)
Total Deferred tax assets	—	—	—

Valuation allowances have been provided where, based on all available evidence, management determined that deferred tax assets are not more likely than not to be realizable in future years. The net valuation allowance increased by RMB 9,751,000 during the year ended December 31, 2020 and increased by RMB17,639,000 (US\$2,768,000) during the year ended December 31, 2021.

As of December 31, 2021, the Group has net operating losses carried forward from its PRC subsidiaries of RMB 697,291,000, which will expire between 2022 and 2026. As of December 31, 2021, the Group has net operating losses carried forward from its non-PRC subsidiaries of RMB 45,076,000 available to offset future taxable income.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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20. INCOME TAXES (CONTINUED)

Unrecognized Tax Expense

A roll-forward of accrued unrecognized tax expense is as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Beginning balance	(8,273)	(8,273)	(8,273)
Increase based on tax positions related to the current year	—	—	—
Ending balance	<u>(8,273)</u>	<u>(8,273)</u>	<u>(8,273)</u>

The unrecognized tax expense is mainly related to under-reported income and transfer pricing for certain subsidiaries and VIEs. The amount of unrecognized tax expense will change in the next 12 months, pending clarification of current tax law or audit by the tax authorities, however, an estimate of the range of the possible change cannot be made at this time. For the years ended December 31, 2020 and 2021, there's no unrecognized tax expense, if ultimately recognized, will impact the effective tax rate.

The Group recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2019, 2020, and 2021, the Group recognized approximately RMB 1,365,000, RMB1,365,000 and RMB nil (US\$ nil) in interest and penalties. The Group had approximately RMB 16,461,000 and RMB16,461,000 (US\$2,583,000) for the payment of interest and penalties accrued at December 31, 2020 and 2021, respectively.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to assess underpaid tax plus penalties and interest for PRC entities' tax filings. The statute of limitations is ten years when the adjustment is relating to transfer pricing. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities based on the above.

21. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the principal related parties with which the Group had transactions during the years presented are as follows:

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Mr. Wang Song	The Co-Founder and Ex-director of the Company
Ms. Kou Xiaohong	The Co-Founder and Ex-director of the Company
Mr. Xiaoqiang Wei	Chief Executive Officer and Director of the Company

On May 17, 2019 and June 5, 2019, Mr. Song Wang tendered his resignation as the Company's Chief Executive Officer and the Board as Directors, respectively. The Co-founder and director Ms. Xiaohong Kou resigned from the management team and the Board on August 15, 2019. On December 15, 2019, Mr. Xiaoqiang Wei was elected as the Company's new Chief Executive Officer.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****21. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)***Guarantee provided by related parties to the Group*

Mr. Wang Song and Ms. Kou Xiaohong provided guarantee for all the bank borrowing from Bank B and Bank C during the year ended December 31, 2017 (Note 12 (b))

Mr. Wang Song provided guarantee for the finance lease from vendor A with the amount of RMB 39,000,000 and RMB 50,000,000 during the year ended December 31, 2018 and 2019, respectively.

Mr. Wang Song and Ms. Kou Xiaohong provided guarantee for the finance lease from vendor B with the amount of RMB 25,000,000 and RMB 34,500,000 during the year ended December 31, 2018 and 2019, respectively.

No more guarantee was provided by related parties for the year ended December 31, 2020 and 2021.

The Group had the following related party balances and related party transactions for the years presented:

Amounts due from a related party

	<u>Mr. Xiaoqiang Wei</u>	<u>Total</u>
Balance as of December 31, 2019	65	65
Return of advance	(65)	(65)
Balance as of December 31, 2020	—	—
Balance as of December 31, 2021	—	—
Balance as of December 31, 2021 (US\$'000)	<u>—</u>	<u>—</u>

Amounts due to related parties

	<u>Mr. Wang Song</u>	<u>Ms. Kou Xiaohong</u>	<u>Total</u>
Balance as of December 31, 2019	—	27	27
exchange rate difference	—	(1)	(1)
Balance as of December 31, 2020	—	26	26
Expense Reimbursement payment or return	95	(26)	69
Debt paid on behalf of the Group	—	31,994	31,994
Balance as of December 31, 2021	<u>95</u>	<u>31,994</u>	<u>32,089</u>
Balance as of December 31, 2021 (US\$'000)	<u>15</u>	<u>5,020</u>	<u>5,035</u>

22. RESTRICTED NET ASSETS

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's subsidiaries.

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****22. RESTRICTED NET ASSETS (CONTINUED)**

In accordance with the PRC Regulations on Enterprises with Foreign Investment and the articles of association of the Company's PRC subsidiaries, a foreign-invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A foreign-invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign-invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. ChinaCache Beijing was established as a foreign-invested enterprise and, therefore, is subject to the above mandated restrictions on distributable profits. As of December 31, 2020 and 2021, the Group had appropriated RMB1,326,000 and RMB 1,326,000 (US\$208,000), respectively in its statutory reserves.

Foreign exchange and other regulations in the PRC may further restrict the Company's PRC subsidiaries and VIEs from transferring funds to the Company in the form of dividends, loans and advances. Amounts restricted include paid-in capital and statutory reserves of the Company's PRC Subsidiaries and the equity of VIEs, as determined pursuant to PRC generally accepted accounting principles. As of December 31, 2021, restricted net assets of the Company's PRC subsidiaries and VIEs were RMB 511,413,000 (US\$80,252,000).

23. LOSS PER SHARE

Basic and diluted loss per share for each of the periods presented are calculated as follows:

	For the Year Ended December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	except shares and per share data			
Numerator:				
Net loss attributable to ordinary shareholders:	(51,671)	(72,507)	(14,472)	(2,271)
Denominator:				
Number of shares outstanding, opening	429,404,977	436,656,529	436,816,529	436,816,529
Weighted average number of shares issued	7,244,845	160,000	—	—
Weighted average number of shares reduced	—	—	—	—
Weighted-average number of shares outstanding – Basic and diluted	436,649,822	436,763,196	436,816,529	436,816,529
Loss per share				
-Basic and diluted	(0.12)	(0.17)	(0.03)	(0.01)

The effects of share options have been excluded from the computation of diluted loss per share for the years ended December 31, 2019, 2020 and 2021 as their effects would be anti-dilutive.

Due to the Group incurred loss for each of the two years ended December 31, 2020, potential dilutive securities that were not included in the calculation of dilutive net loss per share in each year where their inclusion would be anti-dilutive include share options and restricted shares of 11,223,058 and 7,707,802, for the years ended December 31, 2019 and 2020.

During 2020, treasury stock was used to settle nil units of share options and 160,000 units of restricted share units vested.

During 2021, treasury stock was used to settle nil units of share options and nil units of restricted share units vested.

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CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

24. FAIR VALUE MEASUREMENT

The Group applies ASC topic 820, “*Fair Value Measurements and Disclosures*”. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided on fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

In accordance with ASC 820, the available-for-sale investment of the mutual fund is classified within Level 1 as the Group measures the fair value using quoted trading prices that are published on a regular basis.

25. COMMITMENTS AND CONTINGENCIES

(a) Purchase Commitments

As of December 31, 2021, the Group had outstanding purchase commitments in relation to bandwidth and cloud infrastructure of RMB 687,000 (US\$ 108,000).

(b) Contingencies

Litigations related with a subsidiary of BFSMC, SXHT

In October 2017, SXHT filed a lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent and the relating interest. In June 2019, the second instance of this case has been completed. The court has sentenced in support of the plaintiff that Xin Run should pay overdue rent from October 2017 to June 2018 in an amount equal to RMB64.8 million and the relevant interest thereon. SXHT has applied to the competent court for compulsory execution of the court decision. In August 2019, the IDC buildings (1#,2#,4#,7#,8#,9#,10#) and their related land use right have been sealed up by court. Xin Run has filed an application for suspension of such compulsory execution. As of December 31, 2021, the case has been filed for retrial.

In June 2019, SXHT filed another lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent from July 2018 to March 2019 with total amount of RMB64.8 million and the relating interest. Xin Run has filed an application for suspension of such lawsuit. On March 8, 2020, XinRun sent an application for suspension of execution to the court. As of December 31, 2021, the case has been withdrawn by SXHT.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies (continued)

In August 2017, Xin Run, initiated a lawsuit against SXHT in Beijing. Xin Run sought the payment of remaining purchase price in the amount of RMB105.6 million and the related interest. In September 2017, SXHT filed the statement of defense and made a counterclaim, claiming, among others, the late delivery penalties and relating losses in the total amount of approximately RMB50.5 million up to September 12, 2017. In addition, Xin Run's bank deposits and other assets in a total amount of approximately RMB50.5 million were sealed up, distrained or frozen by the court. On April 24, 2018, Xin Run amended its claim requesting, among other things, the defendant pay the additional purchase price of RMB96 million, damages for breach of contract in an amount of RMB14.4 million and the related interest of RMB8.86 million. On December 31, 2019, the court sentenced that the original equity transfer agreement with SXHT is invalid and both parties should return the money received.

In January 2020, Xin Run appealed to higher court to request that a) SXHT to should pay the interest for the RMB 82.68 million rental it has received from the date such fund was paid by Xin Run at annualized interest rate of 4.35% in the amount of RMB 13.34 million up to January 17, 2020, b) SXHT should return business license of Beijing Zhao Du to Xin Run, c) the unpaid rental balance due to SXHT should be also waived, as the lease back agreement were signed based on the original equity transfer agreement, which was sentenced by court as invalid. And that the sentence, including the compulsory execution made the June 2019 relating to the overdue rental payment should also be withdrawn. In January 2020, SXHT also appealed to higher court to request Xin Run to pay interest for the RMB 672 million consideration from the date such fund was paid to Xin Run at annualized interest rate of 9%, in the total amount of RMB263.79 million up to December 31, 2019. As of December 31, 2021, the second instance of this case has been completed. The court final sentenced that the original equity transfer agreement with SXHT is invalid and both parties should return the money received without interest.

In 2021, as the final judgement sentenced, the liabilities of RMB128.89 million recorded for the penalty in the balance sheet under other payables shall be not payable. The management reversed the penalty accrual and recorded the gain in other income.

Other litigations

We and certain of our current and former officers and directors have been named as defendants in a shareholder class action lawsuit filed in the U.S. District Court for the Central District of California (the "Central California District Court"): William Likas v. ChinaCache International Holdings Ltd. et al, Civil Action No. 2:2019-cv-06942 (C.D. Cal.) (filed on August 9, 2019). The action—purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading activities related to the our ADSs from April 10, 2015 to May 17, 2019—alleges that certain of the our public statements and filings contained materially false and misleading statements or omissions in violation of U.S. securities laws. On October 2, 2019, the Central California District Court appointed a group of two purported shareholders of us as the Lead Plaintiff of the class. On December 15, 2020, the parties reached an agreement to a stipulation and agreement of settlement to settle this purported class action. On April 26, 2021, the court granted preliminary approval of the settlement and scheduled a settlement hearing on August 27, 2021. On March 14, 2022, the Central California District Court entered an order and final judgment approving the agreement of settlement.

In June 2019, a computer company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue construction fees and relevant interest in a total amount of approximately RMB74.6 million. In September 2021, the court ruled that Xin Run should pay overdue construction fees in a total amount of approximately RMB54.42 million, the interests accrued thereon and the relevant costs of legal proceedings. Such computer company has applied to the competent court for compulsory execution of the foregoing court decision. As of December 31, 2021, the Company has accrued the amount as other payables.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies (continued)

In June 2019, such computer company filed another lawsuit against Xin Run in the Beijing Haidian District People's Court, requesting Xin Run to pay overdue equipment purchase payment and relevant interest in a total amount of approximately RMB40.8 million. Xin Run filed a motion to dismiss the case for lack of jurisdiction, which was granted by the court and the jurisdiction of this lawsuit has been changed to Beijing Chaoyang District People's Court. In October 2021, the court ruled that Xin Run should pay overdue equipment purchase payment, the relevant examination fees and the interests accrued thereon in a total amount of approximately RMB34.12 million, as well as the costs of legal proceedings. Such computer company has applied to the competent court for compulsory execution of the foregoing court decision. As of December 31, 2021, the Company has accrued the amount as other payables.

In December 2019, a technology company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue fees of approximately RMB38.0 million, relevant interest and costs of legal proceedings. Xin Run filed a motion to dismiss for lack of jurisdiction in January, 2020, which was granted by the court. As of March 2021, the case has been withdrawn by such technology company.

In December 2019, another technology company filed a lawsuit against Xin Run in Beijing Shunyi District People's Court, for the alleged non-payment of construction fees of RMB65.2 million and the relating interest of RMB7.5 million. As of December 31, 2020, The Company has accrued most of the amount as other payables amounting to approximately RMB43.96 million. In September 2021, the court ruled that Xin Run should pay overdue construction fees and the interests accrued thereon in a total amount of approximately RMB74.81 million, as well as the costs of legal proceedings. Such technology company has applied to the competent court for compulsory execution of the court judgement. The Company is currently unable to assess the likely outcomes of such proceedings. Therefore, no provision has been made for this case.

In January 2020, a technology company filed a lawsuit against Beijing Blue I.T. in the Beijing Chaoyang District People's Court, requesting Beijing Blue I.T. to pay overdue fees of approximately RMB38.6 million, relevant interest and costs of legal proceedings. The court ruled that Beijing Blue I.T. should pay overdue fees of approximately RMB38.6 million and the relevant interests thereof, together with the costs of legal proceedings. We appealed such court judgement to higher court, but our appeal has been dismissed. Such technology company has applied to the competent court for compulsory execution of the court judgement. The Company has accrued most of the amount as accounts payable of approximately RMB 28.9 million. Management is of the view that these proceedings are at preliminary stages, and it is impossible at this stage to properly evaluate the outcome.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies (continued)

In March 2020, a technology company filed a lawsuit against Beijing Blue I.T. in the Hangzhou Internet Court, requesting Beijing Blue I.T. to pay overdue fees of approximately RMB15.4 million, relevant interest and costs of legal proceedings. As of the date hereof, this lawsuit is still pending. The court ruled that Beijing Blue I.T. should pay overdue fees of approximately RMB15.4 million, the interests accrued thereon and costs of legal proceedings. We appealed such court judgment to higher court, but our appeal has been dismissed. Such technology company has applied to the competent court for compulsory execution of the court judgement. The company has made full provision for bad debts.

In August 2020, Xin Run filed a lawsuit against three citizens in the Beijing Tongzhou District People's Court, requesting such citizens to return the service fees of approximately RMB77.2 million, and to pay relevant interest and costs of legal proceedings. As of the date hereof, this lawsuit is still ongoing, and management is of the view that these proceedings are at a preliminary stage, therefore it is impossible at this stage to properly evaluate the outcome. However, relevant receivables recorded under prepaid expense and other current assets has been fully impaired in 2021.

In September 2021, a telecommunication company filed an arbitration against Beijing Blue I.T. in the Beijing Arbitration Commission, requesting Beijing Blue I.T. to pay overdue service fees and liquidated damage in a total amount of approximately RMB11.31 million, relevant interest and costs of legal proceedings. In March 2022, the Beijing Arbitration Commission awarded that Beijing Blue I.T. should pay overdue service fees of approximately RMB5.79 million and the relevant liquidated damages and costs of legal proceedings.

26. SUBSEQUENT EVENT

In addition to the information disclosed elsewhere in the financial statements, there are no subsequent events, except for litigation events disclosed in Note 25.

CHINACACHE INTERNATIONAL HOLDINGS LTD.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021**

27. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CONDENSED BALANCE SHEETS

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))

	As of December 31,		
	2020	2021	
	RMB	RMB	US\$
ASSETS:			
Current assets:			
Cash and cash equivalents	758	740	116
Prepaid expenses and other current assets, net	1,328	1,297	204
Total current assets	2,086	2,037	320
Non-current assets:			
Long term investments	20,045	20,045	3,145
Investments in subsidiaries and consolidated VIEs	(686,847)	(703,779)	(110,438)
Total non-current assets	(666,802)	(683,734)	(107,293)
TOTAL ASSETS	(664,716)	(681,697)	(106,973)
LIABILITIES AND SHAREHOLDERS’ DEFECIT:			
Current liabilities:			
Accrued employee benefits	1,449	1,415	222
Accrued expenses and other payables	2,968	2,277	357
Total current liabilities	4,417	3,692	579
Total liabilities	4,417	3,692	579
Shareholders’ deficit:			
Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	338	338	44
Additional paid-in capital	1,581,684	1,581,771	248,214
Treasury stock	(15,332)	(15,332)	(2,406)
Statutory reserves	1,326	1,326	208
Accumulated deficit	(2,224,747)	(2,239,219)	(351,382)
Accumulated other comprehensive loss	(12,402)	(14,273)	(2,229)
Total shareholders’ deficit	(669,133)	(685,389)	(107,551)
TOTAL LIABILITIES AND SHAREHOLDERS’ DEFICIT	(664,716)	(681,697)	(106,973)



CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****27. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)****CONDENSED STATEMENTS OF COMPREHENSIVE LOSS**
(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
General and administrative expenses	(32,232)	(11,802)	(10,952)	(1,719)
Operating loss	(32,232)	(11,802)	(10,952)	(1,719)
Interest income/(expense), net	(3)	—	—	—
Other income/(expenses), net	3,430	—	(1,224)	(192)
Foreign exchange loss (gain)	1,448	13,568	(6,110)	(959)
Share of losses from subsidiaries and consolidated VIEs	(24,314)	(74,273)	(3,814)	(599)
Loss before income taxes	(51,671)	(72,507)	(14,472)	(2,271)
Income tax expense	—	—	—	—
Net loss	(51,671)	(72,507)	(14,472)	(2,271)
Foreign currency translation adjustment	(1,706)	(12,218)	(1,871)	(294)
Total other comprehensive loss, net of nil tax	(1,706)	(12,218)	(1,871)	(294)
Comprehensive loss	(53,377)	(84,725)	(16,343)	(2,565)

CHINACACHE INTERNATIONAL HOLDINGS LTD.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019, 2020 AND 2021****27. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (CONTINUED)****CONDENSED STATEMENTS OF CASH FLOWS**
(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Net cash used in operating activities	(10,481)	(123)	(17)	(3)
Cash flows from investing activities:				
Net cash provided by investing activities	—	—	—	—
Cash flows from financing activities:				
Net cash used in financing activities	—	—	—	—
Net increase /(decrease) in cash and cash equivalents	(10,481)	(123)	(17)	(3)
Cash and cash equivalents at beginning of the year	8,455	880	757	119
Effect of foreign exchange rate changes on cash	2,906	—	—	—
Cash and cash equivalents at end of the year	<u>880</u>	<u>757</u>	<u>740</u>	<u>116</u>

(a) Basis of presentation

The condensed financial information of the Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the Company used the equity method to account for investment in its subsidiaries and VIEs. The Company records its investment in its subsidiaries and VIEs under the equity method of accounting. Such investment is presented on the balance sheets as "Investment in subsidiaries" and share of their income as "Share of losses from subsidiaries and Consolidated VIEs" on the statements of comprehensive loss. The PRC subsidiary and VIEs have restrictions on their ability to pay dividends to the Company under PRC laws and regulations (Note 22). The subsidiaries and VIEs did not pay any dividends to the Company for the years presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted by reference to the consolidated financial statements.

(b) Commitments

The Company does not have significant commitments or long-term obligations as of any of the periods presented.

Certification by the Principal Executive Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Xiaoqiang Wei, certify that:

1. I have reviewed this annual report on Form 20-F of ChinaCache International Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 13, 2022

By: /s/ Xiaoqiang Wei

Name: Xiaoqiang Wei

Title: Chief Executive Officer

Certification by the Principal Financial Officer

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Xiaoqiang Wei, certify that:

1. I have reviewed this annual report on Form 20-F of ChinaCache International Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: June 13, 2022

By: /s/ Xiaoqiang Wei

Name: Xiaoqiang Wei

Title: Acting Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of ChinaCache International Holdings, Ltd. (the “Group”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Xiaoqiang Wei, Chief Executive Officer of the Group, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Group.

Date: June 13, 2022

By: /s/ Xiaoqiang Wei

Name: Xiaoqiang Wei

Title: Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of ChinaCache International Holdings, Ltd. (the “Group”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Xiaoqiang Wei, Acting Chief Financial Officer of the Group, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Group.

Date: June 13, 2022

By: /s/ Xiaoqiang Wei

Name: Xiaoqiang Wei

Title: Acting Chief Financial Officer

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in this Registration Statement of ChinaCache International Holdings Ltd. on:

- 1) Registration Statement (Form S-8 No. 333-172962) pertaining to the 2007, 2008 and 2010 Stock Incentive Plans of the Company,
- 2) Registration Statement (Form S-8 No. 333-176751) pertaining to the 2011 Share Incentive Plan of the Company and
- 3) Registration Statement (Form F-3 No. 333-195192) and related prospectus of the Company;

of our report dated March 31, 2020, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audit of the consolidated statements of operations and comprehensive loss, changes in shareholders' deficit and cash flows for the year ended December 31, 2019 which report is included in this Annual Report on Form 20-F Amendment of ChinaCache International Holdings Ltd. for the year ended December 31, 2021. Our report on the consolidated financial statements refers to a change in the method of accounting for lease due to the adoption of guidance in Accounting Standards Codification ("ASC") Topic 842, Leases ("Topic 842") effective January 1, 2019. We were dismissed as auditors on April 14, 2021 and, accordingly, we have not performed any audit or review procedures with respect to any financial statements appearing in such Prospectus for the periods after the date of our dismissal.

/s/ Marcum Bernstein & Pinchuk LLP

Marcum Bernstein & Pinchuk LLP

Beijing, China

June 13, 2022

June 13, 2022

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Commissioners:

We have read Item 16F of the Form 20-F Amendment for the year ended December 31, 2021 dated June 13, 2022 of ChinaCache International Holdings Ltd. and are in agreement with the statements contained in subsection (c) contained therein concerning Marcum Bernstein & Pinchuk LLP. We have no basis to agree or disagree with other statements of the registrant contained therein.

Very truly yours,

/s/ Marcum Bernstein & Pinchuk LLP
Marcum Bernstein & Pinchuk LLP

**Document and Entity
Information - shares**

12 Months Ended

Dec. 31, 2021

Dec. 31, 2020

Entity Registrant Name	ChinaCache International Holdings Ltd.	
Entity Central Index Key	0001498576	
Document Type	20-F/A	
Document Registration Statement	false	
Document Annual Report	true	
Document Transition Report	false	
Document Shell Company Report	false	
Entity File Number	001-34873	
Entity Incorporation, State or Country Code	E9	
Entity Address, Address Line One	No 8 Zhuyuan 3rd Street,	
Entity Address, Address Line Two	Area 3,	
Entity Address, Address Line Three	Tianzhu Comprehensive Bonded Zone	
Entity Address, City or Town	Beijing	
Entity Address, Country	CN	
Document Fiscal Year Focus	2021	
Document Fiscal Period Focus	FY	
Document Period End Date	Dec. 31, 2021	
Amendment Flag	true	
Amendment Description	Amendment No. 1	
Current Fiscal Year End Date	--12-31	
Entity Well-known Seasoned Issuer	No	
Entity Interactive Data Current	Yes	
Entity Voluntary Filers	No	
Entity Current Reporting Status	Yes	
Entity Filer Category	Non-accelerated Filer	
Entity Emerging Growth Company	false	
Document Accounting Standard	U.S. GAAP	
Entity Shell Company	false	
Entity Common Stock, Shares Outstanding	436,816,529	
Auditor Name	Shanghai Perfect C.P.A. Partnership	Marcum Bernstein & Pinchuk llp
Auditor Firm ID	3027	
Auditor Location	Shanghai, China	Beijing, China
Business Contact [Member]		
Contact Personnel Name	Xiaoqiang, Wei	
Entity Address, Address Line One	No 8 Zhuyuan 3rd Street,	
Entity Address, Address Line Two	Area 3,	

Entity Address, Address Line Three	Tianzhu Comprehensive Bonded Zone
Entity Address, City or Town	Beijing,
Entity Address, Country	CN
City Area Code	86 (10)
Local Phone Number	6408 5088
Contact Personnel Fax Number	+86 (10) 6408 5888

**CONSOLIDATED
BALANCE SHEETS**
\$ in Thousands

	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)
Current assets:			
<u>Cash and cash equivalents</u>	¥ 38,432,000	\$ 6,031	¥ 20,284,000
<u>Restricted Cash</u>	7,081,000	1,111	11,007,000
<u>Accounts receivable, net</u>	39,649,000	6,222	66,159,000
<u>Prepaid expenses and other current assets, net</u>	56,226,000	8,823	125,344,000
<u>Amounts due from subsidiaries held for sale</u>			447,000
<u>Assets held for sale</u>	342,570,000	53,757	342,570,000
<u>Total current assets</u>	483,958,000	75,944	565,811,000
Non-current assets:			
<u>Property and equipment, net</u>	321,280,000	50,416	362,340,000
<u>Land use right, net</u>	22,688,000	3,560	30,761,000
<u>Cloud infrastructure construction in progress</u>	157,083,000	24,650	289,788,000
<u>Long term investments</u>	30,148,000	4,731	30,148,000
<u>Operating lease right-of-use asset</u>	3,400,000	534	5,869,000
<u>Long term deposits and other non-current assets</u>	17,939,000	2,815	27,696,000
<u>Total non-current assets</u>	552,538,000	86,706	746,602,000
TOTAL ASSETS	1,036,496,000	162,650	1,312,413,000
Current liabilities:			
<u>Accounts payable</u>	318,510,000	49,981	331,658,000
<u>Accrued employee benefits</u>	27,793,000	4,361	30,883,000
<u>Accrued expenses and other current liabilities</u>	130,281,000	20,444	94,995,000
<u>Other payables</u>	902,023,000	141,547	1,006,830,000
<u>Income tax payable</u>	89,701,000	14,076	97,054,000
<u>Amounts due to related parties</u>	32,089,000	5,035	26,000
<u>Current portion of long-term borrowings</u>	168,739,000	26,479	319,941,000
<u>Current portion of finance lease obligations</u>			25,241,000
<u>Current portion of operating lease liability</u>	2,565,000	403	2,427,000
<u>Liabilities held for sale</u>	8,944,000	1,404	7,261,000
<u>Total current liabilities</u>	1,680,645,000	263,730	1,916,316,000
Non-current liabilities:			
<u>Non-current portion of operating lease liability</u>	905,000	142	3,470,000
<u>Deferred government grant</u>	14,350,000	2,252	14,350,000
<u>Other non-current liability</u>	31,139,000	4,886	52,775,000
<u>Total non-current liabilities</u>	46,394,000	7,280	70,595,000
<u>Total liabilities</u>	1,727,039,000	271,010	1,986,911,000
Shareholders' deficit:			
<u>Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)</u>	338,000	44	338,000
<u>Additional paid-in capital</u>	1,581,771,000	248,214	1,581,684,000

<u>Treasury stock</u>	(15,332,000)	(2,406)	(15,332,000)
<u>Statutory reserves</u>	1,326,000	208	1,326,000
<u>Accumulated deficit</u>	(2,239,219,000)	(351,382)	(2,224,747,000)
<u>Accumulated other comprehensive loss</u>	(14,273,000)	(2,229)	(12,402,000)
<u>Total ChinaCache International Holdings Ltd. shareholders' deficit</u>	(685,389,000)	(107,551)	(669,133,000)
<u>Noncontrolling interest</u>	(5,154,000)	(809)	(5,365,000)
<u>Total shareholder's deficit</u>	(690,543,000)	(108,360)	(674,498,000)
<u>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</u>	¥	\$	¥
	1,036,496,000	162,650	1,312,413,000

**CONSOLIDATED
BALANCE SHEETS**
(Parenthetical) - \$ / shares

Dec. 31, 2021 Dec. 31, 2020

CONSOLIDATED BALANCE SHEETS

<u>Ordinary shares, par value (in dollars per share)</u>	\$ 0.0001	\$ 0.0001
<u>Ordinary shares, shares authorized (in shares)</u>	1,000,000,000	1,000,000,000
<u>Ordinary shares, shares issued (in shares)</u>	436,816,529	436,816,529
<u>Ordinary shares, shares outstanding (in shares)</u>	436,816,529	436,816,529

CONSOLIDATED STATEMENTS OF OPERATION AND COMPREHENSIVE LOSS	12 Months Ended			
	Dec. 31, 2021 CNY (¥) ¥ / shares shares	Dec. 31, 2021 USD (\$) \$ / shares shares	Dec. 31, 2020 CNY (¥) ¥ / shares shares	Dec. 31, 2019 CNY (¥) ¥ / shares shares
CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY				
<u>Net revenues</u>	¥	\$	¥	¥
	205,391,000	32,230,000	335,337,000	918,628,000
<u>Cost of revenues</u>	(156,390,000)	(24,541,000)	(235,889,000)	(689,820,000)
<u>Gross profit</u>	49,001,000	7,689,000	99,448,000	228,808,000
<u>Other operating loss (income), net</u>	1,339,000	210,000	(23,943,000)	(29,176,000)
<u>Sales and marketing expenses</u>	(22,316,000)	(3,502,000)	(22,174,000)	(36,059,000)
<u>General and administrative expenses</u>	(55,905,000)	(8,773,000)	(65,943,000)	(152,160,000)
<u>(Provision for)/ recovery of doubtful accounts</u>	(70,426,000)	(11,051,000)	2,121,000	(8,449,000)
<u>Research and development expenses</u>	(262,000)	(41,000)	(10,729,000)	(54,059,000)
<u>Impairment of long-lived assets</u>	(114,000)	(18,000)	(13,448,000)	0
<u>Operating loss</u>	(98,683,000)	(15,486,000)	(34,668,000)	(51,095,000)
<u>Interest income</u>	329,000	52,000	96,000	181,000
<u>Interest expense</u>	(45,691,000)	(7,170,000)	(44,216,000)	(49,924,000)
<u>Other income /(expenses), net</u>	135,997,000	21,341,000	(7,896,000)	36,367,000
<u>Gain on disposal of subsidiaries ¥</u>				18,285,000
<u>Foreign exchange loss (gain)</u>	(6,110,000)	(959,000)	13,567,000	1,448,000
<u>Profit (Loss) before income taxes</u>	(14,158,000)	(2,222,000)	(73,117,000)	(44,738,000)
<u>Income tax expense</u>	(103,000)	(16,000)	(6,000)	(7,967,000)
<u>Net loss</u>	(14,261,000)	(2,238,000)	(73,123,000)	(52,705,000)
<u>Less: net loss attributable to noncontrolling interest</u>	211,000	33,000	(616,000)	(1,034,000)
<u>Net loss attributable to the Company's shareholders</u>	¥	\$	¥	¥
	(14,472,000)	(2,271,000)	(72,507,000)	(51,671,000)
<u>Basic (in CNY or dollars per share) (per share)</u>	¥ (0.03)	\$ (0.01)	¥ (0.17)	¥ (0.12)
<u>Diluted (in CNY or dollars per share) (per share)</u>	¥ 0.11	\$ 0.02	¥ (0.17)	¥ (0.12)
<u>Basic (in shares)</u>	436,816,529	436,816,529	436,763,196	436,649,822
<u>Diluted (in shares)</u>	436,816,529	436,816,529	436,763,196	436,649,822
<u>Foreign currency translation adjustment</u>	¥ (1,871,000)	\$ (294,000)	¥	¥ (1,706,000)
			(12,218,000)	
<u>Unrealized holding gain on available-for-sale investment</u>	0	0	0	0
<u>Reclassification from Accumulated Other Comprehensive Income, Current Period, Net of Tax</u>	0	0	0	0
<u>Total other comprehensive loss net of tax</u>	(1,871,000)	(294,000)	(12,218,000)	(1,706,000)
<u>Comprehensive loss</u>	(16,132,000)	(2,532,000)	(85,341,000)	(54,411,000)
<u>Less: comprehensive gain (loss) attributable to noncontrolling interest</u>	211,000	33,000	(616,000)	(1,034,000)

Comprehensive loss attributable to the Company's shareholders

¥	\$	¥	¥
(16,343,000)	(2,565,000)	(84,725,000)	(53,377,000)

CONSOLIDATED STATEMENTS OF CASH FLOWS	12 Months Ended			
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)
Cash flows from operating activities:				
<u>Net profit (loss)</u>	¥	\$	¥	¥
	(14,261,000)	(2,238,000)	(73,123,000)	(52,705,000)
<u>Depreciation of property and equipment</u>	28,410,000	4,458,000	38,169,000	28,642,000
<u>Amortization of intangible assets and land use right</u>	706,000	111,000	769,000	770,000
<u>Non cash lease expense</u>	2,469,000	387,000	4,307,000	37,247,000
<u>Allowance for doubtful accounts</u>	70,426,000	11,051,000	(2,121,000)	8,449,000
<u>Impairment of long-lived assets</u>	114,000	18,000	13,448,000	0
<u>Loss/(gain) from disposal of property and equipment</u>	9,113,000	1,430,000	3,479,000	(37,520,000)
<u>Gain from disposal of long-term investment</u>				(50,000)
<u>Gain from disposal of subsidiaries</u>				(18,285,000)
<u>Interest expense adjustment</u>			5,725,000	4,037,000
<u>Foreign exchange gain</u>	6,110,000	959,000	(13,567,000)	(1,448,000)
<u>Share-based compensation</u>	87,000	14,000	620,000	1,891,000
<u>Amortization of other non-current asset</u>	9,757,000	1,531,000	18,703,000	19,838,000
<u>Amortization of deferred government grant</u>			(302,000)	(1,394,000)
Changes in operating assets and liabilities:				
<u>Accounts receivable</u>	23,284,000	3,654,000	41,714,000	104,739,000
<u>Prepaid expense and other current assets</u>	1,969,000	309,000	(16,174,000)	31,931,000
<u>Long term deposits and other non-current assets</u>				2,075,000
<u>Accounts payable</u>	(13,148,000)	(2,063,000)	53,346,000	(60,951,000)
<u>Accrued employee benefits</u>	(3,090,000)	(485,000)	(7,002,000)	1,091,000
<u>Accrued expenses and other payables</u>	(14,236,000)	(2,234,000)	45,294,000	27,882,000
<u>Income tax payable</u>	(7,353,000)	(1,154,000)	4,563,000	15,459,000
<u>Amounts due from a related party</u>			65,000	(65,000)
<u>Amounts due to related parties</u>	521,000	82,000	(1,000)	(42,000)
<u>Operating lease liabilities</u>	(2,427,000)	(381,000)	(37,113,000)	(2,647,000)
<u>Other non-current liabilities</u>	(21,636,000)	(3,395,000)	1,802,000	
<u>Net cash (used in)/provided by operating activities</u>	76,815,000	12,054,000	82,601,000	108,944,000
Cash flows from investing activities:				
<u>Purchases of property and equipment and intangible assets</u>	(145,000)	(23,000)	(148,000)	(5,742,000)
<u>Cash receipts from sales of long-term investments</u>				72,000
<u>Cash paid for cloud infrastructure construction in progress</u>	(29,587,000)	(4,643,000)	(53,700,000)	(54,097,000)
<u>Repayment of consideration refund with interest</u>				(14,536,000)
<u>Proceeds from disposal of property and equipment</u>	3,568,000	560,000	1,512,000	38,625,000
<u>Net cash used in investing activities</u>	(26,164,000)	(4,106,000)	(52,336,000)	(35,678,000)
Cash flows from financing activities:				
<u>Payment of borrowing cost</u>			(9,626,000)	(1,873,000)
<u>Repayment of bank borrowings</u>	(3,208,000)	(503,000)	(59,000)	(73,850,000)
<u>Proceeds from employee for exercise of share options</u>				20,000

<u>Payments of finance lease obligations</u>	(25,241,000)	(3,961,000)	(31,782,000)	(25,950,000)
<u>Proceeds from sales and lease back</u>				20,500,000
<u>Proceeds from sales of ordinary shares from treasury stock</u>				2,701,000
<u>Net cash provided by /(used in) financing activities</u>	(28,449,000)	(4,464,000)	(41,467,000)	(78,452,000)
<u>Net decrease in cash and cash equivalents and restricted cash</u>	22,203,000	3,484,000	(11,202,000)	(5,186,000)
<u>Cash and cash equivalents and restricted cash at beginning of the year</u>	31,291,000	4,910,000	41,144,000	46,589,000
<u>Effect of foreign exchange rate changes on cash</u>	(7,981,000)	(1,252,000)	1,349,000	(259,000)
<u>Cash, cash equivalents and restricted cash at end of the year</u>	45,513,000	7,142,000	31,291,000	41,144,000
<u>Supplemental disclosures of cash flow information:</u>				
<u>Interest paid</u>			(9,626,000)	(38,339,000)
<u>Interest received</u>	329,000	52,000	96,000	181,000
<u>Income tax paid</u>	(5,000)	(1,000)	(6,000)	(453,000)
<u>Supplemental disclosures of non-cash activities:</u>				
<u>Acquisition of property and equipment included in accrued expenses and other payables</u>			(352,786,000)	(393,287,000)
<u>Obtaining right-of-use assets in exchange for lease liabilities</u>			¥ 7,414,000	¥ 166,745,000
<u>Offset of long-term loan</u>	¥	\$		
	172,338,000	27,044,000		

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY/(DEFICIT) \$ in Thousands	Ordinary shares CNY (¥) shares	Additional paid-in capital CNY (¥)	Treasury Stock CNY (¥)	Statutory reserves CNY (¥)	Accumulated deficit CNY (¥)	Accumulated other comprehensive income CNY (¥)	Noncontrolling interests CNY (¥)	CNY (¥) shares	USD (\$) shares
Balance at beginning of year at Dec. 31, 2018	¥ 338,000	¥ 1,579,153,000	¥ (18,033,000)	¥ 1,326,000	¥ (2,100,569,000)	¥ 1,522,000	¥ (3,715,000)	¥ (539,978,000)	
Balance at beginning of year (in shares) at Dec. 31, 2018 shares	429,404,977								
Net profit (loss)					(51,671,000)		(1,034,000)	(52,705,000)	
Foreign currency translation adjustment						(1,706,000)		(1,706,000)	
Unrealized holding gain on available-for-sale investment								0	
Amounts reclassified from accumulated other comprehensive income								0	
Share-based compensation		1,891,000						1,891,000	
Proceeds from sales of treasury stock			(2,701,000)					(2,701,000)	
Proceeds from sales of treasury stock (in shares) shares	7,047,552								
Exercise of employee stock options		20,000						20,000	
Exercise of employee stock options (in shares) shares	44,000								
Restricted shares vested (in shares) shares	160,000								
Balance at end of year at Dec. 31, 2019	¥ 338,000	¥ 1,581,064,000	¥ (15,332,000)	¥ 1,326,000	¥ (2,152,240,000)	¥ (184,000)	¥ (4,749,000)	¥ (589,777,000)	
Balance at end of year (in shares) at Dec. 31, 2019 shares	436,656,529								
Net profit (loss)					(72,507,000)		(616,000)	(73,123,000)	
Foreign currency translation adjustment						(12,218,000)		(12,218,000)	
Unrealized holding gain on available-for-sale investment								0	
Amounts reclassified from accumulated other comprehensive income								0	
Share-based compensation		620,000						¥ 620,000	
Exercise of employee stock options (in shares) shares								0	0
Restricted shares vested (in shares) shares	160,000							160,000	160,000
Balance at end of year at Dec. 31, 2020	¥ 338,000	¥ 1,581,684,000	¥ (15,332,000)	¥ 1,326,000	¥ (2,224,747,000)	¥ (12,402,000)	¥ (5,365,000)	¥ (674,498,000)	
Balance at end of year (in shares) at Dec. 31, 2020 shares	436,816,529								
Net profit (loss)					(14,472,000)		211,000	(14,261,000)	\$ (2,238)
Foreign currency translation adjustment						(1,871,000)		(1,871,000)	(294)
Unrealized holding gain on available-for-sale investment								0	0
Amounts reclassified from accumulated other comprehensive income								0	\$ 0
Share-based compensation		87,000						¥ 87,000	

Exercise of employee stock options (in shares) shares								0	0
Restricted shares vested (in shares) shares								0	0
Balance at end of year at Dec. 31, 2021	¥ 338,000	¥ 1,581,771,000	¥ (15,332,000)	¥ 1,326,000	¥ (2,239,219,000)	¥ (14,273,000)	¥ (5,154,000)	¥ (690,543,000)	\$ (108,360)
Balance at end of year (in shares) at Dec. 31, 2021 shares	436,816,529								

ORGANIZATION

[ORGANIZATION](#) [ORGANIZATION](#)

12 Months Ended
Dec. 31, 2021

1. ORGANIZATION

ChinaCache International Holdings Ltd. (the "Company") was incorporated under the laws of the Cayman Islands on June 29, 2005 and its principal office is located in the Cayman Islands. The founders of the Company are Mr. Wang Song and his spouse Kou Xiaohong (the "Founders").

The Company through its subsidiaries and variable interest entities (collectively "the Group") noted below are principally engaged in the provision of content delivery total solutions in the People's Republic of China (the "PRC").

As of December 31, 2021, subsidiaries of the Company and variable interest entities ("VIEs") where the Company is the primary beneficiary include:

	Date of incorporation	Place of incorporation	Percentage of ownership	Principal business activities
Subsidiaries				
ChinaCache Network Technology (Beijing) Ltd. ("ChinaCache Beijing")	August 25, 2005	The PRC	100 %	Provision of technical consultation services
ChinaCache North America Inc. ("ChinaCache US")	August 16, 2007	United States of America	100 %	Provision of content and application delivery
JNet Holdings Limited ("JNet Holdings")	September 27, 2007	British Virgin Islands	100 %	Investment holding
ChinaCache Networks Hong Kong Ltd. ("ChinaCache HK")	April 7, 2008	Hong Kong	100 %	Provision of content and application delivery
ChinaCache Xin Run Technology (Beijing) Co., Ltd. ("Xin Run")	July 18, 2011	The PRC	99 % ⁽ⁱ⁾	Construction of cloud infrastructure
Metasequoia Investment Inc. ("Metasequoia")	March 28, 2012	British Virgin Islands	100 %	Investment holding
Beijing Shou Ming Technology Co., Ltd. ("Beijing Shou Ming")	August 15, 2014	The PRC	99 % ⁽ⁱⁱ⁾	Computer hardware, technology development
Beijing Zhao Du Technology Co., Ltd. ("Beijing Zhao Du") ⁽ⁱⁱⁱ⁾	August 15, 2014	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
ChinaCache Networks (UK) Limited ("ChinaCache UK")	March 10, 2016	England and Wales	100 %	Provision of content and application delivery
Beijing Xiangqing Technology Co., Ltd. ("Beijing Xiangqing") ^(iv)	April 28, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
Beijing Wangrun Technology Co., Ltd. ("Beijing Wangrun") ^(iv)	April 26, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
ShenRong Technology (Hongkong) Limited ("ShenRong HK") ^(iv)	December 16, 2019	Hong Kong	100 %	Mechanical equipment lease
Beijing Shuosun Technology Co., Ltd. ("Beijing Shuosun") ^(iv)	April 28, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
RuiShen Technology (Beijing) Co., Ltd. ("RuiShen BJ") ^(v)	January 16, 2020	The PRC	100 %	Technology Development
ChinaCache (Hong Kong) Limited ("CCHK") ^(vi)	October 30, 2020	The PRC	100 %	Technology Development
VIEs				
Beijing Blue I.T. Technologies Co., Ltd. ("Beijing Blue IT") ⁽ⁱ⁾	June 7, 1998	The PRC	—	Provision of content and application delivery
Beijing Jingtian Technology Limited ("Beijing Jingtian") ⁽ⁱ⁾	September 1, 2005	The PRC	—	Provision of content and application delivery
ChinaCache Shouming Technology (Beijing) Co., Ltd. ("ChinaCache Shouming") ⁽ⁱ⁾	June 6, 2018	The PRC	—	Technology Development
ShenRong Technology (Beijing) Co., Limited ("ShenRong BJ") ⁽ⁱ⁾	November 22, 2019	The PRC	—	Technology Development

(i) The equity interest of Beijing Blue IT is held by the Founders, and Beijing Jingtian is held by two individual shareholders. The equity interest of Beijing Jingtian is held by Tianjin Ding Sheng Zhi Da Technologies Co., Ltd. ("Ding Sheng Zhi Da") and another individual shareholder. The equity interest of Beijing Jingtian is held by two individual shareholders. The Founders, Ding Sheng Zhi Da and the other individual shareholders mentioned above are collectively referred to as the Founders.

(ii) On November 16, 2015, Xin Run received a capital injection of RMB1,292,000 (US\$202,000) from Tianjin Shuishan Technology Co., Ltd. ("Shuishan"), which is wholly-owned by the Founders. As a result, the percentage of the Company's equity ownership in Xin Run and Xin Run's wholly-owned subsidiary as of December 31, 2020 and 2021.

1. ORGANIZATION (CONTINUED)

(iii) In July 2017, Xin Run transferred all of its equity interests in Beijing Zhao Du to a buyer (Note 9). However, due to the disputes disclosed in Note 9, the transaction has not yet closed.

(iv) In April and December 2019, the Group established certain subsidiaries, Beijing Wangrun, Beijing Xiangqing, Beijing Shuosun, and ShenRong HK, which have not started any operation.

(v) In January 2020, the Group established a subsidiary, RuiShen BJ, a wholly-owned subsidiary of ShenRong HK, which has not started any operation.

(vi) In January 2020, the Group obtained control over ShenRong BJ through contractual arrangement.

(vii) In October 2020, the group incorporated ChinaCache (Hong Kong) Limited, or CCHK, a wholly-owned subsidiary of ChinaCache UK.

Through the Company's subsidiaries in the PRC, the Company signed a series of contracts with certain VIEs, specifically Beijing Blue IT in September 2005, Beijing Jingtian in July 2008, ChinaCache Shouming in September 2018, and ShenRong BJ in March 2020. The following is a summary of the various VIE agreements:

Exclusive option agreements

Pursuant to the exclusive option agreement amongst the Company and the Nominal Shareholders of Beijing Blue IT in September 2005, the Nominal Shareholders of Beijing Blue IT irrevocably granted the Company or its designated party, an exclusive option to purchase all or part of the equity interests held by the Beijing Blue IT, when and to the extent permitted under PRC law, at an amount equal to either a) the outstanding loan amount pursuant to the loan agreement with the Nominal Shareholders or b) the lowest permissible purchase price as set by PRC law. Such consideration, if in excess of the outstanding loan amount, shall be paid by the Nominal Shareholders upon the exercise of the exclusive option is required to be remitted in full to the Company. Beijing Blue IT cannot declare or grant loans in any form without the prior written consent of the Company. The Nominal Shareholders of Beijing Blue IT must remit in full any distributions to Beijing Blue IT to the Company, in the event any distributions are made by the Beijing Blue IT pursuant to any written consents of the Company. Similar agreements were signed by ChinaCache Beijing with Beijing Jingtian in July 2008, by Xin Run with ChinaCache Shouming in September 2018, and by RuiShen BJ in March 2020.

Other than the agreement amongst the RuiShen BJ and the Nominal Shareholders of ShenRong BJ, all the afore-mentioned exclusive option agreements have a term of ten years, and can be renewed for an additional ten years at the sole discretion of the Company/ ChinaCache Beijing /Xin Run, and the times of such renewals. The agreement amongst the Company and the Nominal Shareholders of Beijing Blue IT has been renewed and will expire on January 20, 2026. The agreement amongst the Company and the Nominal Shareholders of Beijing Jingtian has been renewed and will expire on January 15, 2029. The agreement amongst the Company and the Nominal Shareholders of ChinaCache Shouming will be expired on August 20, 2028. The exclusive option agreements amongst the RuiShen BJ and the Nominal Shareholders of ShenRong BJ will remain effective until all equity interests held by the shareholders of ShenRong BJ have been transferred or assigned to RuiShen BJ representative.

1. ORGANIZATION (CONTINUED)

Exclusive business cooperation agreements

Pursuant to the exclusive business cooperation agreement between ChinaCache Beijing/Xin Run /RuiShen BJ and the VIEs, ChinaCache Beijing is to provide research and development, technical support, training and equipment leasing services including technical services, business consultations, access to intellectual property or property leasing, marketing consultancy, system integration, product research and development and system maintenance in return for fees in an amount which is adjustable at the sole discretion of ChinaCache Beijing/Xin Run /RuiShen BJ. The service fees charged to Beijing Blue IT are based on method of technical support and service agreement and technical consultation and training agreement, as further discussed below, see “Exclusive technical support and service agreement/Exclusive technical consultation and training agreement/Equipment leasing agreement”. The service fees charged to Beijing Jingtian/ ChinaCache Shouming is based on 100% of their net income respectively.

All the Exclusive business cooperation agreements were valid for ten years, and ChinaCache Beijing/Xin Run/RuiShen BJ can at its sole discretion choose to terminate the agreements through written confirmation. The agreement between ChinaCache Beijing and Beijing Blue IT has been renewed and will expire on January 20, 2026. The agreement amongst the ChinaCache and the Nominal Shareholders of Beijing Jingtian has been renewed and will expire on January 15, 2029. The agreement between Xin Run and ChinaCache Shouming was signed in September 2018, and will be expired on August 20, 2028. The agreement between RuiShen BJ and the Nominal Shareholders of ShenRong BJ was signed in March, 2020, and will be expired on March, 2030.

Exclusive technical support and service agreement/Exclusive technical consultation and training agreement/Equipment leasing agreement

Pursuant to these agreements between ChinaCache Beijing and Beijing Blue IT, ChinaCache Beijing is to provide research and development, technical support, training and equipment leasing services in return for fees, which is adjustable at the sole discretion of ChinaCache Beijing. The fees charged to Beijing Blue IT are based on a fixed amount and a variable quarterly amount which is determined based on the following factors:

- the number of ChinaCache Beijing’s employees who provided the services pursuant to the business cooperation agreement to Beijing Blue IT (“Quarterly Services”) and the qualifications of the employees;
- the number of hours ChinaCache Beijing’s employees spent to provide the Quarterly Services;
- operating expenses incurred by ChinaCache Beijing to provide the Quarterly Services;
- nature and value of the Quarterly Services; and
- Beijing Blue IT’s operating revenue for the quarter.

The original term of each of these three agreements was five years running from September 23, 2005, and each of the agreements was renewed for a five-year term which expired on September 23, 2025. The term of the equipment leasing agreement can be extended solely by ChinaCache Beijing before the expiration of the term, and the extended term shall be determined by ChinaCache Beijing.

The exclusive business cooperation agreement, exclusive technical support and service agreement, exclusive technical consultation and training agreement and equipment leasing agreement are collectively referred to as “Service Agreements”.

1. ORGANIZATION (CONTINUED)

Loan agreements

The Company provided a loan facility of RMB10,000,000 to the Nominal Shareholders of Beijing Blue IT for the purpose of providing capital to support its business. In addition, the Company also agreed to provide unlimited financial support to Beijing Blue IT for its operations and agree to forego the right to demand repayment of the loan in the event Beijing Blue IT is unable to repay such funding. The loan agreement between the Company and the Nominal Shareholders of Beijing Blue IT was signed in September 23, 2015, and expired on September 23, 2015. Such agreement was renewed for an additional ten years to September 23, 2025. Such agreement can be renewed upon mutual written consent of the Company and the Nominal Shareholders of Beijing Blue IT. On January 20, 2016, the Nominal Shareholders of Beijing Blue IT entered into another loan agreement with the Company. Pursuant to this agreement, the Company provided an interest-free loan facility of RMB10,000,000 to the Nominal Shareholders of Beijing Blue IT for the purpose of subscribing for the capital increase of Beijing Blue IT. The term of the loan agreement is ten years from January 20, 2016, and will be expired on January 20, 2026. The term of the loan agreement may be extended upon mutual written consent of the parties. On December 19, 2016, the Nominal Shareholders of Beijing Blue IT entered into another loan agreement with the Company. Pursuant to this agreement, the Company provided an interest-free loan facility of RMB10,000,000 to the Nominal Shareholders of Beijing Blue IT for the purpose of providing capital to support its business.

Shareholders of Beijing Blue IT for the purpose of purchasing the increased capital of Beijing Blue IT. The term of the loan agreement is ten years from August 19, 2026. The term of the loan agreement may be extended upon mutual written consent of the parties.

ChinaCache Beijing also provided a loan of RMB8,500,000 to the Nominal Shareholders of Beijing Jingtian for their investment in the registered subsidiary Company, through ChinaCache Beijing, agreed to provide unlimited financial support to Beijing Jingtian for their operations and agree to forego the right to demand repayment in the event this VIE are unable to repay such funding. The loan agreement between ChinaCache Beijing and the Nominal Shareholders of Beijing Jingtian is valid until August 3, 2022 and expires on December 3, 2022. Such agreement can be extended upon mutual written consent of ChinaCache Beijing and the Nominal Shareholders of Beijing Jingtian.

Xin Run also provided a loan of RMB10,000,000 to the Nominal Shareholders of ChinaCache Shouming for their investment in the registered subsidiary Company, through Xin Run, agreed to provide unlimited financial support to ChinaCache Shouming for their operations and agree to forego the right to demand repayment in the event this VIE are unable to repay such funding. The loan agreement between Xin Run and the Nominal Shareholders of ChinaCache Shouming is valid until August 20, 2028. Such agreement can be extended upon mutual written consent of Xin Run and the Nominal Shareholders of ChinaCache Shouming.

RuiShen BJ also provided a loan of RMB10,000,000 to the Nominal Shareholders of ShenRong BJ for their investment in the registered subsidiary Company, through RuiShen BJ, agreed to provide unlimited financial support to ShenRong BJ for their operations and agree to forego the right to demand repayment in the event this VIE are unable to repay such funding. The loan agreement between RuiShen BJ and the Nominal Shareholders of ShenRong BJ is valid until August 14, 2050. Such agreement can be extended upon mutual written consent of RuiShen BJ and the Nominal Shareholders of ShenRong BJ.

Power of attorney agreements

The Nominal Shareholders entered into the power of attorney agreement whereby they granted an irrevocable proxy of the voting rights underlying their interests in the VIEs to ChinaCache Beijing/Xin Run/ RuiShen BJ, which includes, but are not limited to, all the shareholders' rights and voting rights in the VIEs as the Nominal Shareholders by the company law and the Company's Article of Association. This agreement remains continuously valid, as long as the Nominal Shareholders continue to be the shareholders of the VIEs.

1. ORGANIZATION (CONTINUED)

Power of attorney agreements (continued)

Subsequently, ChinaCache Beijing/Xin Run/RuiShen BJ assigned the power of attorney agreement to ChinaCache Beijing/Xin Run/RuiShen BJ designated by ChinaCache Beijing, Xin Run and RuiShen BJ's shareholders, to whom it granted an irrevocable proxy of the voting rights underlying their interests in the VIEs, which includes, but are not limited to, all the shareholders' rights and voting rights empowered to the Nominal Shareholders of the VIEs as the Nominal Shareholders by the Company's Article of Association.

Share pledge agreements

Pursuant to the share pledge agreement between ChinaCache Beijing/Xin Run/RuiShen BJ, and the Nominal Shareholders of VIEs, the Nominal Shareholders pledged all their equity interests in the VIEs to guarantee the performance of the VIEs' obligations under the Service Agreements.

If the VIEs breach their respective contractual obligations under the business cooperation agreements, ChinaCache Beijing/Xin Run/RuiShen BJ, has the right to exercise certain rights, including the right to sell the pledged equity interests. The Nominal Shareholders of VIEs agreed not to transfer, sell, pledge, disburse or create any new encumbrance on their equity interests in the VIEs without the prior written consent of ChinaCache Beijing/Xin Run/RuiShen BJ. This agreement is valid until all payments due under the above VIE agreements have been fulfilled by the VIEs.

Despite the lack of technical majority ownership, there exists a parent-subsidiary relationship between the Company and the VIEs through the intercompany agreements, whereby the Nominal Shareholders effectively assigned all of their voting rights underlying their equity interest in the VIEs to the Company, either directly or through ChinaCache Beijing/Xin Run/RuiShen BJ, obtained effective control over the VIEs through the ability to exercise the VIEs' shareholders pursuant to the share pledge agreements and the exclusive option agreements. The Company demonstrates its ability and intention to absorb the ability to absorb substantially all of the expected losses directly through the loan agreements. In addition, the Company also demonstrates its ability to absorb all of the economic benefits of the VIEs through ChinaCache Beijing/Xin Run/RuiShen BJ using the Service Agreements. Thus, the Company is able to consolidate the VIEs and consolidates the VIEs under by Accounting Standards Codification ("ASC") Subtopic 810-10 ("ASC 810-10") "Consolidation: Overall Considerations and the Measurement of the Consolidated Entity's Financial Position and Results of Operations."

Legal compliance

Assessing the legal validity and compliance of these above noted arrangements are a precursor to the Company's ability to consolidate the results of operations of its VIEs. In the opinion of the Company's management and PRC counsel, (i) the ownership structure of the VIEs are in compliance with applicable PRC laws and regulations; (ii) each of the currently effective documents under the contractual arrangements among the Company, the Group's PRC subsidiary, interest entities and their shareholders governed by PRC law are valid, binding and enforceable, and will not result in any violation of PRC laws and regulations; and (iii) the Company's business operations are in compliance with existing PRC laws and regulations in all material respects.

1. ORGANIZATION (CONTINUED)

Legal compliance (continued)

However, there is significant consolidation judgment due to the existence of substantial uncertainties regarding the interpretation and application of PRC laws and regulations. Accordingly, the Company cannot be assured that PRC regulatory authorities will not ultimately take a contrary view to the ownership structure of the Company and its contractual arrangements with its VIEs is found to be in violation of any existing or future PRC laws and regulations. The Company may be required to restructure its ownership structure and operations in the PRC. To the extent that changes to and new PRC laws and regulations pertain to the contractual arrangements from also complying with the principles of consolidation, then the Company would no longer be able to consolidate and therefore will not be able to reflect the financial position and results of operations of its VIEs. In the opinion of management, the likelihood of loss and deconsolidation in respect of the ownership structure or the contractual arrangements with its VIEs is remote based on current facts and circumstances.

There was no pledge or collateralization of the VIEs' assets. Creditors of the VIEs have no recourse to the general credit of the Company, wholly owned subsidiaries of the VIEs, and such amounts have been parenthetically presented on the face of the consolidated balance sheets. The Consolidated VIEs operate facilities including data center buildings, leasehold improvements, fiber optic cables, computers and network equipment, which are recognized in the consolidated financial statements. They also hold certain value-added technology licenses, registered copyrights, trademarks and registered domain names, including domain names, which are also considered as revenue-producing assets. However, none of such assets were recorded on the Company's consolidated balance sheets as such assets were all acquired or internally developed with insignificant cost and expensed as incurred. In addition, the Company also hires data center operation and maintenance services for its daily operations and such costs are expensed when incurred. The Company has not provided any financial or other support that it was not previously provide to the VIEs during the periods presented.

Unrecognized revenue-producing assets held by the VIEs mainly include licenses, such as the Internet Content Provision License, the Value-added Network Services Operating License, the Online Culture Operating Permit, and trademarks, patents, copy rights and the domain names. However, none of such assets were recorded on the Company's consolidated balance sheets as such assets were all acquired or internally developed with insignificant cost and expensed as incurred. Unrecognized revenue-producing assets held by the VIEs include core technology, trademarks and domain names. Unrecognized revenue-producing assets, including content and application delivery total solutions, as well as trademarks, are held by ChinaCache Beijing / Xin Run and/or RuiShen BJ.

1. ORGANIZATION (CONTINUED)

Legal compliance (continued)

The following tables represent the financial information of the consolidated VIEs as of December 31, 2020 and 2021 and for the years ended December 31, 2020 and 2021 before eliminating the intercompany balances and transactions between the VIEs and other entities within the Group:

	2020	As of D
	RMB	P
ASSETS:		
Current assets:		
Cash and cash equivalents	2,407	
Restricted cash	8,463	
Accounts receivable (net of allowance for doubtful accounts of RMB75,225 and RMB80,556 (US\$12,641) as of December 31, 2020 and 2021, respectively)	51,074	
Prepaid expenses and other current assets, net	39,664	
Amounts due from inter-companies ⁽¹⁾	270,245	
Amounts due from related parties	—	
Total current assets	371,853	
Non-current assets:		
Property and equipment, net	2	
Intangible assets, net	—	
Long term investments	10,103	
Operating lease right-of-use asset	5,814	
Long term deposits and other non-current assets	128	
Total non-current assets	16,047	
TOTAL ASSETS	387,900	

1. ORGANIZATION (CONTINUED)

Legal compliance (continued)

	2020	As of D
	RMB	P
LIABILITIES:		
Current liabilities:		
Accounts payable	257,499	
Accrued employee benefits	22,367	
Accrued expenses and other current liabilities	48,883	
Other payables	—	
Income tax payable	12,196	
Amounts due to inter-companies ⁽¹⁾	465,151	
Current portion of operating lease liabilities	2,372	
Deferred government grant	—	
Total current liabilities	808,468	
Non-current liabilities:		
Non-current portion of operating lease liabilities	3,470	
Deferred government grant	14,350	
Other noncurrent liabilities	9,210	
Total non-current liabilities	27,030	
Total liabilities	835,498	

(1) Amount due from/to inter-companies consist of intercompany receivables/payables to the other companies within the Group.

	For the Years Ended	
	2019	2020
	RMB'000	RMB'000
Net revenues		
-Third party customers	287,653	243,224
-Inter-companies	532,766	30,670
Net profit/(loss)	60,994	9,718

SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES

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SIGNIFICANT
ACCOUNTING POLICIES

SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES

12 Months Ended

Dec. 31, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of presentation*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

(b) *Going concern*

The Group experienced net loss of approximately RMB52,705,000 · RMB73,123,000 and RMB14,261,000 for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2021, the Group had net current liabilities of approximately RMB1,530,313,000 (US\$240,139,000), excluding net deferred tax liabilities. These conditions raise substantial doubt about the Group’s ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Going concern (continued)*

When preparing the consolidated financial statements as of December 31, 2021 and for the year then ended, the Group’s management concluded that the use of the going concern basis of preparation was appropriate after analyzing the cash flow forecast for the next twelve months. In preparing the cash flow analysis, management estimated consideration of RMB1,528,000,000 (US\$239,776,000) from planned disposal of the cloud infrastructure buildings and assets held for sale, and the estimated revenue from domestic CDN customers from 2022 to compensate the estimated revenue decrease from US, and controlling its operating costs and negotiating favorable payment terms.

If the Group fails to achieve these goals, the Group may need additional financing to execute its business plan. If additional financing is required, the Group may not be able to obtain the necessary amount of financing, whether this additional financing will be in the form of equity, debt, or another form, and the Group may not be able to obtain the necessary amount of financing on acceptable terms, or at all. In the event that financing sources are not available, or that the Group is unsuccessful in increasing its gross revenue to cover its operating losses, the Group may be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures, which could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

Management prepared the consolidated financial statements assuming the Group will continue as a going concern. However, there is no assurance that the Group’s business plan can be achieved as planned. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. If the Group is unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on the financial statements.

(c) *Principles of consolidation*

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs for which the Company is the primary beneficiary. Inter-company transactions and balances between the Company, its subsidiaries and the VIEs are eliminated upon consolidation. Results of acquisitions are consolidated from the date on which control is transferred to the Company.

(d) *Use of estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about the amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reporting period. Areas where management uses subjective judgment include, but are not limited to, estimating the useful lives of long-lived assets, renewal period of lease terms and incremental borrowing rate of right-of-use assets and related lease obligations, impairment of long-lived assets and intangible assets, allowance for doubtful accounts, accounting for deferred income taxes, and accounting for share-based compensation awards. Accounting for the Group’s financial instruments also require significant estimates and judgments provided by management. Changes in financial instruments may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) *Foreign currency*

The functional currency of the Company and each of its subsidiaries and VIEs is the Renminbi (“RMB”), except for ChinaCache US, ChinaCache UK, and ChinaCache HK, which are the United States dollar (“US\$”), Hong Kong dollar (“HK\$”), and Great Britain Pound (“GBP”) respectively. The reporting currency of the Company is the US dollar. Financial assets and liabilities denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. For financial assets and liabilities, exchange gains and losses are included in foreign exchange gains and losses in the consolidated statements of comprehensive loss.

(f) *Convenience translation*

Amounts in US\$ are presented for the convenience of the reader and are translated at the noon buying rate of US\$1.00 to RMB6.3757 on December 31, 2021 in New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the amounts have been, or could be, converted into US\$ at such rate.

(g) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and demand deposits placed with banks or other financial institutions which are unrestricted and have original maturities less than three months.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents also consist of cash and cash equivalents included in assets

(h) Restricted Cash

As of December 31, 2020 and 2021, all the restricted cash relates to cash frozen by courts order during the ongoing legal proceedings.

(i) Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when loss is probable based on evidence indicating troubled collection, historical experience, accounts aging and other factors. An accounts receivable is written off after all collection efforts have been exhausted.

(j) Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Optical Fibers	20 years
Computer equipment	3-15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	10 years
Leasehold improvements	Over the shorter of lease term or the estimated useful lives of the assets
Building	20-40 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment (continued)

Repair and maintenance costs are charged to expense when incurred, whereas the cost of betterments that extend the useful life of property and equipment and additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation which is reflected in the consolidated statements of comprehensive loss.

Property and equipment that are purchased or constructed which require a period of time before the assets are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs. Construction-in-progress is transferred to specific asset accounts and commences depreciation when these assets are ready for their intended use. The amounts of interest that would be capitalized were not recorded ended December 31, 2019, 2020 and 2021.

(k) Land use right

The land use right represents the amounts paid and relevant costs incurred for the right to use land in the PRC and are recorded at purchase cost less accumulated amortization. Amortization is provided on a straight-line basis over the terms of the respective land use right agreement.

(l) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any impairment. Intangible assets with a finite useful life are amortized over the estimated economic life of the intangible assets as follows:

Purchased software	5 years
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Long-lived assets (disposal groups) to be disposed of by sale

The Group classifies long-lived assets and disposal groups as held for sale if their carrying amounts will be recovered principally through disposal of the assets in their continuing use. Such long-lived assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs incurred directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn.

Property and equipment, land use right and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheets.

If circumstances arise that previously were considered unlikely and, as a result, an entity decides not to sell a long-lived asset or disposal group previously classified as held for sale, the asset or disposal group would be reclassified as held and used. The Group measures long-lived assets that are reclassified on an individual basis as follows:

- a. Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation or amortization expense recognized had the asset or disposal group been continuously classified as held and used; and

- b. Its fair value at the date of the subsequent decision not to sell.

A disposal group qualifies as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale, and represents a strategic shift that has (or will have) a major effect on the Group's operations and financial results.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Impairment of long-lived assets

The Group evaluates its long-lived assets or asset group, including intangible assets with finite lives, for impairment whenever events or changes in circumstances (or a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or asset group may not be recoverable. When these events occur, the Group evaluates for impairment by comparing the carrying amount of the assets to future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. For long-lived assets, fair value is generally determined by discounting the cash flows expected to be generated by the assets. Impairment charges of nil, RMB13,448,000 and RMB114,000 (US\$18,000) were recognized from the impairment of long-lived assets and intangible assets for the years ended December 31, 2019, 2020 and 2021, respectively.

(o) Investments

Available-for-sale investments

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Such available-for-sale investments are measured at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss in shareholders' deficit. Realized gains or losses are charged to earnings in which the gain or loss is realized. If the Group determines a decline in fair value is other-than-temporary, the cost basis of the individual security is adjusted to its estimated fair value. The new cost basis will not be adjusted for subsequent recoveries in fair value. Determination of whether declines in fair value are other-than-temporary requires significant judgment. Subsequent increases and decreases in the fair value of available-for-sale securities will be included in other comprehensive income. Impairment of available-for-sale investments for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

Investment in limited partnerships

Where consolidation is not appropriate, the Group applies the equity method of accounting that is consistent with ASC 323 "Investments - Equity Method" to limited partnerships in which the Group holds either (a) a five percent or greater interest or (b) less than a five percent interest when the Group exercises significant influence over the operating or financial policies of the limited partnership. The Group considers certain qualitative factors in assessing whether it exercises significant influence for partnership interests of less than five percent. For investments other than those described in (a) and (b) above, the Group applies the cost method.

Cost method investment

Prior to adopting ASC Topic 321 ("ASC 321"), Investments – Equity Securities, on January 1, 2018, the Group carries at cost its investments in entities that do not have readily determinable values or investments over which the Group does not have significant influence, in accordance with ASC subtopic 321-10 Investments-Other: Cost Method Investments. The Group carries the investment at cost and only adjusts for other-than-temporary declines in fair value. Impairment of cost method investments for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments (continued)

Management regularly evaluates the impairment of equity investments without readily determinable fair value based on the performance and financial condition of the investee, as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment's carrying amount at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. Impairment of equity investments for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

The Group adopted ASC 321 on January 1, 2018 and the cumulative effect of adopting the new standard on opening accumulated deficit is nil. For equity investments, except for those accounted for under the equity method and those that result in consolidation of the investee and certain other investments, the Group measures at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the measurement alternative in ASC 321, the Group elects to use the measurement alternative in ASC 820 ("ASC 820"), Fair Value Measurements and Disclosures, to estimate fair value using the net asset value per share. For equity securities with readily determinable fair value, the Group elects to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes in fair value. For equity securities with readily determinable fair value, price changes in orderly transactions for identical or similar investments of the same issuer, if any. Equity securities with readily determinable fair value, and any changes in fair value are recognized in earnings.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether the investments are impaired. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investments are impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value using the principles of ASC 820. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in net income. Impairment of equity investments for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

(p) Fair value of financial instruments

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, restricted cash, accounts receivable, other receivables and other current assets, short-term investments, short term borrowings, accounts payables, accrued expenses, balances with related parties and other financial instruments, are measured at fair value because of the short-term maturity of these instruments. The carrying amounts of long-term borrowings approximate their fair values.

which approximates market interest rates. Available-for-sale investments were initially recognized at cost and subsequently remeasured at the end of each reporting period with the adjustment in its fair value recognized in accumulated other comprehensive income. The Group, with the assistance of an independent valuation firm, determined the estimated fair value of its available-for-sale investments that are recognized in the consolidated financial statements.

(q) Revenue recognition

The Group provides a portfolio of content and application delivery total solutions within its one class of services, such as, web page content services; rich media streaming services; guaranteed application delivery; managed internet data services; cloud hosting services; content bridging services; and value-added services to its customers that in turn improve the performance, reliability and scalability of their internet services and application

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

On January 1, 2018, the Group adopted ASU No. 2014-09, Revenue from Contracts with Customers, (“ASC 606”), which supersedes the revenue recognition principles in ASC Topic 605, Revenue Recognition, (“ASC 605”), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been reported in accordance with historic accounting under ASC 605. The impact of adopting the new revenue standard was not material to the consolidated financial statements and there was no adjustment to beginning retained earnings on January 1, 2018.

Under ASC 606, an entity recognizes revenue as the Group satisfies a performance obligation when its customer obtains control of promised goods or services that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for contracts that determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when the Group will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Group reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Group recognizes revenue based on the amount of the transaction price allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Group is a principal and records revenue on a gross basis when the Group is primarily responsible for fulfilling the service, has discretion in establishing the price of the promised service before transferring that service to customers. Otherwise, the Group records revenue at the net amounts as commissions.

The Group generates revenue from CDN, IDC and IX services under ASC Topic 606:

CDN Services

CDN is a content distribution network built on the network. Relying on the edge servers deployed in various regions, through load balancing, content delivery and other functional modules of the central platform, CDN enables users to obtain the required content nearby, reduces network congestion, and improves network speed and hit rate. For revenue stream of CDN, the promised service is to provide CDN service to the customer, which is qualified as a single distinct performance obligation. The unit price is fixed when contract entered with customers. CDN services are typically provided to customers over the contract service period and are recognized based on actual usage over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for CDN service on a gross basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

IDC Services

IDC services provide cabinet rental and bandwidth service to customer. The Group provides two promised services, cabinet rental and bandwidth service. These two services are not distinct within the context of the contract as the goal of IDC is to combine traditional internet data center and content delivery. The cabinet rental service and bandwidth service are not distinct within the context of the contract as the goal of IDC is to combine traditional internet data center and content delivery. Thus, the Group's cabinet is not only to benefit from the Group's physical hosting location and maintenance service, but also to enjoy the bandwidth service provided by the Group. It is cost efficient to consume the Group's bandwidth service rather than to connect directly to bandwidth service provider such as China Telecom. Thus, these two promised services within the contract of IDC service-cabinet rental and bandwidth service are not distinct and shall be identified as a single performance obligation. Typically, IDC services are provided to customers for a fixed unit price over the contract service period and the related revenues are recognized based on actual usage over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for IDC service on a gross basis.

IX Services

IX Services allow networks to interconnect directly, via the exchange, rather than through one or more third-party networks. The primary advantages of IX services are cost, latency, and bandwidth. Same as IDC, there are two promised services within the contract, one is to provide a port usage and the other is to provide bandwidth service. However, the service is not distinct within context of the contract as the services provided is highly integrated. Thus, only one performance obligation is identified. The unit price is fixed when contract entered with customers. IX services are provided to customers over the contract service period and are recognized based on actual usage and unit price over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for IX service on a gross basis.

6% of value-added tax, or VAT are applied on all services provided by the Group's PRC subsidiaries and VIEs and VIEs' subsidiaries.

Disaggregation of revenues

The following table illustrates the disaggregation of revenue by revenue stream for the years ended December 31, 2019, 2020 and 2021.

	For the Years Ended D	
	2019	2020
	RMB'000	RMB'000
CDN Services	648,117	103,548
IDC Services	255,524	223,887
IX Services	14,987	7,902
Total	918,628	335,337

The following table provides information about accounts receivables and contract liabilities from contracts with customers:

	Years as	
	2020	
	RMB'000	
Accounts receivables	66,159	
Advance from customers	17,466	

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Cost of revenues

Cost of revenue consists primarily of depreciation of the Group's long-lived assets, amortization of acquired intangible assets, maintenance, purchase of services and other overhead expenses directly attributable to the provision of content and application delivery total solutions.

All the services provided by the Group in the PRC, including VIEs are subject to VAT. Such VAT (to the extent that is non-deductible) and other taxes are charged to cost of revenues as the related exclusive business support, technical and consulting services are rendered.

(s) Advertising expenditures

Advertising expenditures are expensed as incurred. Advertising expenditures, included in sales and marketing expenses, amounted to approximately RMB100 million for the years ended December 31, 2019, 2020 and 2021, respectively.

(t) Research and development costs

Research and development costs consist primarily of payroll and related personnel costs for minor routine upgrades and related enhancements to the network. Costs incurred in the development of the Group's services are expensed as incurred. To date, the amount of costs qualifying for capitalization is RMB100 million.

(u) Government grant

Government grant are provided by the relevant PRC municipal government authorities to subsidize the cost of certain research and development activities. The amount of such government grant is determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will receive government grant in the future. Government grant are recognized when it is probable that the Group will comply with the conditions attached to the grant received. When the grant relates to an expense item, it is recognized as deferred government grant and released to the consolidated statements of comprehensive income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate, as other operating income. Where the grant relates to an asset, it is recognized as deferred government grant and released to the consolidated statements of comprehensive loss in equal amounts over the expected useful life of the asset, when operational, as other operating income.

Government grant received by the Group also consist of unrestricted grant which are received on an unsolicited and unconditional basis to support the Group's operations and do not relate to the Group's operating activities. Unrestricted grant is classified as non-operating income and recorded in other income on the consolidated statements of comprehensive loss upon receipt.

(v) Leases

Leases are classified at the inception date as either a finance lease or an operating lease. The Group did not enter into any leases whereby it is the lessor. The Group leases equipment under finance lease agreements. As the lessee, a lease is a finance lease if any of the following conditions are met: a) the lease term is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is for the major part of the equipment's economic life, or d) the present value of the sum of the lease payments and any residual value guaranteed that is not already reflected in the lease payments is substantially all of the fair value of equipment, d) the equipment is of such specialized nature that is expected to have no alternative use to the lessor. A lease involving integral equipment is a finance lease only if condition (a) or (b) exists. A finance lease is accounted for as if there was an acquisition of an asset and the incurrence of an obligation at the inception of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases (continued)

The Group has certain operating leases for offices and IDC buildings 3# with equipment in it. Some leases include one or more options to renew the lease at the Group's sole discretion. The majority of renewals to extend the lease terms are not included in our right of use assets and lease liabilities as they do not contain options of exercise. The Group regularly evaluates the renewal options, and, when it is reasonably certain of exercise, it will include the renewal period in the lease term. Lease modifications result in remeasurement of the right of use asset and lease liability. The Group's lease agreements do not contain any material restrictive covenants.

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring the recognition of lease right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of

liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users to assess the amount, timing, and uncertainty of cash flows arising from leases. The Group is also required to recognize and measure new lease liabilities and recognize a cumulative-effect adjustment in the period of adoption using a modified retrospective approach, with certain practical expedients available.

On January 1, 2019, the Group adopted the new lease accounting standard using a modified retrospective transition method which allowed the Group to reclassify lease periods presented in its consolidated financial statements. Adoption of this standard resulted in the recording of operating lease ROU assets and lease liabilities and had no impact on accumulated deficit as of January 1, 2019. It had an impact on the Group's consolidated balance sheets, by increasing ROU assets and lease liabilities of RMB166,124,000 (US\$23,862,000) and RMB164,358,000 (US\$23,608,000), respectively, for operating leases, while for finance leases remained substantially unchanged. The adoption of ASC 842 did not have a material impact on the Group's results of operations for current year and prior year comparative periods and as a result, a cumulative-effect adjustment was not required. ROU assets and related lease liabilities commencement date based on the present value of remaining lease payments over the lease term, using the interest rate implicit in the lease or, if not determined, the Group's incremental borrowing rate for the same term as the underlying lease.

(w) Income taxes

The Group follows the liability method in accounting for income taxes in accordance to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes. Tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

The Group adopted ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by requiring a threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Group has elected to classify income tax benefits to unrecognized tax benefits, if and when required, as part of "interest expense" and "other expenses," respectively, in the consolidated statements of income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Share-based compensation

Share options and restricted share units award granted to employees are accounted for under ASC 718 "Compensation – Stock Compensation". In determining the fair value of the share options and restricted share units award, the Company determines whether share options or restricted share units award should be classified and accounted for as liability or equity award. Share options and restricted share units award to employees classified as equity award are recognized in the financial statements over their requisite service period at fair values.

The Company has elected to recognize compensation expenses using the accelerated method for its share options and restricted share units granted. For share options granted with performance conditions, the Company commences recognition of the related compensation expense if it is probable the defined performance conditions will be met. To the extent that the Company determines that it is probable that a different number of share-based awards will vest depending on the outcome of the performance condition, the cumulative effect of the change in estimate is recognized in the period of change. Forfeitures are recognized when they occur.

The Company, with the assistance of an independent valuation firm, determined the estimated fair values of the share options granted to employees using the binomial option pricing model.

On January 1, 2018, the Company adopted ASU 2017-09 "Compensation - Stock Compensation: Scope of Modification Accounting", which provides guidance on (1) diversity in practice and (2) cost and complexity when applying the guidance in ASC 718 to a change to the terms or conditions of a share-based award. The adoption of ASU 2017-09 did not have a material impact on the Company's consolidated financial statements.

(y) Loss per share

In accordance with ASC 260, "Earnings per Share", basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders by the number of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Dilutive ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the share options, using the treasury stock method. Ordinary shares are not included in the computation of diluted per share if their effects would be anti-dilutive.

(z) Comprehensive income/(loss)

Comprehensive income/(loss) is defined as the increase/(decrease) in equity of the Group during a period from transactions and other events and distributions to owners resulting from investments by owners and distributions to owners. Comprehensive income/(loss) is reported in the consolidated statement of comprehensive loss. Accumulated other comprehensive loss of the Group includes foreign currency translation adjustments related to ChinaCache ShenRong HK and ChinaCache UK whose functional currency are US\$, HK\$, HK\$ and GBP respectively, and the change in fair value of available-for-sale investments, net of their corresponding deferred tax impact, if any.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Segment reporting

The Group follows ASC 280, "Segment Reporting." The Group's Chief Executive Officer or chief operating decision-maker reviews the consolidated financial statements and makes decisions about allocating resources and assessing the performance of the Group as a whole and hence, the Group has only one reportable segment. The Group operates and manages its business as a single segment through the provision of a single class of global services for accelerating and improving applications over the Internet. As the Group's long-lived assets are substantially all located in the PRC, revenues are derived from each subsidiary primarily provided in PRC, no geographical segments are presented.

(bb) Treasury Stock

The Group accounted for shares repurchased as treasury stock at cost in accordance with ASC Subtopic 505-30 ("ASC 505-30"), "Treasury Stock." The Group reports the cost of shares repurchased in the shareholders' deficit as the Group has not yet decided on the ultimate disposition of those ADSs acquired. When the Group uses the treasury stock method, the cost of shares repurchased is recorded as a debit to treasury stock and a credit to additional paid-in capital.

of share options and restricted share units vested, the difference between the proceeds received upon settlement and the repurchase price is debited to equity. When the Group decides to retire the treasury stock, the difference between the par value and the repurchase price is debited into accumulated deficit.

(cc) Recent accounting pronouncement

In June 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”), *Financial Instruments – Credit Losses (Topic 326): Measurement of Financial Instruments*. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace “incurred loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowance for credit losses based on carrying amount, as they do today under the other-than-temporary impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. In November 2019, the FASB issued ASU No. 2019-10 to postpone the effective date of ASU No. 2016-13 for public business entities eligible to be smaller reporting companies defined by the SEC to fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 (“ASU 2018-13”), *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosures*. The amendments in the issued update remove, modify and add disclosure requirements on fair value measurements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years beginning after December 15, 2019. Certain amendments in the update should be applied prospectively for only the most recent interim or annual period presented in the financial statements. All other amendments should be applied retrospectively to all periods presented. Early adoption is permitted upon issuance of this update. An entity may elect to adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17 (“ASU 2018-17”), *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The updated guidance requires entities to consider indirect interests held through related parties under common control on a proportionate basis, which is equivalent of a direct interest in its entirety when determining whether a decision-making fee is a variable interest. The amendments in this update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) Recent accounting pronouncement (continued)

In November 2018, the FASB issued ASU No. 2018-19 (“ASU 2018-19”), *Codification Improvements to Topic 326: Financial Instruments—Credit Losses*. ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating leases should be measured for in accordance with Topic 842, Leases. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Recently issued ASUs by the FASB, except for the ones mentioned above, have no material impact on the Group’s consolidated results of operations.

**CONCENTRATION OF
RISK**

**12 Months Ended
Dec. 31, 2021**

**CONCENTRATION OF
RISK**

CONCENTRATION OF RISK 3. CONCENTRATION OF RISK

(a) Credit risk

Financial instruments that potentially subject the Group to significant concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable, other receivables included in prepaid expenses and other current assets, available-for-sale investments and amounts due from related parties. As of December 31, 2020 and 2021, RMB 17,369,000 and RMB 26,389,000 (US\$4,141,000), respectively, were deposited with major financial institutions located in the PRC, RMB 1,297,000 and RMB 4,386,000 (US\$688,000), respectively, were deposited with in the major financial institutions located in the Hong Kong Special Administration Region, RMB 4,694,000 and RMB 3,363,000 (US\$527,000), respectively, were deposited with major financial institutions located in the UK, RMB 7,931,000 and RMB 11,373,000 (US\$1,784,000), respectively were held in major financial institutions in the United States of America. Management believes that these financial institutions are of high credit quality and continually monitor the credit worthiness of these financial institutions. Historically, deposits in Chinese banks are secure due to the state policy on protecting depositors' interests. However, China promulgated a new Bankruptcy Law in August 2006 that came into effect on June 1, 2007, which contains a separate article expressly stating that the State Council may promulgate implementation measures for the bankruptcy of Chinese banks based on the Bankruptcy Law. Under the new Bankruptcy Law, a Chinese bank may go into bankruptcy. In addition, since China's concession to the World Trade Organization, foreign banks have been gradually permitted to operate in China and have been significant competitors against Chinese banks in many aspects, especially since the opening of the Renminbi business to foreign banks in late 2006. Therefore, the risk of bankruptcy of those Chinese banks in which the Group has deposits has increased. In the event of bankruptcy of one of the banks which holds the Group's deposits, it is unlikely to claim its deposits back in full since it is unlikely to be classified as a secured creditor based on PRC laws.

(b) Business, supplier, customer, and economic risk

The Group participates in a relatively young and dynamic industry that is heavily reliant and also susceptible to complementary and/or competitive technological advancements. The Group believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations or cash flows:

- (i) Business Risk - Third parties may develop technological or business model innovations that address content delivery requirements in a manner that is, or is perceived to be, equivalent or superior to the Group's services. If competitors introduce new products or services that compete with, or surpass the quality, price or performance of the Group's services, the Group may be unable to renew its agreements with existing customers or attract new customers at the prices and levels that allow the Group to generate reasonable rates of return on its investment.

3. CONCENTRATION OF RISK (CONTINUED)

(b) Business, supplier, customer, and economic risk (Continued)

- (ii) Supplier Risk - Changes in key telecommunications resources suppliers and certain strategic relationships with telecom carriers. The Group's operations are dependent upon communications capacity provided by the third-party telecom carriers and third-party controlled end-user access network. There can be no assurance that the Group are

adequately prepared for unexpected increases in bandwidth demands by its customers. The communications capacity the Group has leased may become unavailable for a variety of reasons, such as physical interruption, technical difficulties, contractual disputes, or the financial health of its third-party providers. Any failure of these network providers to provide the capacity the Group requires may result in a reduction in, or interruption of, service to its customers. Details of the purchase from suppliers accounting for 10% or more of total purchase cost are as follows:

	Years as of December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Supplier A	59,465	*	*	*
Supplier B	49,802	63,608	*	*
Supplier C	91,268	*	*	*
Supplier D	*	13,833	*	*
Supplier E	*	12,431	*	*
Supplier F	*	*	62,296	9,776
Supplier G	*	*	29,522	4,633

Details of the accounts payable for purchases accounting for 10% or more of total cost are as follow:

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Supplier A	*	*	*
Supplier B	28,929	28,929	4,540
Supplier C	*	*	*
Supplier D	12,853	*	*
Supplier E	6,290	*	*

*not greater than 10%

3. CONCENTRATION OF RISK (CONTINUED)

(b) Business, supplier, customer, and economic risk (Continued)

- (iii) Customer Risk - Revenue concentration on certain customers. The success of the Group's business going forward will rely in part on Group's ability to continue to obtain and expand business from existing customers while also attracting new customers. Although the Group has a diversified base of customers covering its one class of services, such as, web page content services; file transfer services; rich media streaming service; guaranteed application services; managed internet data services; cloud hosting services; content bridging services; mobile internet solution; and value-added services, the Group does depend on a limited number of customers for a substantial portion of their revenue, and the loss of, or a significant shortfall in demand from, these customers could significantly harm the Group's results of operations. Details of the revenues for customers accounting for 10% or more of total revenues are as follows:

	Years as of December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Customer E	520,358	*	*	*
Customer F	*	54,389	*	*
Customer G	*	*	65,505	10,279

Customer H * * 20,774 3,260

Details of the accounts receivables for customers accounting for 10% or more of total accounts receivable are as follows:

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Customer A	7,019	*	*
Customer B	*	15,113	2,372
Customer C	6,352	5,387	845
Customer D	*	5,012	786
Customer F	17,706	*	*
Customer H	*	5,160	810

- (iv) Emerging or unproven business models of customers. Many of the Group's existing and potential customers are pursuing emerging or unproven business models which, if unsuccessful, could lead to a substantial decline in demand for the Group's services, and the Group's growth and prospects may be materially and adversely affected.
- (v) Political, economic and social uncertainties. The Group's operations could be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 20 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.
- (vi) Regulatory restrictions. The applicable PRC laws, rules and regulations currently prohibit foreign ownership of companies that provide content and application delivery services. Accordingly, both the Company's subsidiaries, ChinaCache Beijing and Xin Run are currently ineligible to apply for the required licenses for providing content and application delivery services in China. As a result, the Company operates its business in the PRC through its VIEs, which holds the licenses and permits required to provide content and application delivery services in the PRC. The PRC Government may also choose at any time to block access to the Company's customers' content which could also materially impact the Company's ability to generate revenue.

3. CONCENTRATION OF RISK (CONTINUED)

(c) Currency convertibility risk

Half of the Group's businesses are transacted in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China. However, the unification of the exchange rates does not imply the convertibility of RMB into US\$ or other foreign currencies. All foreign exchange transactions continue to take place either through the People's Bank of China or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the People's Bank of China. Approval of foreign currency payments by the People's Bank of China or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

(d) Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The depreciation/(appreciation) of the RMB against US\$ was approximately 1.3%, (6.27)% and (2.34)% in the years ended December 31, 2019, 2020 and 2021,

respectively. Most of revenues and costs of the Company are denominated in RMB, while a portion of cash and cash equivalents, short-term financial assets and investments denominated in U.S. dollars. Any significant revaluation of RMB may materially and adversely affect the Company's cash flows, revenues, earnings and financial position, and the value of, and any dividends payable on, the ADS in US\$.

**ACCOUNTS
RECEIVABLE, NET**

**12 Months Ended
Dec. 31, 2021**

**ACCOUNTS RECEIVABLE,
NET**

ACCOUNTS RECEIVABLE, NET 4.

ACCOUNTS RECEIVABLE, NET

Accounts receivable and allowance for doubtful accounts consist of the following:

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Accounts receivable	146,389	123,105	19,318
Less: allowance for doubtful accounts	<u>(80,230)</u>	<u>(83,456)</u>	<u>(13,096)</u>
	<u>66,159</u>	<u>39,649</u>	<u>6,222</u>

As of December 31, 2020 and 2021, all accounts receivable were due from third party customers.

An analysis of the allowance for doubtful accounts is as follows:

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Balance, beginning of year	82,495	80,230	12,590
Additions for the current year	350	5,934	931
Recovery	<u>(2,615)</u>	<u>(2,708)</u>	<u>(425)</u>
Balance, end of year	<u>80,230</u>	<u>83,456</u>	<u>13,096</u>

**PREPAID EXPENSES AND
OTHER CURRENT
ASSETS, NET**

12 Months Ended

Dec. 31, 2021

**PREPAID EXPENSES AND
OTHER CURRENT
ASSETS, NET**

**PREPAID EXPENSES AND
OTHER CURRENT ASSETS,
NET**

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET

Prepaid expenses and other current assets consist of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Prepaid expense for bandwidth and servers (i)	3,533	3,584	562
Staff field advances	665	902	142
Prepaid commission (ii)	74,520	74,520	11,694
Prepaid service fee	8	8	1
Other deposit and receivables(iii)	49,006	51,883	8,142
Prepaid income tax	6,227	—	—
Prepaid expense and other current assets	133,959	130,897	20,541
Provision of doubtful accounts	(8,615)	(74,671)	(11,718)
Prepaid expense and other current assets, net	<u>125,344</u>	<u>56,226</u>	<u>8,823</u>

- i) Prepaid expense for bandwidth and servers represents the unamortized portion of prepayments made to the Group's telecom operators and certain technology companies, who provide the Group with access to bandwidth and network servers.
- ii) The balance represents the prepaid commission to an agent for the pending sales of certain cloud infrastructure that were held for sale (Note 9), consisting of RMB 67,200,000 (US\$10,545,000) related to Beijing Zhao Du and RMB7,320,000 (US\$1,149,000) related to disposal of Beijing Shuo Ge, which was provided in 2019.
- iii) Other deposit and receivables represent deductible VAT, and other deposits for operation.

**PROPERTY AND
EQUIPMENT, NET**

**12 Months Ended
Dec. 31, 2021**

**PROPERTY AND
EQUIPMENT, NET**

**PROPERTY AND
EQUIPMENT, NET**

6. PROPERTY AND EQUIPMENT, NET

Property and equipment, including those held under finance leases, consists of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
At cost:			
Optical fibers	13,100	13,100	2,056
Computer equipment	825,796	770,218	120,864
Furniture, fixtures and office equipment	6,011	5,964	936
Leasehold improvements	18,439	18,439	2,894
Motor vehicles	6,838	6,559	1,029
Buildings	317,602	312,125	48,979
	<u>1,187,786</u>	<u>1,126,405</u>	<u>176,758</u>
Less: accumulated depreciation	(476,864)	(458,450)	(71,941)
Less: impairment	(348,582)	(346,675)	(54,401)
	<u>362,340</u>	<u>321,280</u>	<u>50,416</u>

Impairment of nil, RMB 13,448,000 and RMB 114,000 (US\$18,000) were recognized for the years ended December 31, 2019, 2020 and 2021, respectively, and impairment of RMB 2,021,000 (US\$317,000) were reduced as a result of the disposition during 2021.

6. PROPERTY AND EQUIPMENT, NET (CONTINUED)

For the years ended December 31, 2019, 2020 and 2021, depreciation expenses were RMB28,642,000, RMB38,169,000 and RMB 28,410,000 (US\$4,459,000), respectively, and were included in the following captions:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Cost of revenue	28,598	38,169	28,400	4,457
Sales and marketing expenses	6	—	—	—
General and administrative expenses	18	—	10	2
Research and development expenses	20	—	—	—
	<u>28,642</u>	<u>38,169</u>	<u>28,410</u>	<u>4,459</u>

The Group accounted for the leases of certain computer equipment and optical fibers as finance leases that transfer to the Group substantially all the benefits and risks incidental to the ownership of assets. The carrying amounts of the Group's property and equipment held under finance leases at respective balance sheet dates were as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
At Cost:			
Optical fibers	13,100	—	—

Computer equipment	262,989	—	—
	<u>276,089</u>	<u>—</u>	<u>—</u>
Less: accumulated depreciation	(88,039)	—	—
Less: impairment	<u>(166,162)</u>	<u>—</u>	<u>—</u>
	<u>21,888</u>	<u>—</u>	<u>—</u>

In 2021, the Group paid off the remaining finance lease obligation and purchased the pledged assets back.

The carrying amount of buildings pledged by the Group to secure the borrowings (Note 12 (b)) and finance lease obligation (Note 17) as of December 31, 2020 and 2021 was RMB306,608,000 and RMB296,744,000 (US\$46,566,000), respectively.

All the buildings were sealed up by the court due to the lawsuits as of December 31, 2021 (Note 25).

LAND USE RIGHT, NET**12 Months Ended
Dec. 31, 2021****LAND USE RIGHT, NET****LAND USE RIGHT, NET****7. LAND USE RIGHT, NET**

	<u>December 31</u>		
	<u>2020</u>	<u>2021</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Land use right	34,057	25,410	3,987
Less: accumulated amortization	<u>(3,296)</u>	<u>(2,722)</u>	<u>(427)</u>
	<u>30,761</u>	<u>22,688</u>	<u>3,560</u>

In 2013, the Group paid RMB51,678,000 to acquire a land use right of approximately 39,000 square meters of land in Beijing Shunyi District, on which the Group developed a cloud infrastructure. According to the land use right contract, the Group has a 50-year use right over the land, which is used as the basis for amortization.

In December 2017, land use right, excluding land use right held by Beijing Shuo Ge and Beijing Zhao Du, was transferred out from the assets held for sale and re-designated as assets held for use (Note 9). The Group re-measured the amortization expense that would have been recognized had the land use right been continuously classified as held and used. Amortization expense for land use right for the years ended December 31, 2019, 2020 and 2021 was RMB706,000, RMB706,000 and RMB706,000 (US\$ 110,000), respectively.

The carrying amount of land use right pledged by the Group to secure the borrowings (Note 12 (b)) as of December 31, 2020 and 2021 was RMB30,761,000 and RMB15,768,000, respectively.

All the land use right (excluding land use right held by Beijing Zhao Du) were sealed up by the court due to the lawsuits (Note 25) as of December 31, 2021.

**RIGHT-OF-USE ASSETS
AND OPERATING
LIABILITIES**

**12 Months Ended
Dec. 31, 2021**

**RIGHT-OF-USE ASSETS
AND OPERATING
LIABILITIES**

RIGHT-OF-USE ASSETS AND OPERATING LIABILITIES

The following table presents the Group's right-of-use assets and operating lease liabilities as of the respective balance sheet dates:

	December 31		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Right-of-use assets	5,869	3,400	534
Operating lease liabilities - current	2,427	2,565	403
Operating lease liabilities - non-current	3,470	905	142
Total operating lease liabilities	<u>5,897</u>	<u>3,470</u>	<u>545</u>

The weighted average remaining lease terms and discount rates for all of operating leases were as follows as of December 31, 2021:

Remaining lease term and discount rate:		
Weighted average remaining lease term (years)		1.40
Weighted average discount rate		6.18 %

During year ended December 31, 2021, cash payment for operating leases was RMB 2,034,000 (US\$ 316,000).

During year ended December 31, 2019, 2020 and 2021, the Group incurred total operating lease expenses of RMB45,384,000, RMB 4,307,000 and RMB 2,034,000 (US\$ 316,000), respectively.

8. RIGHT-OF-USE ASSETS AND OPERATING LIABILITIES (CONTINUED)

The following is a schedule, by fiscal years, of maturities of lease liabilities as of December 31, 2021:

2022	2,708
2023	917
Total lease payments	<u>3,625</u>
Less: imputed interest	<u>(155)</u>
Present value of lease liabilities	<u>3,470</u>

**ASSETS HELD FOR SALE
/ LIABILITIES HELD FOR
SALE**

12 Months Ended

Dec. 31, 2021

**ASSETS HELD FOR SALE
/ LIABILITIES HELD FOR
SALE**

**ASSETS HELD FOR SALE /
LIABILITIES HELD FOR
SALE**

9. ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE

On December 30, 2014, Xin Run entered into a definitive sale and leaseback agreement with Beijing Federation of Supply and Marketing Cooperatives ("BFSMC"), according to which Xin Run should hand over to BFSMC two IDC buildings (5# and 6#) by September 2015 for a consideration of RMB 960 million through transferring the ownership of the two IDC buildings from Xin Run to Beijing Zhao Du, and selling all Beijing Zhao Du's equity interests to BFSMC. On February 6, 2015, Xin Run entered into a supplementary agreement with BFSMC and one subsidiary of BFSMC, Beijing Shi Xin Heng Tai Investment Co., Ltd ("SXHT"), according to which the subsidiary SXHT became the beneficiary of the original arrangement and took over the rights and obligations from February 27, 2015. Consideration of RMB 672 million was received from the subsidiary by September 2015. Starting in August 2017, Xin Run and the buyer entered into a series of lawsuits. On December 31, 2019, the court sentenced that the original equity transfer agreement with SXHT is invalid and both parties should return the money received. As of December 31, 2021, the second instance of this case has been completed (Note 25).

In April 2014, Xin Run entered into a framework agreement with a third-party company, pursuant to which Xin Run agreed to sell the IDC building 3# to it. In August 2014, the Group established Beijing Shuo Ge. The consideration of RMB 325 million was received from the third-party company by January 2015. In July 2015, Xin Run sold the total CIP along with related land use right of IDC building 3# to Beijing Shuo Ge. On December 29, 2017, Xin Run entered into an equity transfer agreement with the third-party company, under which Xin Run would transfer 100% equity interest in Beijing Shuo Ge to it before September 2018. On April 3, 2019, Xin Run entered into a definitive equity transfer agreement with the third-party company, pursuant to which, Xin Run agrees to transfer 100% equity interest in Beijing Shuo Ge to the third-party company with a reduced consideration of RMB251,800,000 (US\$36,169,000) and would return the difference of RMB73,200,000 (US\$10,515,000) between original and reduced consideration in 5 years from 2019 to 2024 (Note 15). The disposal of Beijing Shuo Ge was completed in May 2019, resulting a disposal gain of RMB18,285,000 (US\$2,626,000).

As of December 31, 2020 and 2021, all the assets and liabilities of Beijing Zhao Du were classified as assets and liabilities held for sale.

Assets and liabilities classified as held for sale are required to be recorded at the lower of carrying value or fair value less any costs to sell. As of December 31, 2020 and 2021, the carrying value of Beijing Zhao Du and Beijing Shuo Ge's net assets were less than fair value less costs to sell, and accordingly, no adjustment to the asset value was made necessary. Beijing Zhao Du and Beijing Shuo Ge did not meet the criteria to be classified as discontinued operations because they did not represent a strategic shift that has (or will have) a major impact on the Group's operations and financial results to meet the criteria to be classified as discontinued operations.

9. ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE (CONTINUED)

The major classes of assets and liabilities held for sale were as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Prepaid expenses and other current assets	15,478	15,478	2,429
Property and equipment	318,446	318,446	49,971

Land use right, net	8,646	8,646	1,357
Assets held for sale	342,570	342,570	53,757
Accrued expenses and other current liabilities	6,814	8,944	1,404
Amounts due to the Company	447	—	—
Liabilities held for sale	7,261	8,944	1,404

The operating results of the subsidiaries held for sale during the three years ended December 31, 2021 that are not presented within discontinued operations and are summarized as follow:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Net revenue	—	—	—	—
Loss before income taxes	(5,682)	(2,960)	(1,188)	(186)

Loss before income taxes attributable to the non-controlling interest from the subsidiaries held for sale for the years ended December 31, 2019, 2020 and 2021 were RMB57,000, RMB30,000 and RMB 12,000 (US\$2,000), respectively.

**CLOUD
INFRASTRUCTURE
CONSTRUCTION IN
PROGRESS**

12 Months Ended

Dec. 31, 2021

**CLOUD
INFRASTRUCTURE
CONSTRUCTION IN
PROGRESS**

**CLOUD
INFRASTRUCTURE
CONSTRUCTION IN
PROGRESS**

10. CLOUD INFRASTRUCTURE CONSTRUCTION IN PROGRESS

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Cloud infrastructure construction in progress	289,788	157,083	24,650

As of December 31, 2017, the Group capitalized direct costs of RMB416,352,000 that were directly attributable to the development of the cloud infrastructure.

During the year ended December 31, 2018, additional costs of RMB333,286,000 was capitalized for buildings completed. Costs of other completed buildings in the aggregate of RMB265,152,000 and costs of other completed equipment in the aggregate of RMB104,078,000 were transferred to property and equipment; RMB91,128,000 was transferred to other non-current assets.

As of December 31, 2018, the remaining RMB289,280,000 capitalized to date for construction in progress was re-designated as cloud infrastructure construction in progress.

During the year ended December 31, 2019, additional cost of RMB12,637,000 was capitalized for buildings completed, and among which RMB 9,278,000 was transferred to property and equipment.

During the year ended December 31, 2020, cost reduction of RMB25,960,000 (US\$3,979,000) was capitalized for buildings completed, and among which RMB 28,811,000 (US\$4,415,000) was transferred to property and equipment.

10. CLOUD INFRASTRUCTURE CONSTRUCTION IN PROGRESS (CONTINUED)

During the year ended December 31, 2021, reduced cost of RMB12,045,000 (US\$1,890,000) was capitalized for buildings completed, among which RMB 12,578,000 (US\$1,974,000) was written off from property and equipment, and among which RMB 133,238,000 (US\$20,908,000) was transferred to asset hold for sale.

All the cloud infrastructure construction in progress were pledged by the Group to secure borrowings (Note 12(b)) as of December 31, 2020 and the IDC buildings (1#) were pledged by the Group to secure borrowings (Note 12(b)) as of December 31, 2021. The cloud infrastructure was sealed up by court due to litigations. (Note 25).

**LONG TERM
INVESTMENTS**

**12 Months Ended
Dec. 31, 2021**

[LONG TERM
INVESTMENTS](#)

[LONG TERM
INVESTMENTS](#)

11. LONG TERM INVESTMENTS

Long term investments consisted of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Cost method investments:			
PRC Fund	10,103	10,103	1,585
United States Fund	20,045	20,045	3,146
Total	<u>30,148</u>	<u>30,148</u>	<u>4,731</u>

Cost method investments

In 2017, the Group made an additional RMB361,000 (US\$53,000) investment in the United States Fund. As of December 31, 2020 and 2021, the Group had made an accumulated investment in the United States Fund of RMB20,045,000. Given that the Group holds less than five percent interest in each fund, the Group has accounted for such investments using the cost method.

In 2011, the Group made a 9-year term investment in the PRC Fund in the amount of RMB 10,103,000. Given that the Group holds less than five percent interest in each fund, the Group has accounted for such investments using the cost method.

BORROWINGS

12 Months Ended
Dec. 31, 2021

BORROWINGS BORROWINGS

12. BORROWINGS

(a) Long-term borrowings

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Long-term bank loan	319,941	168,739	26,479
Less: current portion	(319,941)	(168,739)	(26,479)
Total	—	—	—

12. BORROWINGS (CONTINUED)

(a) Long-term borrowings (continued)

On October 30, 2017, the Group obtained a three-year credit facility of RMB240,000,000 from Bank B in PRC, at 8.00004% per annum. The credit facility includes RMB150,000,000 for working capital and RMB90,000,000 for capital expenditure. The credit facility is secured by Xin Run's assets, while Mr. Wang Song and Ms. Kou Xiaohong, the Founders and ex- directors of the Company, take joint-and-several liability for the repayment of the loan. The Group paid RMB2,400,000 to a third-party agent in December 2017 as borrowing cost to obtained the facility. On November 7, 2017, the first RMB150,000,000 was drawn down and used as working capital. On December 13, 2017, the second RMB23,000,000 was drawn down and used for capital expenditure. On January 30, 2018, the third RMB27,000,000 (US\$3,927,000) was drawn down and used for capital expenditure. The borrowing cost paid for the facility was allocated to the draw down and the remaining facility on a pro rata basis. Borrowing costs allocated to the actual draw down were presented as deductions of the loan carrying value. The borrowing costs are recognized over the lives of the term loans as interest expense, using the effective interest rate method.

In October 2019, Bank B sent notice of early maturity of loan to Xin Run and asked for the early repayment of bank loans amounted to RMB170,000,000 (US\$24,419,000) and related unpaid interest immediately, as the buildings and land use right that pledged to Bank B has been sealed up by the court arising from other lawsuits (Note 25), the bank account in Bank B has been frozen, and Xin Run did not make repayment of loans according to the repayment plan, which violated the bank facility agreement. In November, 2019, Bank B has filed a lawsuit against Xin Run (Note 25). In October 2020, Bank C automatically deducted Xin Run RMB 36,986(US\$ 5,668).In May and December 2021, Bank C automatically deducted Xin Run total RMB 1,224,481(US\$192,147). As a result, the Group reclassified all carrying value of the bank loan RMB 168,738,533 (US\$ 26,478,758) to current liabilities as of December 31, 2021.

On December 21, 2017, the Group obtained a five-year credit facility of RMB220,000,000 from Bank C in PRC with a floating rate of 30% above PBOC benchmark interest rate. The credit facility is for working capital and is secured by Xin Run's assets, while Mr. Wang Song and Ms. Kou Xiaohong, the Founders and ex-directors of the Company, take joint-and-several liability for the repayment of the loan. The Group paid RMB6,775,000 as borrowing cost to obtained the facility. On December 21, 2017, the first RMB40,000,000 was drawn down and used as working capital. On January 15, 2018, the second RMB50,000,000 (US\$7,272,000) was drawn down and used as working capital. On May 14, 2018, the third RMB20,000,000 (US\$2,909,000) was drawn down and used as working capital. On June 15, 2018, the fourth RMB90,000,000 (US\$13,090,000) was drawn down and used as working capital. The borrowing cost paid for the facility was allocated to the draw down and the remaining facility on a pro rata basis. Borrowing cost allocated

to the actual draw down was presented as deduction of the loan carrying value. The borrowing cost is recognized over the life of the term loan as interest expense using the effective interest rate method.

In October 2019, Bank C sent notice of early maturity of loan to Xin Run and asked for the early repayment of bank loan balance amounted to RMB160,000,000 (US\$22,983,000) and related unpaid interest. As the buildings and land use right that pledged to the bank has been sealed up by the Shunyi District Court mainly due to the lawsuit with a subsidiary of BFSMC, the bank considered that Xin Run has defaulted and asked for the immediate repayment of the RMB160,000,000 (US\$22,983,000) and related unpaid interest within three days. In November 2019, Bank C has filed a lawsuit against Xin Run (Note 25), and Xin Run made a repayment of RMB10,000,000(US\$1,436,000) to Bank C thereafter. In April and June 2020, Bank C automatically deducted Xin Run total RMB 21,885(US\$ 3,354). In March, June and October 2021, Bank C automatically deducted Xin Run and Mr. Wang Song and Ms. Kou Xiaohong, the Founders and ex-directors of the Company, total RMB 2,008,210 (US\$ 315,132). In November 2020, the company received a court decision, requiring Xin Run to repay the principal and interest total RMB175,078,000(US\$27,473,000).In September 2021, Xin Run used Building 9, Building 10 and Ms. Kou Xiaohong's two villas to pay off the debt. As a result, the loan has been fully repaid as of December 31, 2021.

The above loans from Bank B and C are secured by Xin Run's buildings and corresponding land use right in the net carrying value of RMB475,236,000(US\$74,574,000) as of December 31, 2021 and RMB622,780,000 (US\$95,455,000) as of December 31, 2020 (see Note 6 and 7).

**ACCRUED EXPENSES
AND OTHER CURRENT
LIABILITIES**

**ACCRUED EXPENSES AND OTHER
CURRENT LIABILITIES**

**ACCRUED EXPENSES AND OTHER CURRENT
LIABILITIES**

12 Months Ended

Dec. 31, 2021

**13. ACCRUED EXPENSES AND OTHER CURRENT
LIABILITIES**

Accrued expenses and other current liabilities consisted of the following:

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Advance from customers	17,836	17,954	2,817
Other accrued expenses	69,186	102,679	16,113
Other tax payables	7,973	9,648	1,514
	<u>94,995</u>	<u>130,281</u>	<u>20,444</u>

Other accrued expenses represent accrued rental and overdue penalty interest (see Note 25).

OTHER PAYABLES**12 Months Ended
Dec. 31, 2021****OTHER PAYABLES****OTHER PAYABLES****14. OTHER PAYABLES**

Other payables consisted of the following:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Payables for purchase of property and equipment	268,073	281,315	44,144
Consideration received for disposal of Beijing Zhao Du (Note 9)	585,164	585,164	91,825
Penalty accrual	128,890	—	—
Current portion of other non-current liability (Note 15)	23,118	35,544	5,578
Other Payables	1,585	—	—
Total	1,006,830	902,023	141,547

**OTHER NON-CURRENT
LIABILITY**

**12 Months Ended
Dec. 31, 2021**

**OTHER NON-CURRENT
LIABILITY**

**OTHER NON-CURRENT
LIABILITY**

15. OTHER NON-CURRENT LIABILITY

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Consideration refund payable	62,255	62,255	9,769
Other noncurrent payable	13,638	4,428	695
Less: current portion	(23,118)	(35,544)	(5,578)
Total	<u>52,775</u>	<u>31,139</u>	<u>4,886</u>

15. OTHER NON-CURRENT LIABILITY (CONTINUED)

Other non-current liability includes the difference in the consideration between original agreement and revised agreement entered in April 2019 (Note 9) relating to disposal of Beijing Shuo Ge. Pursuant to the revised agreement, Xin Run agrees to return the difference of RMB73,200,000 (US\$10,515,000) along with a total interest of RMB13,018,000 (US\$1,870,000) from June 30, 2019 to December 31, 2024. The total balance to be refunded together with the interest to be paid over 1 year as of December 31, 2021 is recognized as non-current liability using the effective interest rate method.

For the year ended December 31, 2021, the company had not pay the refund as planned schedule, the buyer has not filed a law suit with the company. The amount due in 2020 and 2021 according to agreement was classified as current liability.

**DEFERRED
GOVERNMENT GRANT**

**12 Months Ended
Dec. 31, 2021**

**DEFERRED
GOVERNMENT GRANT**

DEFERRED GOVERNMENT GRANT 16. DEFERRED GOVERNMENT GRANT

The following table presents the Group's deferred government grant as of the respective balance sheet dates:

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Beginning balance	14,652	14,652	2,299
Recognized as income during the year	<u>(302)</u>	<u>(302)</u>	<u>(47)</u>
Total balance of deferred government grant	14,350	14,350	2,252
Less: current portion	<u>—</u>	<u>—</u>	<u>—</u>
Balance of non-current deferred government grant	<u>14,350</u>	<u>14,350</u>	<u>2,252</u>

During the years ended December 31, 2019, 2020 and 2021, a certain government grants complied with the attached conditions. Hence, relevant government grants of RMB1,394,000, RMB302,000 and RMB302,000 (US\$47,000) respectively, were recognized in the consolidated statements of operations and comprehensive loss as other operating income during the years ended December 31, 2019, 2020 and 2021, respectively.

**FINANCE LEASE
OBLIGATIONS**

**12 Months Ended
Dec. 31, 2021**

**FINANCE LEASE
OBLIGATIONS**

**FINANCE LEASE
OBLIGATIONS**

17. FINANCE LEASE OBLIGATIONS

Certain computer, UPS and switch equipment were acquired through finance leases entered into by the Group. Future minimum lease payments under non-cancellable finance lease arrangements are as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
2020	—	—	—
2021	27,027	—	—
Total minimum lease payment	27,027	—	—
Less: amount representing interest	(1,786)	—	—
Present value of remaining minimum lease payment	25,241	—	—
Less: current portion	25,241	—	—
Non-current portion	—	—	—

SHARE-BASED COMPENSATION

**12 Months Ended
Dec. 31, 2021**

SHARE-BASED COMPENSATION

SHARE-BASED COMPENSATION

18. SHARE-BASED COMPENSATION

In order to attract and retain the best available personnel, provide additional incentives to employees, directors and consultants and promote the success of the Group's business, the Group adopted a stock option plan in 2007 (the "2007 Plan"). Under the 2007 Plan, the Group may grant options to its employees, directors and consultants to purchase an aggregate of no more than 14,000,000 ordinary shares of the Group, subject to different vesting requirements. The 2007 Plan was approved by the Board of Directors and shareholders of the Group on October 16, 2008. On May 28, 2009, the Group adopted a new stock option plan (the "2008 Plan") which allows the Group to grant options to its employees, directors and consultants to purchase an aggregate of no more than 8,600,000 ordinary shares of the Group, subject to different vesting requirements. On May 20, 2010, the Group adopted a new stock option plan (the "2010 Plan") which allows the Group to grant options to its employees, directors and consultants to purchase an aggregate of no more than 9,000,000 ordinary shares of the Group, subject to different vesting requirements. On June 20, 2011, the Group adopted a new stock option plan (the "2011 Plan") which allows the Group to grant options to its employees, directors and consultants to purchase an aggregate of no more than 22,000,000 ordinary shares of the Group, subject to different vesting requirements. On July 2, 2012, the Group approved amendments to the 2011 Plan which provide, in effect, that the maximum aggregate number of ordinary shares that may be issued pursuant to all awards (the "Award Pool") under the 2011 Plan shall be equal to five percent of the total issued and outstanding ordinary shares as of July 2, 2012; provided that, the ordinary shares reserved in the Award Pool shall be increased automatically if and whenever the unissued ordinary shares reserved in the Award Pool accounts for less than one percent of the total then issued and outstanding ordinary shares, as a result of which increase the unused ordinary shares reserved in the Award Pool immediately after each such increase shall equal to five percent of the then issued and outstanding ordinary shares.

The 2007 Plan, 2008 Plan, 2010 Plan and 2011 Plan (collectively, the "Option Plans") will be administered by the Compensation Committee as set forth in the Option Plans (the "Plan Administrator"). The board of directors of a committee designated by the board will administer the plan to execute option agreements with those persons selected by the Plan Administrator and issue ordinary shares of the Group upon exercise of any options so granted pursuant to the terms of an option agreement.

The 2007 and 2008 Option Plans contain the same terms and conditions. All options granted under the 2007 and 2008 Option Plans have a term of nine years from the option grant date and have two different vesting schedules: 1) vest 100% on the stated vesting commencement date in the grantee's option agreement; or 2) vest 50% on the second anniversary of the stated vesting commencement date and 25% on the third and fourth anniversaries of the stated vesting commencement date. All options granted under the 2010 Option Plan have a term of seven to ten years from the option grant date and have three different vesting schedules: 1) vest 100% on the stated vesting commencement date in the grantee's option agreement; 2) vest 25% on the first, second, third and fourth anniversaries of the stated vesting commencement date; or 3) vest 25% on the first anniversary of the stated vesting commencement date and 6.25% every quarter for each of the second, third and fourth anniversaries of the stated vesting commencement date. All options granted under the 2011 Option Plan have a term of six to ten years from the option grant date and have four different vesting schedules: 1) vest 100% on the stated vesting commencement date in the grantee's option agreement; or 2) vest 25% on the first, second, third and fourth anniversaries of the stated vesting commencement date; or 3) vest 25% on the first anniversary of the stated vesting commencement date and 6.25% every quarter for each of the second, third and fourth anniversaries of the stated vesting commencement date; or 4) vest one-third on the first, second and third anniversaries of the stated vesting commencement date.

During the years ended December 31, 2019, 2020 and 2021, the Group granted nil, nil and nil options, respectively, to a combination of employees and directors of the Group at exercise prices ranging from US\$0.06 to US\$0.07. As of December 31, 2021, options to purchase 19,097,149 of ordinary shares were outstanding and options to purchase 13,658,508 ordinary shares were available for exercise under the Option Plans.

18. SHARE-BASED COMPENSATION (CONTINUED)

The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees and non-employees. The model requires the input of highly subjective assumptions including the estimated expected stock price volatility, the expected price multiple at which employees are likely to exercise share options. For expected volatilities, the Group has made reference to the historical price volatilities of ordinary shares of several comparable companies in the same industry as the Group. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury Bills yield in effect at the time of grant.

(a) Options Granted to Employees

The following table summarized the Group's employee share option activity under the Option Plans:

	Number of options	Weighted average Exercise price (US\$)	Weighted average remaining contractual term (Years)	Aggregate intrinsic value (US\$'000)
Outstanding, January 1, 2019	37,369,229	0.11	7.81	2
Granted	—	—	—	—
Exercised	(44,000)	0.08	—	—
Forfeited	(6,143,024)	0.16	—	—
Outstanding, December 31, 2019	31,182,205	0.10	7.23	1.35
Exercisable at December 31, 2019	20,119,147	0.10	7.10	1.35
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(9,945,152)	0.08	—	—
Outstanding, December 31, 2020	21,237,053	0.11	5.40	—
Exercisable at December 31, 2020	13,529,251	0.11	5.40	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(2,139,904)	0.18	—	—
Outstanding, December 31, 2021	19,097,149	0.10	4.90	—
Exercisable at December 31, 2021	13,658,508	0.10	4.90	—

18. SHARE-BASED COMPENSATION (CONTINUED)

(a) Options Granted to Employees (continued)

The aggregated intrinsic value of share options outstanding and exercisable at December 31, 2021 was calculated based on the closing price of the Group's ordinary shares on December 31, 2021. As no trading has been made during 2021, it can be assumed that the share price is nil. The total intrinsic value of share options exercised during the years ended December 31, 2019, 2020 and 2021 was RMB18,000, nil and nil, respectively.

As of December 31, 2021, there was nil of unrecognized share-based compensation cost related to share options issued to employees, which are expected to be recognized following the graded vesting method over the remaining vesting periods of different tranches, within 1 year.

The total fair value of options vested during the years ended December 31, 2019, 2020 and 2021 was RMB 1,834,000, RMB649,000 and nil, respectively.

(b) Restricted Share Units Award Granted to Employees

On December 23, 2014, the Group issued 11,265,520 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2014, 2015, 2016 and 2017, respectively.

On December 11, 2015, the Group issued 40,106,656 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2016, 2017 and 2018, respectively.

On December 13, 2017, the Group issued 16,813,344 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2018, 2019 and 2020, respectively.

On April 9, 2018, the Group issued 480,000 units of restricted share units to the employees and directors under the 2011 Plan. The restricted share units shall become vested in each year of 2018, 2019 and 2020, respectively.

As of December 31, 2020 and 2021, there was RMB nil (US\$nil) of unrecognized share-based compensation cost, related to unvested restricted share units.

18. SHARE-BASED COMPENSATION (CONTINUED)

(b) Restricted Share Units Award Granted to Employees (continued)

The following table summarized the Group's restricted shares award issued under the 2011 Plan:

	<u>Number of ordinary shares</u>	<u>Weighted average grant date fair value</u> (US\$)
Outstanding, January 1, 2019	<u>640,000</u>	0.07
Granted	—	—
Vested	(320,000)	0.07
Forfeited	<u>(160,000)</u>	0.07
Outstanding, December 31, 2019	<u>160,000</u>	0.07
Granted	—	—

Vested	(160,000)	0.07
Forfeited	—	—
Outstanding, December 31, 2020	—	—
Granted	—	—
Vested	—	—
Forfeited	—	—
Outstanding, December 31, 2021	—	—

The cost of the restricted share units is determined using the fair value (determined based on the fair market value of the Group's ordinary shares on the grant date, or if the grant date is not a trading day then the immediately preceding trading date), net of expected forfeitures. The aggregate fair value of the unvested restricted share units for the years ended December 31, 2020 and 2021 was RMB nil and RMB nil (US\$nil), respectively. The total fair value of restricted share units vested during the years ended December 31, 2019, 2020 and 2021 was RMB151,000, RMB72,000 and RMB nil (US\$ nil), respectively.

18. SHARE-BASED COMPENSATION (CONTINUED)

(b) Restricted Share Units Award Granted to Employees (continued)

A total compensation expenses relating to all options and restricted share units recognized for the years ended December 31, 2019, 2020 and 2021 are as follows:

	For the years ended December 31,			
	2019	2020	2021	
	(RMB)'000	(RMB)'000	(RMB)'000	(US\$)'000
Cost of revenues	211	79	11	2
Sales and marketing expenses	83	32	5	1
General and administration expenses	1,114	367	48	7
Research and development expenses	483	176	24	4
	1,891	654	88	14

**MAINLAND CHINA
EMPLOYEE
CONTRIBUTION PLAN**

12 Months Ended

Dec. 31, 2021

**MAINLAND CHINA
EMPLOYEE
CONTRIBUTION PLAN**

**MAINLAND CHINA
EMPLOYEE
CONTRIBUTION PLAN**

19. MAINLAND CHINA EMPLOYEE CONTRIBUTION PLAN

As stipulated by the regulations of the PRC, full-time employees of the Group in the PRC participate in a government-mandated multiemployer defined contribution plan organized by municipal and provincial governments. Under the plan, certain pension benefits, medical care, unemployment insurance, employee housing fund and other welfare benefits are provided to employees. The Group is required to make contributions to the plan based on certain percentages of employees' salaries. The total expenses for the plan were RMB28,285,000, RMB15,420,000 and RMB6,532,000 (US\$1,025,000) for the years ended December 31, 2019, 2020 and 2021, respectively.

INCOME TAXES

12 Months Ended
Dec. 31, 2021

INCOME TAXES INCOME TAXES

20. INCOME TAXES

Enterprise income tax

Cayman Islands

The Company is a tax-exempt company incorporated in the Cayman Islands and conducts substantially all of its business through its subsidiaries and VIEs.

United States of America

ChinaCache North America, Inc. was registered in California, United States of America in 2007. For the years ended December 31, 2019, 2020 and 2021, the entity is subject to both California State Income Tax (8.84%) and Federal Income Tax (graduated income tax rate up to 21%, a flat 21% and 21%, respectively) on its taxable income under the current laws of the state of California and United States of America.

Hong Kong

The two-tier profits tax rates system was introduced under the Inland Revenue (Amendment)(No.3) Ordinance 2018 ("the Ordinance") of Hong Kong became effective for the assessment year 2018/2019. Under the two-tier profit tax rates regime, the profits tax rate for the first HKD 2 million of assessable profits of a corporation will be subject to the lowered tax rate, 8.25% while the remaining assessable profits will be subject to the legacy tax rate, 16.5%.

20. INCOME TAXES (CONTINUED)

Enterprise income tax (continued)

ChinaCache Networks (Hong Kong) Limited, the Company's wholly owned subsidiary incorporated in Hong Kong, for the years ended December 31, 2020 and 2021, income tax rate decreased to 8.25% for profit below HKD 2 million, and 16.5% for excessive profit over HKD 2 million.

The PRC

The Company's subsidiaries and the VIEs that are each incorporated in the PRC are subject to Corporate Income Tax ("CIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the new PRC Enterprise Income Tax Laws ("PRC Income Tax Laws") effective from January 1, 2008. Pursuant to the PRC Income Tax Laws, the Company's PRC subsidiaries and the VIEs are subject to a CIT statutory rate of 25%.

Under the PRC Income Tax Laws, an enterprise which qualifies as a High and New Technology Enterprise ("the HNTE") is entitled to a preferential tax rate of 15% provided it continues to meet HNTE qualification standards on an annual basis. ChinaCache Beijing qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2016 to 2021 if it continues to qualify on an annual basis. The HNTE certificate of ChinaCache Beijing was expired in 2022. Beijing Blue IT qualifies as an HNTE and is entitled for a preferential tax rate of 15% from 2016 to 2020 if it continues to qualify on an annual basis. The HNTE certificate of ChinaCache Blue IT was expired in 2021.

In accordance with the PRC Income Tax Laws, enterprises established under the laws of foreign countries or regions but whose "place of effective management" is located within the PRC are

considered PRC tax resident enterprises and subject to PRC income tax at the rate of 25% on worldwide income. The definition of “place of effective management” refers to an establishment that exercises, in substance, overall management and control over the production and business, personnel, accounting, properties, etc. of an enterprise. As of December 31, 2021, no applicable detailed interpretation or guidance has been issued to define “place of effective management”. Furthermore, the administrative practice associated with interpreting and applying the concept of “place of effective management” is unclear. Based on the assessment of facts and circumstances available at December 31, 2021, management believes none of its non-PRC entities are more likely than not PRC tax resident enterprises. It is possible the assessment of tax residency status may change in the next twelve months, pending announcement of new PRC tax rules in the future. The Group will continue to monitor its tax status.

Loss before income tax expense consists of:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Non-PRC	(12,095)	(15,467)	(19,608)	(3,077)
PRC	(32,643)	(57,650)	5,450	855
	<u>(44,738)</u>	<u>(73,117)</u>	<u>(14,158)</u>	<u>(2,222)</u>

20. INCOME TAXES (CONTINUED)

Enterprise income tax (continued)

The income tax expense comprises of:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Current	7,967	6	103	16
Deferred	—	—	—	—
	<u>7,967</u>	<u>6</u>	<u>103</u>	<u>16</u>

A reconciliation of the differences between the income tax calculated using statutory tax rate and the effective tax rate for the year ended December 31, 2019, 2020 and 2021 is as follows:

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Loss before income tax expense	(44,738)	(73,117)	(14,158)	(2,222)
Income tax computed at PRC statutory tax rate of 25%	(11,184)	(18,279)	(3,540)	(555)
Preferential tax rates	(2,737)	1,100	(2,252)	(353)
International rate differences	7,636	338	5,856	919
Additional 75% tax deduction for qualified research and development expenses	(9,697)	(1,207)	(60)	(9)
Non-deductible expenses	3,629	1,365	30	5
Effect of changes in tax rates on deferred taxes	1,765	—	(81,413)	(12,775)
Changes in the valuation allowance	10,996	9,751	17,639	2,768
Realization gain from intercompany transaction	7,435	—	—	—
Expiration of tax loss carry forward	77	6,932	72,085	11,312

other adjustment	47	6	(8,242)	(1,293)
Income tax expense	<u>7,967</u>	<u>6</u>	<u>103</u>	<u>16</u>

20. INCOME TAXES (CONTINUED)

Enterprise income tax (continued)

The components of deferred taxes are as follows:

	For the years ended December 31,		
	2020	2021	
	(RMB'000)	(RMB'000)	(US\$'000)
Deferred tax assets:			
- Allowance for doubtful accounts	12,257	39,541	6,205
- Deferred revenue	2,832	4,499	706
- Accruals	2,489	3,410	535
- Tax losses	197,885	162,420	25,487
- Property and equipment	6,488	28,514	4,474
- Intangible assets	2,611	3,817	599
- Long-term investment impairment	960	960	151
- Unrealized profit	71,868	71,868	11,278
Less: valuation allowance	<u>(297,390)</u>	<u>(315,029)</u>	<u>(49,435)</u>
Total Deferred tax assets	<u>—</u>	<u>—</u>	<u>—</u>

Valuation allowances have been provided where, based on all available evidence, management determined that deferred tax assets are not more likely than not to be realizable in future years. The net valuation allowance increased by RMB 9,751,000 during the year ended December 31, 2020 and increased by RMB17,639,000 (US\$2,768,000) during the year ended December 31, 2021.

As of December 31, 2021, the Group has net operating losses carried forward from its PRC subsidiaries of RMB 697,291,000, which will expire between 2022 and 2026. As of December 31, 2021, the Group has net operating losses carried forward from its non-PRC subsidiaries of RMB 45,076,000 available to offset future taxable income.

20. INCOME TAXES (CONTINUED)

Unrecognized Tax Expense

A roll-forward of accrued unrecognized tax expense is as follows:

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Beginning balance	(8,273)	(8,273)	(8,273)
Increase based on tax positions related to the current year	—	—	—
Ending balance	<u>(8,273)</u>	<u>(8,273)</u>	<u>(8,273)</u>

The unrecognized tax expense is mainly related to under-reported income and transfer pricing for certain subsidiaries and VIEs. The amount of unrecognized tax expense will change in the next 12 months, pending clarification of current tax law or audit by the tax authorities, however, an estimate of the range of the possible change cannot be made at this time. For the years ended December 31, 2020 and 2021, there's no unrecognized tax expense, if ultimately recognized, will impact the effective tax rate.

The Group recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. During the years ended December 31, 2019, 2020, and 2021, the Group recognized approximately RMB 1,365,000, RMB1,365,000 and RMB nil (US\$ nil) in interest and penalties. The Group had approximately RMB 16,461,000 and RMB16,461,000 (US\$2,583,000) for the payment of interest and penalties accrued at December 31, 2020 and 2021, respectively.

In accordance with PRC Tax Administration Law on the Levying and Collection of Taxes, the PRC tax authorities generally have up to five years to assess underpaid tax plus penalties and interest for PRC entities' tax filings. The statute of limitations is ten years when the adjustment is relating to transfer pricing. In the case of tax evasion, which is not clearly defined in the law, there is no limitation on the tax years open for investigation. Accordingly, the PRC entities remain subject to examination by the tax authorities based on the above.

**RELATED PARTY
BALANCES AND
TRANSACTIONS**

**12 Months Ended
Dec. 31, 2021**

**RELATED PARTY
BALANCES AND
TRANSACTIONS**

**RELATED PARTY
BALANCES AND
TRANSACTIONS**

21. RELATED PARTY BALANCES AND TRANSACTIONS

In addition to the information disclosed elsewhere in the financial statements, the principal related parties with which the Group had transactions during the years presented are as follows:

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Mr. Wang Song	The Co-Founder and Ex-director of the Company
Ms. Kou Xiaohong	The Co-Founder and Ex-director of the Company
Mr. Xiaoqiang Wei	Chief Executive Officer and Director of the Company

On May 17, 2019 and June 5, 2019, Mr. Song Wang tendered his resignation as the Company's Chief Executive Officer and the Board as Directors, respectively. The Co-founder and director Ms. Xiaohong Kou resigned from the management team and the Board on August 15, 2019. On December 15, 2019, Mr. Xiaoqiang Wei was elected as the Company's new Chief Executive Officer.

21. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Guarantee provided by related parties to the Group

Mr. Wang Song and Ms. Kou Xiaohong provided guarantee for all the bank borrowing from Bank B and Bank C during the year ended December 31, 2017 (Note 12 (b))

Mr. Wang Song provided guarantee for the finance lease from vendor A with the amount of RMB 39,000,000 and RMB 50,000,000 during the year ended December 31, 2018 and 2019, respectively.

Mr. Wang Song and Ms. Kou Xiaohong provided guarantee for the finance lease from vendor B with the amount of RMB 25,000,000 and RMB 34,500,000 during the year ended December 31, 2018 and 2019, respectively.

No more guarantee was provided by related parties for the year ended December 31, 2020 and 2021.

The Group had the following related party balances and related party transactions for the years presented:

Amounts due from a related party

	<u>Mr. Xiaoqiang Wei</u>	<u>Total</u>
Balance as of December 31, 2019	65	65
Return of advance	(65)	(65)
Balance as of December 31, 2020	—	—
Balance as of December 31, 2021	—	—
Balance as of December 31, 2021 (US\$'000)	—	—

Amounts due to related parties

	Mr. Wang	Ms. Kou	
	Song	Xiaohong	Total
Balance as of December 31, 2019	—	27	27
exchange rate difference	—	(1)	(1)
Balance as of December 31, 2020	—	26	26
Expense Reimbursement payment or return	95	(26)	69
Debt paid on behalf of the Group	—	31,994	31,994
Balance as of December 31, 2021	95	31,994	32,089
Balance as of December 31, 2021 (US\$'000)	<u>15</u>	<u>5,020</u>	<u>5,035</u>

**RESTRICTED NET
ASSETS**

**12 Months Ended
Dec. 31, 2021**

**RESTRICTED NET
ASSETS**

RESTRICTED NET ASSETS 22. RESTRICTED NET ASSETS

The Company's ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company's subsidiaries.

22. RESTRICTED NET ASSETS (CONTINUED)

In accordance with the PRC Regulations on Enterprises with Foreign Investment and the articles of association of the Company's PRC subsidiaries, a foreign-invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise's PRC statutory accounts. A foreign-invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise's PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign-invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. ChinaCache Beijing was established as a foreign-invested enterprise and, therefore, is subject to the above mandated restrictions on distributable profits. As of December 31, 2020 and 2021, the Group had appropriated RMB1,326,000 and RMB 1,326,000 (US\$208,000), respectively in its statutory reserves.

Foreign exchange and other regulations in the PRC may further restrict the Company's PRC subsidiaries and VIEs from transferring funds to the Company in the form of dividends, loans and advances. Amounts restricted include paid-in capital and statutory reserves of the Company's PRC Subsidiaries and the equity of VIEs, as determined pursuant to PRC generally accepted accounting principles. As of December 31, 2021, restricted net assets of the Company's PRC subsidiaries and VIEs were RMB 511,413,000 (US\$80,252,000).

LOSS PER SHARE

12 Months Ended
Dec. 31, 2021

LOSS PER SHARE LOSS PER SHARE

23. LOSS PER SHARE

Basic and diluted loss per share for each of the periods presented are calculated as follows:

	For the Year Ended			
	December 31,			
	2019	2020	2021	
	(RMB'000)	(RMB'000)	(RMB'000)	(US\$'000)
	except shares and per share data			
Numerator:				
Net loss attributable to ordinary shareholders:	(51,671)	(72,507)	(14,472)	(2,271)
Denominator:				
Number of shares outstanding, opening	429,404,977	436,656,529	436,816,529	436,816,529
Weighted average number of shares issued	7,244,845	160,000	—	—
Weighted average number of shares reduced	—	—	—	—
Weighted-average number of shares outstanding – Basic and diluted	<u>436,649,822</u>	<u>436,763,196</u>	<u>436,816,529</u>	<u>436,816,529</u>
Loss per share				
-Basic and diluted	(0.12)	(0.17)	(0.03)	(0.01)

The effects of share options have been excluded from the computation of diluted loss per share for the years ended December 31, 2019, 2020 and 2021 as their effects would be anti-dilutive.

Due to the Group incurred loss for each of the two years ended December 31, 2020, potential dilutive securities that were not included in the calculation of dilutive net loss per share in each year where their inclusion would be anti-dilutive include share options and restricted shares of 11,223,058 and 7,707,802, for the years ended December 31, 2019 and 2020.

During 2020, treasury stock was used to settle nil units of share options and 160,000 units of restricted share units vested.

During 2021, treasury stock was used to settle nil units of share options and nil units of restricted share units vested.

**FAIR VALUE
MEASUREMENT**

**12 Months Ended
Dec. 31, 2021**

**FAIR VALUE
MEASUREMENT**

**FAIR VALUE
MEASUREMENT**

24. FAIR VALUE MEASUREMENT

The Group applies ASC topic 820, “*Fair Value Measurements and Disclosures*”. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided on fair value measurement.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 – Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

In accordance with ASC 820, the available-for-sale investment of the mutual fund is classified within Level 1 as the Group measures the fair value using quoted trading prices that are published on a regular basis.

**COMMITMENTS AND
CONTINGENCIES**

**12 Months Ended
Dec. 31, 2021**

**COMMITMENTS AND
CONTINGENCIES**

**COMMITMENTS AND
CONTINGENCIES**

25. COMMITMENTS AND CONTINGENCIES

(a) Purchase Commitments

As of December 31, 2021, the Group had outstanding purchase commitments in relation to bandwidth and cloud infrastructure of RMB 687,000 (US\$ 108,000).

(b) Contingencies

Litigations related with a subsidiary of BFSMC, SXHT

In October 2017, SXHT filed a lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent and the relating interest. In June 2019, the second instance of this case has been completed. The court has sentenced in support of the plaintiff that Xin Run should pay overdue rent from October 2017 to June 2018 in an amount equal to RMB64.8 million and the relevant interest thereon. SXHT has applied to the competent court for compulsory execution of the court decision. In August 2019, the IDC buildings (1#,2#,4#,7#,8#,9#,10#) and their related land use right have been sealed up by court. Xin Run has filed an application for suspension of such compulsory execution. As of December 31, 2021, the case has been filed for retrial.

In June 2019, SXHT filed another lawsuit against Xin Run in the Shunyi District Court of Beijing requesting Xin Run pay overdue rent from July 2018 to March 2019 with total amount of RMB64.8 million and the relating interest. Xin Run has filed an application for suspension of such lawsuit. On March 8, 2020, XinRun sent an application for suspension of execution to the court. As of December 31, 2021, the case has been withdrawn by SXHT.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies (continued)

In August 2017, Xin Run, initiated a lawsuit against SXHT in Beijing. Xin Run sought the payment of remaining purchase price in the amount of RMB105.6 million and the related interest. In September 2017, SXHT filed the statement of defense and made a counterclaim, claiming, among others, the late delivery penalties and relating losses in the total amount of approximately RMB50.5 million up to September 12, 2017. In addition, Xin Run's bank deposits and other assets in a total amount of approximately RMB50.5 million were sealed up, distrained or frozen by the court. On April 24, 2018, Xin Run amended its claim requesting, among other things, the defendant pay the additional purchase price of RMB96 million, damages for breach of contract in an amount of RMB14.4 million and the related interest of RMB8.86 million. On December 31, 2019, the court sentenced that the original equity transfer agreement with SXHT is invalid and both parties should return the money received.

In January 2020, Xin Run appealed to higher court to request that a) SXHT to should pay the interest for the RMB 82.68 million rental it has received from the date such fund was paid by Xin Run at annualized interest rate of 4.35% in the amount of RMB 13.34 million up to January 17, 2020, b) SXHT should return business license of Beijing Zhao Du to Xin Run, c) the unpaid rental balance due to SXHT should be also waived, as the lease back agreement were signed based on the original equity transfer agreement, which was sentenced by court as invalid. And that the sentence, including the compulsory execution made the June 2019 relating to the overdue rental payment should also be withdrawn. In January 2020, SXHT also appealed to higher court to request Xin

Run to pay interest for the RMB 672 million consideration from the date such fund was paid to Xin Run at annualized interest rate of 9%, in the total amount of RMB263.79 million up to December 31, 2019. As of December 31, 2021, the second instance of this case has been completed. The court final sentenced that the original equity transfer agreement with SXHT is invalid and both parties should return the money received without interest.

In 2021, as the final judgement sentenced, the liabilities of RMB128.89 million recorded for the penalty in the balance sheet under other payables shall be not payable. The management reversed the penalty accrual and recorded the gain in other income.

Other litigations

We and certain of our current and former officers and directors have been named as defendants in a shareholder class action lawsuit filed in the U.S. District Court for the Central District of California (the “Central California District Court”): William Likas v. ChinaCache International Holdings Ltd. et al, Civil Action No. 2:2019-cv-06942 (C.D. Cal.) (filed on August 9, 2019). The action—purportedly brought on behalf of a class of persons who allegedly suffered damages as a result of their trading activities related to the our ADSs from April 10, 2015 to May 17, 2019—alleges that certain of the our public statements and filings contained materially false and misleading statements or omissions in violation of U.S. securities laws. On October 2, 2019, the Central California District Court appointed a group of two purported shareholders of us as the Lead Plaintiff of the class. On December 15, 2020, the parties reached an agreement to a stipulation and agreement of settlement to settle this purported class action. On April 26, 2021, the court granted preliminary approval of the settlement and scheduled a settlement hearing on August 27, 2021.

On March 14, 2022, the Central California District Court entered an order and final judgment approving the agreement of settlement.

In June 2019, a computer company filed a lawsuit against Xin Run in the Beijing Shunyi District People’s Court, requesting Xin Run to pay overdue construction fees and relevant interest in a total amount of approximately RMB74.6 million. In September 2021, the court ruled that Xin Run should pay overdue construction fees in a total amount of approximately RMB54.42 million, the interests accrued thereon and the relevant costs of legal proceedings. Such computer company has applied to the competent court for compulsory execution of the foregoing court decision. As of December 31,2021, the Company has accrued the amount as other payables.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies (continued)

In June 2019, such computer company filed another lawsuit against Xin Run in the Beijing Haidian District People’s Court, requesting Xin Run to pay overdue equipment purchase payment and relevant interest in a total amount of approximately RMB40.8 million. Xin Run filed a motion to dismiss the case for lack of jurisdiction, which was granted by the court and the jurisdiction of this lawsuit has been changed to Beijing Chaoyang District People’s Court. In October 2021, the court ruled that Xin Run should pay overdue equipment purchase payment, the relevant examination fees and the interests accrued thereon in a total amount of approximately RMB34.12 million, as well as the costs of legal proceedings. Such computer company has applied to the competent court for compulsory execution of the foregoing court decision. As of December 31,2021, the Company has accrued the amount as other payables.

In December 2019, a technology company filed a lawsuit against Xin Run in the Beijing Shunyi District People's Court, requesting Xin Run to pay overdue fees of approximately RMB38.0 million, relevant interest and costs of legal proceedings. Xin Run filed a motion to dismiss for lack of jurisdiction in January, 2020, which was granted by the court. As of March 2021, the case has been withdrawn by such technology company.

In December 2019, another technology company filed a lawsuit against Xin Run in Beijing Shunyi District People’s Court, for the alleged non-payment of construction fees of RMB65.2

million and the relating interest of RMB7.5 million. As of December 31, 2020, The Company has accrued most of the amount as other payables amounting to approximately RMB43.96 million.

In September 2021, the court ruled that Xin Run should pay overdue construction fees and the interests accrued thereon in a total amount of approximately RMB74.81 million, as well as the costs of legal proceedings. Such technology company has applied to the competent court for compulsory execution of the court judgement. The Company is currently unable to assess the likely outcomes of such proceedings. Therefore, no provision has been made for this case.

In January 2020, a technology company filed a lawsuit against Beijing Blue I.T. in the Beijing Chaoyang District People's Court, requesting Beijing Blue I.T. to pay overdue fees of approximately RMB38.6 million, relevant interest and costs of legal proceedings. The court ruled that Beijing Blue I.T. should pay overdue fees of approximately RMB38.6 million and the relevant interests thereof, together with the costs of legal proceedings. We appealed such court judgement to higher court, but our appeal has been dismissed. Such technology company has applied to the competent court for compulsory execution of the court judgement. The Company has accrued most of the amount as accounts payable of approximately RMB 28.9 million. Management is of the view that these proceedings are at preliminary stages, and it is impossible at this stage to properly evaluate the outcome.

25. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingencies (continued)

In March 2020, a technology company filed a lawsuit against Beijing Blue I.T. in the Hangzhou Internet Court, requesting Beijing Blue I.T. to pay overdue fees of approximately RMB15.4 million, relevant interest and costs of legal proceedings. As of the date hereof, this lawsuit is still pending. The court ruled that Beijing Blue I.T. should pay overdue fees of approximately RMB15.4 million, the interests accrued thereon and costs of legal proceedings. We appealed such court judgment to higher court, but our appeal has been dismissed. Such technology company has applied to the competent court for compulsory execution of the court judgement. The company has made full provision for bad debts.

In August 2020, Xin Run filed a lawsuit against three citizens in the Beijing Tongzhou District People's Court, requesting such citizens to return the service fees of approximately RMB77.2 million, and to pay relevant interest and costs of legal proceedings. As of the date hereof, this lawsuit is still ongoing, and management is of the view that these proceedings are at a preliminary stage, therefore it is impossible at this stage to properly evaluate the outcome. However, relevant receivables recorded under prepaid expense and other current assets has been fully impaired in 2021.

In September 2021, a telecommunication company filed an arbitration against Beijing Blue I.T. in the Beijing Arbitration Commission, requesting Beijing Blue I.T. to pay overdue service fees and liquidated damage in a total amount of approximately RMB11.31 million, relevant interest and costs of legal proceedings. In March 2022, the Beijing Arbitration Commission awarded that Beijing Blue I.T. should pay overdue service fees of approximately RMB5.79 million and the relevant liquidated damages and costs of legal proceedings.

SUBSEQUENT EVENT

**12 Months Ended
Dec. 31, 2021**

SUBSEQUENT EVENT
SUBSEQUENT EVENT

26. SUBSEQUENT EVENT

In addition to the information disclosed elsewhere in the financial statements, there are no subsequent events, except for litigation events disclosed in Note 25.

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY**

12 Months Ended

Dec. 31, 2021

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY**

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY**

27. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

CONDENSED BALANCE SHEETS

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))

	As of December 31,		
	2020	2021	
	RMB	RMB	US\$
ASSETS:			
Current assets:			
Cash and cash equivalents	758	740	116
Prepaid expenses and other current assets, net	1,328	1,297	204
Total current assets	2,086	2,037	320
Non-current assets:			
Long term investments	20,045	20,045	3,145
Investments in subsidiaries and consolidated VIEs	(686,847)	(703,779)	(110,438)
Total non-current assets	(666,802)	(683,734)	(107,293)
TOTAL ASSETS	(664,716)	(681,697)	(106,973)
LIABILITIES AND SHAREHOLDERS’ DEFECIT:			
Current liabilities:			
Accrued employee benefits	1,449	1,415	222
Accrued expenses and other payables	2,968	2,277	357
Total current liabilities	4,417	3,692	579
Total liabilities	4,417	3,692	579
Shareholders’ deficit:			
Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	338	338	44
Additional paid-in capital	1,581,684	1,581,771	248,214
Treasury stock	(15,332)	(15,332)	(2,406)
Statutory reserves	1,326	1,326	208
Accumulated deficit	(2,224,747)	(2,239,219)	(351,382)
Accumulated other comprehensive loss	(12,402)	(14,273)	(2,229)
Total shareholders’ deficit	(669,133)	(685,389)	(107,551)
TOTAL LIABILITIES AND SHAREHOLDERS’ DEFICIT	(664,716)	(681,697)	(106,973)

**27. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY
(CONTINUED)**

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
General and administrative expenses	(32,232)	(11,802)	(10,952)	(1,719)
Operating loss	(32,232)	(11,802)	(10,952)	(1,719)
Interest income/(expense), net	(3)	—	—	—
Other income/(expenses), net	3,430	—	(1,224)	(192)
Foreign exchange loss (gain)	1,448	13,568	(6,110)	(959)
Share of losses from subsidiaries and consolidated VIEs	(24,314)	(74,273)	(3,814)	(599)
Loss before income taxes	(51,671)	(72,507)	(14,472)	(2,271)
Income tax expense	—	—	—	—
Net loss	(51,671)	(72,507)	(14,472)	(2,271)
Foreign currency translation adjustment	(1,706)	(12,218)	(1,871)	(294)
Total other comprehensive loss, net of nil tax	(1,706)	(12,218)	(1,871)	(294)
Comprehensive loss	(53,377)	(84,725)	(16,343)	(2,565)

**27. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY
(CONTINUED)**

CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in thousands of RMB and US\$)

	For the years ended December 31,			
	2019	2020	2021	
	RMB	RMB	RMB	US\$
Net cash used in operating activities	(10,481)	(123)	(17)	(3)
Cash flows from investing activities:				
Net cash provided by investing activities	—	—	—	—
Cash flows from financing activities:				
Net cash used in financing activities	—	—	—	—
Net increase /(decrease) in cash and cash equivalents	(10,481)	(123)	(17)	(3)
Cash and cash equivalents at beginning of the year	8,455	880	757	119
Effect of foreign exchange rate changes on cash	2,906	—	—	—
Cash and cash equivalents at end of the year	<u>880</u>	<u>757</u>	<u>740</u>	<u>116</u>

(a) Basis of presentation

The condensed financial information of the Company has been prepared using the same accounting policies as set out in the Group's consolidated financial statements except that the Company used the equity method to account for investment in its subsidiaries and VIEs. The Company records its investment in its subsidiaries and VIEs under the equity method of accounting. Such investment is presented on the balance sheets as "Investment in subsidiaries" and share of their income as "Share of losses from subsidiaries and

Consolidated VIEs” on the statements of comprehensive loss. The PRC subsidiary and VIEs have restrictions on their ability to pay dividends to the Company under PRC laws and regulations (Note 22). The subsidiaries and VIEs did not pay any dividends to the Company for the years presented.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted by reference to the consolidated financial statements.

(b) *Commitments*

The Company does not have significant commitments or long-term obligations as of any of the periods presented.

SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Policies)

12 Months Ended

Dec. 31, 2021

SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES

Basis of presentation

(a) *Basis of presentation*

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Going concern

(b) *Going concern*

The Group experienced net loss of approximately RMB52,705,000, RMB73,123,000 and RMB14,261,000 for the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2021, the Group had net current liabilities of approximately RMB1,530,313,000 (US\$240,139,000), excluding non-current liabilities. These conditions raise substantial doubt about the Group’s ability to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) *Going concern (continued)*

When preparing the consolidated financial statements as of December 31, 2021 and for the year then ended, the Group’s management concluded that the use of the going concern basis of preparation was appropriate after analyzing the cash flow forecast for the next twelve months. In preparing the cash flow analysis, management estimated consideration of RMB1,528,000,000 (US\$239,776,000) from planned disposal of the cloud infrastructure buildings and assets held for sale to domestic CDN customers from 2022 to compensate the estimated revenue decrease from US, and controlling its operating costs and negotiating favorable payment terms.

If the Group fails to achieve these goals, the Group may need additional financing to execute its business plan. If additional financing is required, management does not know whether this additional financing will be in the form of equity, debt, or another form, and the Group may not be able to obtain the necessary additional financing on acceptable terms, or at all. In the event that financing sources are not available, or that the Group is unsuccessful in increasing its gross operating income to cover its operating losses, the Group may be unable to implement its current plans for expansion, repay debt obligations or respond to competitive pressures, which could have a material adverse effect on the Group’s business, prospects, financial condition and results of operations.

Management prepared the consolidated financial statements assuming the Group will continue as a going concern. However, there is no assurance that the Group will be able to achieve as planned. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. If the Group is unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on the financial statements.

Principles of consolidation

(c) *Principles of consolidation*

The consolidated financial statements include the financial statements of the Company, its subsidiaries and the VIEs for which the Company is the primary beneficiary. All inter-company transactions and balances between the Company, its subsidiaries and the VIEs are eliminated upon consolidation. Results of acquisitions are consolidated from the date on which control is transferred to the Company.

Use of estimates

(d) *Use of estimates*

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Areas where management uses subjective judgment include, but are not limited to, estimating the useful lives of long-term assets, renewal period of lease terms and incremental borrowing rate of right-of-use assets and related lease obligations, impairment of long-term assets and intangible assets, allowance for doubtful accounts, accounting for deferred income taxes, and accounting for share-based compensation awards. Accounting for and accounting for the Group’s financial instruments also require significant estimates and judgments provided by management. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

Foreign currency

(e) *Foreign currency*

The functional currency of the Company and each of its subsidiaries and VIEs is the Renminbi (“RMB”), except for ChinaCache US, ChinaCache Canada and ChinaCache UK, which are the United States dollar (“US\$”), Hong Kong dollar (“HK\$”), and Great Britain Pound (“GBP”) respectively. The reporting currency of the Company is the US\$. The criteria of Accounting Standards Codification (“ASC”) 830 (“ASC 830”) “Foreign Currency Matters”. The reporting currency of the Company is denominated in foreign currencies are re-measured into the functional currency at the exchange rates prevailing on the transaction dates. For financial assets and liabilities are re-measured at the balance sheet date exchange rate. Exchange gains and losses are included in foreign exchange gain or loss in consolidated statements of comprehensive loss.

Convenience translation

(f) *Convenience translation*

Amounts in US\$ are presented for the convenience of the reader and are translated at the noon buying rate of US\$1.00 to RMB6.3757 on December 31, 2021 in New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the amounts have been, or could be, converted into US\$ at such rate.

Cash and cash equivalents

(g) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and demand deposits placed with banks or other financial institutions which are unrestricted and have original maturities less than three months.

For the purpose of the consolidated statements of cash flows, cash and cash equivalents also consist of cash and cash equivalents included in assets held for sale.

Restricted Cash

(h) *Restricted Cash*

As of December 31, 2020 and 2021, all the restricted cash relates to cash frozen by courts order during the ongoing legal proceedings.

[Accounts receivable and allowance for doubtful accounts](#)

(i) Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when loss is probable based on evidence indicating troubled collection, historical experience, accounts aging and other factors. An accounts receivable is written off after all collection efforts have been exhausted and the account is uncollectible.

[Property and equipment](#)

(j) Property and equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

Optical Fibers	20 years
Computer equipment	3-15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	10 years
Leasehold improvements	Over the shorter of lease term or the estimated useful lives of the assets
Building	20-40 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment (continued)

Repair and maintenance costs are charged to expense when incurred, whereas the cost of betterments that extend the useful life of property and equipment and additions to the related assets. Retirement, sale and disposals of assets are recorded by removing the cost and related accumulated depreciation which is reflected in the consolidated statements of comprehensive loss.

Property and equipment that are purchased or constructed which require a period of time before the assets are ready for their intended use are accounted for as construction-in-progress. Construction-in-progress is recorded at acquisition cost, including installation costs. Construction-in-progress is transferred to specific asset accounts and commences depreciation when these assets are ready for their intended use. The amounts of interest that would be capitalized were ended December 31, 2019, 2020 and 2021.

[Land use right](#)

(k) Land use right

The land use right represents the amounts paid and relevant costs incurred for the right to use land in the PRC and are recorded at purchase cost less accumulated amortization. Amortization is provided on a straight-line basis over the terms of the respective land use right agreement.

[Intangible assets](#)

(l) Intangible assets

Intangible assets are carried at cost less accumulated amortization and any impairment. Intangible assets with a finite useful life are amortized over the estimated economic life of the intangible assets as follows:

Purchased software	5 years
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[Long-lived assets \(disposal groups\) to be disposed of by sale](#)

(m) Long-lived assets (disposal groups) to be disposed of by sale

The Group classifies long-lived assets and disposal groups as held for sale if their carrying amounts will be recovered principally through disposal rather than continuing use. Such long-lived assets and disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Costs directly attributable to the sale, excluding the finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the sale will be withdrawn.

Property and equipment, land use right and intangible assets are not depreciated or amortized once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated balance sheets.

If circumstances arise that previously were considered unlikely and, as a result, an entity decides not to sell a long-lived asset or disposal group previously classified as held for sale, the asset or disposal group would be reclassified as held and used. The Group measures long-lived assets that are reclassified on an individual basis as follows:

- Its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation or amortization expense recognized had the asset or disposal group been continuously classified as held and used; and
- Its fair value at the date of the subsequent decision not to sell.

A disposal group qualifies as discontinued operation if it is a component of the Group that either has been disposed of, or is classified as held for sale and represents a strategic shift that has (or will have) a major effect on the Group's operations and financial results.

[Impairment of long-lived assets](#)

(n) Impairment of long-lived assets

The Group evaluates its long-lived assets or asset group, including intangible assets with finite lives, for impairment whenever events or changes in circumstances (such as a significant adverse change to market conditions that will impact the future use of the assets) indicate that the carrying amount of an asset or asset group may not be recoverable. When these events occur, the Group evaluates for impairment by comparing the carrying amount of the assets to future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flow is less than the carrying amount, the Group would recognize an impairment loss based on the excess of the carrying amount of the asset group over its fair value. For long-lived assets, the carrying amount is written down to fair value less cost to sell. Fair value is generally determined by discounting the cash flows expected to be generated by the assets. Cash flows are not readily available for the long-lived assets. Impairment charge of nil, RMB13,448,000 and RMB114,000 (US\$18,000) were recognized from long-lived assets and intangible assets for the years ended December 31, 2019, 2020 and 2021, respectively.

[Investments](#)

(o) Investments

Available-for-sale investments

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Such available-for-sale investments are measured at fair value, with unrealized gains and losses recorded in accumulated other comprehensive loss in shareholders' deficit. Realized gains or losses are charged to earnings in the period in which the gain or loss is realized. If the Group determines a decline in fair value is other-than-temporary, the cost basis of the individual security is adjusted to its estimated fair value. The new cost basis will not be adjusted for subsequent recoveries in fair value. Determination of whether declines in fair value are other-than-temporary requires significant judgment. Subsequent increases and decreases in the fair value of available-for-sale securities will be included in other comprehensive income. Other-than-temporary impairment, which would be charged to current period earnings. Impairment of available-for-sale investments for the years ended December 31, 2020 and 2021 were nil, nil and nil, respectively.

Investment in limited partnerships

Where consolidation is not appropriate, the Group applies the equity method of accounting that is consistent with ASC 323 "Investments - Equity Method" to limited partnerships in which the Group holds either (a) a five percent or greater interest or (b) less than a five percent interest when the Group has significant influence over the operating or financial policies of the limited partnership. The Group considers certain qualitative factors in assessing whether it has significant influence for partnership interests of less than five percent. For investments other than those described in (a) and (b) above, the Group applies the cost method.

Cost method investment

Prior to adopting ASC Topic 321 ("ASC 321"), Investments – Equity Securities, on January 1, 2018, the Group carries at cost its investments in entities that do not have readily determinable values or investments and over which the Group does not have significant influence, in accordance with ASC subtopic 321-10 Investments-Other: Cost Method Investments. The Group carries the investment at cost and only adjusts for other-than-temporary declines in fair value that exceed the Group's share of earnings since its investment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Investments (continued)

Management regularly evaluates the impairment of equity investments without readily determinable fair value based on the performance and financial condition of the investee, as well as other evidence of market value. Such evaluation includes, but is not limited to, reviewing the investee's cash position, recent financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment's carrying amount at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. Impairment of cost method investment for the years ended December 31, 2019, 2020 and 2021 were nil, nil and nil, respectively.

The Group adopted ASC 321 on January 1, 2018 and the cumulative effect of adopting the new standard on opening accumulated deficit is nil. For equity investments, except for those accounted for under the equity method and those that result in consolidation of the investee and certain other investments, the Group measures fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the expedient in ASC Topic 820 ("ASC 820"), Fair Value Measurements and Disclosures, to estimate fair value using the net asset value per share, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus change in fair value. Price changes in orderly transactions for identical or similar investments of the same issuer, if any. Equity securities with readily determinable fair value, and any changes in fair value are recognized in earnings.

Pursuant to ASC 321, for equity investments measured at fair value with changes in fair value recorded in earnings, the Group does not assess whether the investment is impaired. For those equity investments that the Group elects to use the measurement alternative, the Group makes a qualitative assessment of whether the investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the entity has to estimate the investment's fair value in accordance with the principles of ASC 820. If the fair value is less than the investment's carrying value, the entity has to recognize an impairment loss in net income equal to the difference between the carrying value and fair value.

(p) Fair value of financial instruments

The carrying amounts of financial assets and liabilities, such as cash and cash equivalents, restricted cash, accounts receivable, other receivables and other current assets, short-term investments, short term borrowings, accounts payables, accrued expenses, balances with related parties and other liabilities, are measured at their fair values because of the short-term maturity of these instruments. The carrying amounts of long-term borrowings approximates its fair value because it bears interest at rates which approximates market interest rates. Available-for-sale investments were initially recognized at cost and subsequently remeasured at the end of each reporting period with the adjustment in its fair value recognized in accumulated other comprehensive income. The Group, with the assistance of an independent valuation firm, determined the estimated fair value of its available-for-sale investments that are recognized in the consolidated financial statements.

(q) Revenue recognition

The Group provides a portfolio of content and application delivery total solutions within its one class of services, such as, web page content services; rich media streaming services; guaranteed application delivery; managed internet data services; cloud hosting services; content bridging services; and value-added services to its customers that in turn improve the performance, reliability and scalability of their internet services and applications.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

On January 1, 2018, the Group adopted ASU No. 2014-09, Revenue from Contracts with Customers, ("ASC 606"), which supersedes the revenue recognition standard in ASC Topic 605, Revenue Recognition, ("ASC 605"), using the modified retrospective transition method applied to those contracts which were not completed as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not been restated and reported in accordance with historic accounting under ASC 605. The impact of adopting the new revenue standard was not material to the consolidated financial statements and there was no adjustment to beginning retained earnings on January 1, 2018.

[Fair value of financial instruments](#)

[Revenue recognition](#)

Under ASC 606, an entity recognizes revenue as the Group satisfies a performance obligation when its customer obtains control of promised goods or services that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for contracts that are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it will collect the consideration to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Group reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Group recognizes revenue based on the amount of the transaction price allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

The Group is a principal and records revenue on a gross basis when the Group is primarily responsible for fulfilling the service, has discretion in establishing the price of the promised service before transferring that service to customers. Otherwise, the Group records revenue at the net amounts as commissions.

The Group generates revenue from CDN, IDC and IX services under ASC Topic 606:

CDN Services

CDN is a content distribution network built on the network. Relying on the edge servers deployed in various regions, through load balancing, content delivery and other functional modules of the central platform, CDN enables users to obtain the required content nearby, reduces network congestion, and improves network speed and hit rate. For revenue stream of CDN, the promised service is to provide CDN service to the customer, which is qualified as a single distinct performance obligation. The unit price is fixed when contract entered with customers. CDN services are typically provided to customers over the contract service period and are recognized based on actual usage over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue on a gross basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Revenue recognition (continued)

IDC Services

IDC services provide cabinet rental and bandwidth service to customer. The Group provides two promised services, cabinet rental and bandwidth service, which are not distinct within the context of the contract as the goal of IDC is to combine traditional internet data center and content delivery. The Group's cabinet rental service is not only to benefit from the Group's physical hosting location and maintenance service, but also to enjoy the bandwidth service provided by the Group. It is cost efficient to consume the Group's bandwidth service rather than to connect directly to bandwidth service provider such as China Telecom. Thus, these two promised services within the contract of IDC service-cabinet rental and bandwidth service are not distinct and shall be identified as a single performance obligation. Typically, IDC services are provided to customers for a fixed unit price over the contract service period and the related revenues are recognized based on actual usage over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for IDC services on a gross basis.

IX Services

IX Services allow networks to interconnect directly, via the exchange, rather than through one or more third-party networks. The primary advantages of IX services are cost, latency, and bandwidth. Same as IDC, there are two promised services within the contract, one is to provide a port usage and the other is to provide bandwidth service. However, the service is not distinct within context of the contract as the services provided is highly integrated. Thus, only one performance obligation is identified for IX services. The unit price is fixed when contract entered with customers. IX services are provided to customers over the contract service period and are recognized based on actual usage and unit price over the term of the contract after the reconciliation with customers completed. The Group is a principal and records revenue for IX service on a gross basis.

6% of value-added tax, or VAT are applied on all services provided by the Group's PRC subsidiaries and VIEs and VIEs' subsidiaries.

Disaggregation of revenues

The following table illustrates the disaggregation of revenue by revenue stream for the years ended December 31, 2019, 2020 and 2021.

	For the Years Ended December 31	
	2019	2020
	RMB'000	RMB'000
CDN Services	648,117	103,548
IDC Services	255,524	223,887
IX Services	14,987	7,902
Total	918,628	335,337

The following table provides information about accounts receivables and contract liabilities from contracts with customers:

	Years as of	
	2020	2021
	RMB'000	RMB'000
Accounts receivables	66,159	17,466
Advance from customers	17,466	

Cost of revenues

(r) Cost of revenues

Cost of revenue consists primarily of depreciation of the Group's long-lived assets, amortization of acquired intangible assets, maintenance, purchase of services, and other overhead expenses directly attributable to the provision of content and application delivery total solutions.

All the services provided by the Group in the PRC, including VIEs are subject to VAT. Such VAT (to the extent that is non-deductible) and other taxes are charged to cost of revenues as the related exclusive business support, technical and consulting services are rendered.

[Advertising expenditures](#)

(s) Advertising expenditures

Advertising expenditures are expensed as incurred. Advertising expenditures, included in sales and marketing expenses, amounted to approximately RMB166,124,000 (US\$23,862,000) for the years ended December 31, 2019, 2020 and 2021, respectively.

[Research and development costs](#)

(t) Research and development costs

Research and development costs consist primarily of payroll and related personnel costs for minor routine upgrades and related enhancements to the Group's network. Costs incurred in the development of the Group's services are expensed as incurred. To date, the amount of costs qualifying for capitalization is RMB164,358,000 (US\$23,608,000).

[Government grant](#)

(u) Government grant

Government grants are provided by the relevant PRC municipal government authorities to subsidize the cost of certain research and development activities. The amount of such government grant is determined solely at the discretion of the relevant government authorities and there is no assurance that the Group will receive a government grant in the future. Government grants are recognized when it is probable that the Group will comply with the conditions attached to the grant received. When the grant relates to an expense item, it is recognized as deferred government grant and released to the consolidated statements of comprehensive income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate, as other operating income. Where the grant relates to an asset, it is recognized as deferred government grant and released to the consolidated statements of comprehensive loss in equal amounts over the expected useful life of the asset, when operational, as other operating income.

Government grants received by the Group also consist of unrestricted grants which are received on an unsolicited and unconditional basis to support the Group's operations and do not relate to the Group's operating activities. Unrestricted grants are classified as non-operating income and recorded in other income on the consolidated statements of comprehensive loss upon receipt.

[Leases](#)

(v) Leases

Leases are classified at the inception date as either a finance lease or an operating lease. The Group did not enter into any leases whereby it is the lessor. The Group leases equipment under finance lease agreements. As the lessee, a lease is a finance lease if any of the following conditions are met: a) the lease term transfers substantially all of the risks and rewards of ownership to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is for the major part of the equipment's economic life, or d) the present value of the sum of the lease payments and any residual value guaranteed that is not already reflected in the lease payments amounts to substantially all of the fair value of equipment, d) the equipment is of such specialized nature that is expected to have no alternative use to the lessor. A lease involving integral equipment is a finance lease only if condition (a) or (b) exists. A finance lease is accounted for as if there was an acquisition of an asset and the incurrence of an obligation at the inception of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Leases (continued)

The Group has certain operating leases for offices and IDC buildings 3# with equipment in it. Some leases include one or more options to renew the lease at the Group's sole discretion. The majority of renewals to extend the lease terms are not included in our right of use assets and lease liabilities as they do not meet the criteria of exercise. The Group regularly evaluates the renewal options, and, when it is reasonably certain of exercise, it will include the renewal period in its right of use assets and lease liabilities. Modifications result in remeasurement of the right of use asset and lease liability. The Group's lease agreements do not contain any material restrictive covenants.

In February 2016, the FASB issued a new standard related to leases to increase transparency and comparability among organizations by requiring recognition of lease right-of-use ("ROU") assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users to assess the amount, timing, and uncertainty of cash flows arising from leases. The Group is also required to recognize and measure new lease liabilities at the commencement date to recognize a cumulative-effect adjustment in the period of adoption using a modified retrospective approach, with certain practical expedients available.

On January 1, 2019, the Group adopted the new lease accounting standard using a modified retrospective transition method which allowed the Group to apply the standard to periods presented in its consolidated financial statements. Adoption of this standard resulted in the recording of operating lease ROU assets and lease liabilities and had no impact on accumulated deficit as of January 1, 2019. It had an impact on the Group's consolidated balance sheets, by increasing ROU assets and lease liabilities of RMB166,124,000 (US\$23,862,000) and RMB164,358,000 (US\$23,608,000), respectively, for operating leases, while ROU assets and lease liabilities for finance leases remained substantially unchanged. The adoption of ASC 842 did not have a material impact on the Group's results of operations for the current year and prior year comparative periods and as a result, a cumulative-effect adjustment was not required. ROU assets and related lease liabilities are measured at the commencement date based on the present value of remaining lease payments over the lease term, using the interest rate implicit in the lease or, if that rate is not determinable, the Group's incremental borrowing rate for the same term as the underlying lease.

[Income taxes](#)

(w) Income taxes

The Group follows the liability method in accounting for income taxes in accordance to ASC topic 740 "Taxation" ("ASC 740"), Income Taxes. Uncertain tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates. A valuation allowance is recorded for the effect in the period in which the differences are expected to reverse. The Group records a valuation allowance against deferred tax assets if, based on the available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized.

The Group adopted ASC 740 to account for uncertainty in income taxes. ASC 740 clarifies the accounting for uncertainty in income taxes by requiring a threshold a tax position is required to meet before being recognized in the consolidated financial statements. The Group has elected to classify income tax benefits to unrecognized tax benefits, if and when required, as part of "interest expense" and "other expenses," respectively, in the consolidated statements of comprehensive income.

[Share-based compensation](#)

(x) Share-based compensation

Share options and restricted share units award granted to employees are accounted for under ASC 718 “*Compensation – Stock Compensation*”. In the Company determines whether share options or restricted share units award should be classified and accounted for as liability or equity award, and restricted share units award to employees classified as equity award are recognized in the financial statements over their requisite service period at fair values.

The Company has elected to recognize compensation expenses using the accelerated method for its share options and restricted share units granted. For share options granted with performance conditions, the Company commences recognition of the related compensation expense if it is probable the defined performance condition will be met. To the extent that the Company determines that it is probable that a different number of share-based awards will vest depending on the performance condition, the cumulative effect of the change in estimate is recognized in the period of change. Forfeitures are recognized when they occur.

The Company, with the assistance of an independent valuation firm, determined the estimated fair values of the share options granted to employees using the binomial option pricing model.

On January 1, 2018, the Company adopted ASU 2017-09 “*Compensation - Stock Compensation: Scope of Modification Accounting*”, which provides for (1) diversity in practice and (2) cost and complexity when applying the guidance in ASC 718 to a change to the terms or conditions of a share-based award. The adoption of ASU 2017-09 did not have a material impact on the Company’s consolidated financial statements.

[Loss per share](#)

(y) *Loss per share*

In accordance with ASC 260, “*Earnings per Share*”, basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the number of ordinary shares outstanding during the year. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders by the number of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the year. Dilutive ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the share options, using the treasury stock method. Ordinary shares are not included in the computation of diluted per share if their effects would be anti-dilutive.

[Comprehensive income/\(loss\)](#)

(z) *Comprehensive income/(loss)*

Comprehensive income/(loss) is defined as the increase/(decrease) in equity of the Group during a period from transactions and other events and changes in equity, including transactions resulting from investments by owners and distributions to owners. Comprehensive income/(loss) is reported in the consolidated statement of comprehensive loss. Accumulated other comprehensive loss of the Group includes foreign currency translation adjustments related to ChinaCache HK and ChinaCache UK whose functional currency are US\$, HK\$, HK\$ and GBP respectively, and the change in fair value of available-for-sale financial assets, net of their corresponding deferred tax impact, if any.

[Segment reporting](#)

(aa) *Segment reporting*

The Group follows ASC 280, “*Segment Reporting*.” The Group’s Chief Executive Officer or chief operating decision-maker reviews the consolidated financial statements and makes decisions about allocating resources and assessing the performance of the Group as a whole and hence, the Group has only one reportable segment. The Group operates and manages its business as a single segment through the provision of a single class of global services for accelerating and improving applications over the Internet. As the Group’s long-lived assets are substantially all located in the PRC, revenues are derived from each subsidiary primarily in the PRC, no geographical segments are presented.

[Treasury Stock](#)

(bb) *Treasury Stock*

The Group accounted for shares repurchased as treasury stock at cost in accordance with ASC Subtopic 505-30 (“ASC 505-30”), “*Treasury Stock*”. The difference between the carrying amount in the shareholders’ deficit as the Group has not yet decided on the ultimate disposition of those ADSs acquired. When the Group uses the treasury stock method to account for the repurchase of share options and restricted share units vested, the difference between the proceeds received upon settlement and the repurchase price is debited to treasury stock. When the Group decides to retire the treasury stock, the difference between the par value and the repurchase price is debited into accumulated deficit.

[Recent accounting pronouncement](#)

(cc) *Recent accounting pronouncement*

In June 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”), *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace “incurred loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowance for credit losses based on carrying amount, as they do today under the other-than-temporary impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. In November 2019, the FASB issued ASU No. 2019-10 to postpone the effective date of ASU No. 2016-13 for public business entities eligible to be smaller reporting companies defined by the SEC to fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13 (“ASU 2018-13”), *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosures Required for Fair Value Measurement*. The amendments in the issued update remove, modify and add disclosure requirements on fair value measurements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years beginning after December 15, 2019. Certain amendments in the update should be applied prospectively for only the most recent interim or annual period presented in the financial statements. All other amendments should be applied retrospectively to all periods presented. Early adoption is permitted upon issuance of this update. An entity may adopt any removed or modified disclosures upon issuance of this update and delay adoption of the additional disclosures until their effective date. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In October 2018, the FASB issued ASU No. 2018-17 (“ASU 2018-17”), *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities*. The updated guidance requires entities to consider indirect interests held through related parties under common control on a proportionate basis equivalent of a direct interest in its entirety when determining whether a decision-making fee is a variable interest. The amendments in this update are effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019, with early adoption permitted. The amendments should be applied retrospectively with a cumulative-effect adjustment to retained earnings at the beginning of the earliest period presented. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(cc) *Recent accounting pronouncement (continued)*

In November 2018, the FASB issued ASU No. 2018-19 (“ASU 2018-19”), *Codification Improvements to Topic 326: Financial Instruments—Credit Losses*. ASU 2018-19 clarifies that receivables arising from operating leases are not within the scope of Subtopic 326-20. Instead, impairment of receivables arising from operating

for in accordance with Topic 842, Leases. The standard is effective for public business entities for annual periods beginning after December 15, 2019, as set forth in the standard. Early adoption is permitted. The Group is currently evaluating the impact of adopting this standard on its consolidated financial statements.

Recently issued ASUs by the FASB, except for the ones mentioned above, have no material impact on the Group's consolidated results of operations.

ORGANIZATION (Tables)

12 Months Ended
Dec. 31, 2021

ORGANIZATION

Schedule of subsidiaries of the Company and variable interest entities where the Company is the primary beneficiary

As of December 31, 2021, subsidiaries of the Company and variable interest entities ("VIEs") where the Company is the primary beneficiary include the following:

	Date of incorporation	Place of incorporation	Percentage of ownership	Principal business activities
Subsidiaries				
ChinaCache Network Technology (Beijing) Ltd. ("ChinaCache Beijing")	August 25, 2005	The PRC	100 %	Provision of technical consultation services
ChinaCache North America Inc. ("ChinaCache US")	August 16, 2007	United States of America	100 %	Provision of content and application development
JNet Holdings Limited ("JNet Holdings")	September 27, 2007	British Virgin Islands	100 %	Investment holding
ChinaCache Networks Hong Kong Ltd. ("ChinaCache HK")	April 7, 2008	Hong Kong	100 %	Provision of content and application development
ChinaCache Xin Run Technology (Beijing) Co., Ltd. ("Xin Run")	July 18, 2011	The PRC	99 % ⁽ⁱⁱ⁾	Construction of cloud infrastructure
Metasequoia Investment Inc. ("Metasequoia")	March 28, 2012	British Virgin Islands	100 %	Investment holding
Beijing Shou Ming Technology Co., Ltd. ("Beijing Shou Ming")	August 15, 2014	The PRC	99 % ⁽ⁱⁱ⁾	Computer hardware, technology development
Beijing Zhao Du Technology Co., Ltd. ("Beijing Zhao Du") ⁽ⁱⁱⁱ⁾	August 15, 2014	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
ChinaCache Networks (UK) Limited ("ChinaCache UK")	March 10, 2016	England and Wales	100 %	Provision of content and application development
Beijing Xiangqing Technology Co., Ltd. ("Beijing Xiangqing") ^(iv)	April 28, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
Beijing Wangrun Technology Co., Ltd. ("Beijing Wangrun") ^(v)	April 26, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
ShenRong Technology (Hongkong) Limited ("ShenRong HK") ^(vi)	December 16, 2019	Hong Kong	100 %	Mechanical equipment lease
Beijing Shuoson Technology Co., Ltd. ("Beijing Shuoson") ^(vii)	April 28, 2019	The PRC	99 % ⁽ⁱⁱ⁾	Mechanical equipment lease
RuiShen Technology (Beijing) Co., Ltd. ("RuiShen BJ") ^(viii)	January 16, 2020	The PRC	100 %	Technology Development
ChinaCache (Hong Kong) Limited ("CCHK") ^(ix)	October 30, 2020	The PRC	100 %	Technology Development
VIEs				
Beijing Blue I.T. Technologies Co., Ltd. ("Beijing Blue IT") ⁽ⁱ⁾	June 7, 1998	The PRC	—	Provision of content and application development
Beijing Jingtian Technology Limited ("Beijing Jingtian") ⁽ⁱ⁾	September 1, 2005	The PRC	—	Provision of content and application development
ChinaCache Shouming Technology (Beijing) Co., Ltd. ("ChinaCache Shouming") ⁽ⁱ⁾	June 6, 2018	The PRC	—	Technology Development
ShenRong Technology (Beijing) Co., Limited ("ShenRong BJ") ⁽ⁱ⁾	November 22, 2019	The PRC	—	Technology Development

(i) The equity interest of Beijing Blue IT is held by the Founders, and Beijing Jingtian is held by two individual shareholders. The equity interest of Beijing Jingtian is held by Tianjin Ding Sheng Zhi Da Technologies Co., Ltd. ("Ding Sheng Zhi Da") and another individual shareholder. The equity interest of ShenRong BJ is held by Tianjin Ding Sheng Zhi Da Technologies Co., Ltd. ("Ding Sheng Zhi Da") and another individual shareholder. The equity interest of ChinaCache Shouming is held by Tianjin Ding Sheng Zhi Da Technologies Co., Ltd. ("Ding Sheng Zhi Da") and another individual shareholder. The Founders, Ding Sheng Zhi Da and the other individual shareholders mentioned above are collectively referred as the Founders.

(ii) On November 16, 2015, Xin Run received a capital injection of RMB1,292,000 (US\$202,000) from Tianjin Shuishan Technology Co., Ltd. ("Shuishan"), which is owned by the Founders. As a result, the percentage of the Company's equity ownership in Xin Run and Xin Run's wholly-owned subsidiary ChinaCache Xin Run Technology (Beijing) Co., Ltd. ("Xin Run") were 99% and 100% as of December 31, 2020 and 2021.

1. ORGANIZATION (CONTINUED)

(iii) In July 2017, Xin Run transferred all of its equity interests in Beijing Zhao Du to a buyer (Note 9). However, due to the disputes disclosed in Note 9, the transfer has not yet closed.

(iv) In April and December 2019, the Group established certain subsidiaries, Beijing Wangrun, Beijing Xiangqing, Beijing Shuoson, and ShenRong BJ, which have not started any operation.

(v) In January 2020, the Group established a subsidiary, RuiShen BJ, a wholly-owned subsidiary of ShenRong HK, which has not started any operation.

(vi) In January 2020, the Group obtained control over ShenRong BJ through contractual arrangement.

(vii) In October 2020, the group incorporated ChinaCache (Hong Kong) Limited, or CCHK, a wholly-owned subsidiary of ChinaCache UK.

Schedule of financial information of the consolidated VIEs before eliminating the intercompany balances and transactions between the consolidated VIEs and other entities within the Group

	2020	As of Dec 31, 2021
	RMB	RMB
ASSETS:		
Current assets:		
Cash and cash equivalents		2,407
Restricted cash		8,463
Accounts receivable (net of allowance for doubtful accounts of RMB75,225 and RMB80,556 (US\$12,641) as of December 31, 2020 and 2021, respectively)		51,074
Prepaid expenses and other current assets, net		39,664
Amounts due from inter-companies ⁽¹⁾		270,245

Amounts due from related parties	—
Total current assets	371,853
Non-current assets:	
Property and equipment, net	2
Intangible assets, net	—
Long term investments	10,103
Operating lease right-of-use asset	5,814
Long term deposits and other non-current assets	128
Total non-current assets	16,047
TOTAL ASSETS	387,900

1. ORGANIZATION (CONTINUED)

Legal compliance (continued)

	2020	As of Dec 31, 2019
	RMB	RMB
LIABILITIES:		
Current liabilities:		
Accounts payable	257,499	257,499
Accrued employee benefits	22,367	22,367
Accrued expenses and other current liabilities	48,883	48,883
Other payables	—	—
Income tax payable	12,196	12,196
Amounts due to inter-companies ⁽¹⁾	465,151	465,151
Current portion of operating lease liabilities	2,372	2,372
Deferred government grant	—	—
Total current liabilities	808,468	808,468
Non-current liabilities:		
Non-current portion of operating lease liabilities	3,470	3,470
Deferred government grant	14,350	14,350
Other noncurrent liabilities	9,210	9,210
Total non-current liabilities	27,030	27,030
Total liabilities	835,498	835,498

(1) Amount due from/to inter-companies consist of intercompany receivables/payables to the other companies within the Group.

	For the Years Ended Dec 31	
	2019	2020
	RMB'000	RMB'000
Net revenues		
-Third party customers	287,653	243,224
-Inter-companies	532,766	30,670
Net profit/(loss)	60,994	9,718

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Tables)**

12 Months Ended

Dec. 31, 2021

**SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

**Schedule of estimated useful lives of
property and equipment**

Optical Fibers	20 years
Computer equipment	3-15 years
Furniture, fixtures and office equipment	5 years
Motor vehicles	10 years
Leasehold improvements	Over the shorter of lease term or the estimated useful lives of the assets
Building	20-40 years

**Schedule of estimated economic life of
the intangible assets**

Purchased software	5 years
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**Schedule of disaggregation of revenue
by revenue stream and by timing of
revenue recognition from continuing
operations**

	For the Years Ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
CDN Services	648,117	103,548	62,270	9,772
IDC Services	255,524	223,887	142,870	22,419
IX Services	14,987	7,902	251	39
Total	<u>918,628</u>	<u>335,337</u>	<u>205,391</u>	<u>32,230</u>

The following table provides information about accounts receivables and contract liabilities from contracts with customers:

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Accounts receivables	66,159	39,649	6,222
Advance from customers	17,466	—	—

**CONCENTRATION OF
RISK (Tables)**

**12 Months Ended
Dec. 31, 2021**

Revenues

CONCENTRATION OF RISK

Schedule of concentration risk

	Years as of December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Customer E	520,358	*	*	*
Customer F	*	54,389	*	*
Customer G	*	*	65,505	10,279
Customer H	*	*	20,774	3,260

Accounts receivables

CONCENTRATION OF RISK

Schedule of concentration risk

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Customer A	7,019	*	*
Customer B	*	15,113	2,372
Customer C	6,352	5,387	845
Customer D	*	5,012	786
Customer F	17,706	*	*
Customer H	*	5,160	810

Purchases

CONCENTRATION OF RISK

Schedule of concentration risk

	Years as of December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Supplier A	59,465	*	*	*
Supplier B	49,802	63,608	*	*
Supplier C	91,268	*	*	*
Supplier D	*	13,833	*	*
Supplier E	*	12,431	*	*
Supplier F	*	*	62,296	9,776
Supplier G	*	*	29,522	4,633

Accounts payable

CONCENTRATION OF RISK

Schedule of concentration risk

	Years as of December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Supplier A	*	*	*
Supplier B	28,929	28,929	4,540
Supplier C	*	*	*
Supplier D	12,853	*	*
Supplier E	6,290	*	*

**ACCOUNTS
RECEIVABLE, NET
(Tables)**

**12 Months Ended
Dec. 31, 2021**

ACCOUNTS RECEIVABLE, NET

Schedule of accounts receivable and allowance for doubtful
accounts

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Accounts receivable	146,389	123,105	19,318
Less: allowance for doubtful accounts	(80,230)	(83,456)	(13,096)
	66,159	39,649	6,222

Schedule of analysis of the allowance for doubtful accounts

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Balance, beginning of year	82,495	80,230	12,590
Additions for the current year	350	5,934	931
Recovery	(2,615)	(2,708)	(425)
Balance, end of year	80,230	83,456	13,096

**PREPAID EXPENSES AND
OTHER CURRENT
ASSETS, NET (Tables)**

**12 Months Ended
Dec. 31, 2021**

**PREPAID EXPENSES AND
OTHER CURRENT
ASSETS, NET**

Schedule of prepaid expenses
and other current assets

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Prepaid expense for bandwidth and servers (i)	3,533	3,584	562
Staff field advances	665	902	142
Prepaid commission (ii)	74,520	74,520	11,694
Prepaid service fee	8	8	1
Other deposit and receivables(iii)	49,006	51,883	8,142
Prepaid income tax	6,227	—	—
Prepaid expense and other current assets	133,959	130,897	20,541
Provision of doubtful accounts	(8,615)	(74,671)	(11,718)
Prepaid expense and other current assets, net	<u>125,344</u>	<u>56,226</u>	<u>8,823</u>

- i) Prepaid expense for bandwidth and servers represents the unamortized portion of prepayments made to the Group's telecom operators and certain technology companies, who provide the Group with access to bandwidth and network servers.
- ii) The balance represents the prepaid commission to an agent for the pending sales of certain cloud infrastructure that were held for sale (Note 9), consisting of RMB 67,200,000 (US\$10,545,000) related to Beijing Zhao Du and RMB7,320,000 (US\$1,149,000) related to disposal of Beijing Shuo Ge, which was provided in 2019.
- iii) Other deposit and receivables represent deductible VAT, and other deposits for operation.

**PROPERTY AND
EQUIPMENT, NET (Tables)**

**12 Months Ended
Dec. 31, 2021**

PROPERTY AND EQUIPMENT, NET

Schedule of property and equipment, including those held under capital leases

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
At cost:			
Optical fibers	13,100	13,100	2,056
Computer equipment	825,796	770,218	120,864
Furniture, fixtures and office equipment	6,011	5,964	936
Leasehold improvements	18,439	18,439	2,894
Motor vehicles	6,838	6,559	1,029
Buildings	317,602	312,125	48,979
	<u>1,187,786</u>	<u>1,126,405</u>	<u>176,758</u>
Less:			
accumulated depreciation	(476,864)	(458,450)	(71,941)
Less: impairment	(348,582)	(346,675)	(54,401)
	<u>362,340</u>	<u>321,280</u>	<u>50,416</u>

Schedule of depreciation expenses

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Cost of revenue	28,598	38,169	28,400	4,457
Sales and marketing expenses	6	—	—	—
General and administrative expenses	18	—	10	2
Research and development expenses	20	—	—	—
	<u>28,642</u>	<u>38,169</u>	<u>28,410</u>	<u>4,459</u>

Schedule of carrying amounts of the company's property and equipment held under capital leases at respective balance sheet dates

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
At Cost:			
Optical fibers	13,100	—	—
Computer equipment	262,989	—	—
	<u>276,089</u>	<u>—</u>	<u>—</u>

Less: accumulated depreciation	(88,039)	—	—
Less: impairment	<u>(166,162)</u>	<u>—</u>	<u>—</u>
	<u>21,888</u>	<u>—</u>	<u>—</u>

**LAND USE RIGHT, NET
(Tables)**

**12 Months Ended
Dec. 31, 2021**

LAND USE RIGHT, NET
Schedule of Land Use Right

	December 31		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Land use right	34,057	25,410	3,987
Less: accumulated amortization	(3,296)	(2,722)	(427)
	<u>30,761</u>	<u>22,688</u>	<u>3,560</u>

**RIGHT-OF-USE ASSETS
AND OPERATING
LIABILITIES (Tables)**

**12 Months Ended
Dec. 31, 2021**

**RIGHT-OF-USE ASSETS AND OPERATING
LIABILITIES**

Schedule of right-of-use assets and operating lease liabilities
as of the respective balance sheet dates.

	December 31		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Right-of-use assets	5,869	3,400	534
Operating lease liabilities - current	2,427	2,565	403
Operating lease liabilities - non- current	3,470	905	142
Total operating lease liabilities	<u>5,897</u>	<u>3,470</u>	<u>545</u>

Schedule of weighted average remaining lease terms and
discount rates for all of operating leases

Remaining lease term and discount rate:	
Weighted average remaining lease term (years)	1.40
Weighted average discount rate	6.18 %

Schedule, by fiscal years, of maturities of lease liabilities

The following is a schedule, by fiscal years, of maturities of
lease liabilities as of December 31, 2021:

2022	2,708
2023	917
Total lease payments	<u>3,625</u>
Less: imputed interest	(155)
Present value of lease liabilities	<u>3,470</u>

**ASSETS HELD FOR SALE
/ LIABILITIES HELD FOR
SALE (Tables)**

**12 Months Ended
Dec. 31, 2021**

**ASSETS HELD FOR SALE / LIABILITIES HELD
FOR SALE**

Schedule of major classes of assets and liabilities held for
sale

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Prepaid expenses and other current assets	15,478	15,478	2,429
Property and equipment	318,446	318,446	49,971
Land use right, net	8,646	8,646	1,357
Assets held for sale	342,570	342,570	53,757
Accrued expenses and other current liabilities	6,814	8,944	1,404
Amounts due to the Company	447	—	—
Liabilities held for sale	7,261	8,944	1,404

Schedule of operating results of the disposal group

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Net revenue	—	—	—	—
Loss before income taxes	(5,682)	(2,960)	(1,188)	(186)

**CLOUD
INFRASTRUCTURE
CONSTRUCTION IN
PROGRESS (Tables)**

12 Months Ended

Dec. 31, 2021

**CLOUD INFRASTRUCTURE CONSTRUCTION IN
PROGRESS**

Schedule of cloud infrastructure construction in progress

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Cloud infrastructure construction in progress	289,788	157,083	24,650

**LONG TERM
INVESTMENTS (Tables)**

**12 Months Ended
Dec. 31, 2021**

LONG TERM INVESTMENTS

Schedule of long term investments

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Cost method investments:			
PRC Fund	10,103	10,103	1,585
United States Fund	20,045	20,045	3,146
Total	<u>30,148</u>	<u>30,148</u>	<u>4,731</u>

BORROWINGS (Tables)

12 Months Ended
Dec. 31, 2021

BORROWINGS

Schedule of long term borrowings

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Long-term bank loan	319,941	168,739	26,479
Less: current portion	(319,941)	(168,739)	(26,479)
Total	—	—	—

**ACCRUED EXPENSES
AND OTHER CURRENT
LIABILITIES (Tables)**

**12 Months Ended
Dec. 31, 2021**

**ACCRUED EXPENSES AND OTHER CURRENT
LIABILITIES**

Schedule of Accrued expenses and other current liabilities

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Advance from customers	17,836	17,954	2,817
Other accrued expenses	69,186	102,679	16,113
Other tax payables	<u>7,973</u>	<u>9,648</u>	<u>1,514</u>
	<u>94,995</u>	<u>130,281</u>	<u>20,444</u>

OTHER PAYABLES
(Tables)

12 Months Ended
Dec. 31, 2021

OTHER PAYABLES
Schedule of Other payables

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Payables for purchase of property and equipment	268,073	281,315	44,144
Consideration received for disposal of Beijing Zhao Du (Note 9)	585,164	585,164	91,825
Penalty accrual	128,890	—	—
Current portion of other non-current liability (Note 15)	23,118	35,544	5,578
Other Payables	1,585	—	—
Total	1,006,830	902,023	141,547

**OTHER NON-CURRENT
LIABILITY (Tables)**

**12 Months Ended
Dec. 31, 2021**

OTHER NON-CURRENT LIABILITY

Summary of other non-current liability

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Consideration refund payable	62,255	62,255	9,769
Other noncurrent payable	13,638	4,428	695
Less: current portion	(23,118)	(35,544)	(5,578)
Total	<u>52,775</u>	<u>31,139</u>	<u>4,886</u>

**DEFERRED
GOVERNMENT GRANT
(Tables)**

**12 Months Ended
Dec. 31, 2021**

DEFERRED GOVERNMENT GRANT

Schedule of deferred government grant

	December 31,		
	2020	2021	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>US\$'000</u>
Beginning balance	14,652	14,652	2,299
Recognized as income during the year	<u>(302)</u>	<u>(302)</u>	<u>(47)</u>
Total balance of deferred government grant	14,350	14,350	2,252
Less: current portion	<u>—</u>	<u>—</u>	<u>—</u>
Balance of non-current deferred government grant	<u>14,350</u>	<u>14,350</u>	<u>2,252</u>

**FINANCE LEASE
OBLIGATIONS (Tables)**

**12 Months Ended
Dec. 31, 2021**

FINANCE LEASE OBLIGATIONS

Schedule of future minimum lease payments under non-cancellable finance lease arrangements

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
2020	—	—	—
2021	27,027	—	—
Total minimum lease payment	27,027	—	—
Less: amount representing interest	(1,786)	—	—
Present value of remaining minimum lease payment	25,241	—	—
Less: current portion	25,241	—	—
Non-current portion	—	—	—

**SHARE-BASED
COMPENSATION (Tables)**

**12 Months Ended
Dec. 31, 2021**

SHARE-BASED COMPENSATION

Summary of the Company's restricted shares award ("RSUs")
issued under 2011 Plan

	<u>Number of ordinary shares</u>	<u>Weighted average grant date fair value</u> (US\$)
Outstanding, January 1, 2019	<u>640,000</u>	0.07
Granted	—	—
Vested	(320,000)	0.07
Forfeited	<u>(160,000)</u>	0.07
Outstanding, December 31, 2019	<u>160,000</u>	0.07
Granted	—	—
Vested	(160,000)	0.07
Forfeited	<u>—</u>	—
Outstanding, December 31, 2020	—	—
Granted	—	—
Vested	—	—
Forfeited	<u>—</u>	—
Outstanding, December 31, 2021	<u>—</u>	—

Schedule of total compensation expense relating to all
options and RSUs recognized

	<u>For the years ended December 31,</u>			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	
	<u>(RMB)'000</u>	<u>(RMB)'000</u>	<u>(RMB)'000</u>	<u>(US\$)'000</u>
Cost of revenues	211	79	11	2
Sales and marketing expenses	83	32	5	1
General and administration expenses	1,114	367	48	7
Research and development expenses	483	176	24	4
	<u>1,891</u>	<u>654</u>	<u>88</u>	<u>14</u>

Employees

SHARE-BASED COMPENSATION

Summary of entity's share option activity

Number of	Weighted average Exercise	Weighted average remaining contractual	Aggregate intrinsic
------------------	--	---	--------------------------------

	<u>options</u>	<u>price</u> (US\$)	<u>term</u> (Years)	<u>value</u> (US\$'000)
Outstanding, January 1, 2019	<u>37,369,229</u>	<u>0.11</u>	<u>7.81</u>	<u>2</u>
Granted	—	—	—	—
Exercised	(44,000)	0.08	—	—
Forfeited	<u>(6,143,024)</u>	<u>0.16</u>	—	—
Outstanding, December 31, 2019	<u>31,182,205</u>	<u>0.10</u>	<u>7.23</u>	<u>1.35</u>
Exercisable at December 31, 2019	<u>20,119,147</u>	<u>0.10</u>	<u>7.10</u>	<u>1.35</u>
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(9,945,152)	0.08	—	—
Outstanding, December 31, 2020	<u>21,237,053</u>	<u>0.11</u>	<u>5.40</u>	<u>—</u>
Exercisable at December 31, 2020	13,529,251	0.11	5.40	—
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(2,139,904)	0.18	—	—
Outstanding, December 31, 2021	<u>19,097,149</u>	<u>0.10</u>	<u>4.90</u>	<u>—</u>
Exercisable at December 31, 2021	<u>13,658,508</u>	<u>0.10</u>	<u>4.90</u>	<u>—</u>

INCOME TAXES (Tables)

12 Months Ended
Dec. 31, 2021

INCOME TAXES

Schedule of Loss from continuing operations before income tax expense

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Non-PRC	(12,095)	(15,467)	(19,608)	(3,077)
PRC	(32,643)	(57,650)	5,450	855
	<u>(44,738)</u>	<u>(73,117)</u>	<u>(14,158)</u>	<u>(2,222)</u>

Schedule of income tax expense

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Current	7,967	6	103	16
Deferred	—	—	—	—
	<u>7,967</u>	<u>6</u>	<u>103</u>	<u>16</u>

Schedule of reconciliation of tax computed by applying the statutory income tax rate to income tax (benefit) expense

	For the years ended December 31,			
	2019	2020	2021	
	RMB'000	RMB'000	RMB'000	US\$'000
Loss before income tax expense	(44,738)	(73,117)	(14,158)	(2,222)
Income tax computed at PRC statutory tax rate of 25%	(11,184)	(18,279)	(3,540)	(555)
Preferential tax rates	(2,737)	1,100	(2,252)	(353)
International rate differences	7,636	338	5,856	919
Additional 75% tax deduction for qualified research and development expenses	(9,697)	(1,207)	(60)	(9)
Non-deductible expenses	3,629	1,365	30	5
Effect of changes in tax rates on deferred taxes	1,765	—	(81,413)	(12,775)
Changes in the valuation allowance	10,996	9,751	17,639	2,768
Realization gain from intercompany transaction	7,435	—	—	—
Expiration of tax loss carry forward	77	6,932	72,085	11,312
other adjustment	47	6	(8,242)	(1,293)
Income tax expense	<u>7,967</u>	<u>6</u>	<u>103</u>	<u>16</u>

[Schedule of the components of deferred tax assets and liabilities](#)

	For the years ended December 31,		
	2020	2021	
	(RMB'000)	(RMB'000)	(US\$'000)
Deferred tax assets:			
- Allowance for doubtful accounts	12,257	39,541	6,205
- Deferred revenue	2,832	4,499	706
- Accruals	2,489	3,410	535
- Tax losses	197,885	162,420	25,487
- Property and equipment	6,488	28,514	4,474
- Intangible assets	2,611	3,817	599
- Long-term investment impairment	960	960	151
- Unrealized profit	71,868	71,868	11,278
Less: valuation allowance	(297,390)	(315,029)	(49,435)
Total Deferred tax assets	—	—	—

[Schedule of roll-forward of accrued unrecognized tax expense](#)

	December 31,		
	2020	2021	
	RMB'000	RMB'000	US\$'000
Beginning balance	(8,273)	(8,273)	(8,273)
Increase based on tax positions related to the current year	—	—	—
Ending balance	(8,273)	(8,273)	(8,273)

**RELATED PARTY
BALANCES AND
TRANSACTIONS (Tables)**

12 Months Ended

Dec. 31, 2021

**RELATED PARTY BALANCES AND
TRANSACTIONS**

Schedule of related party relationships

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Mr. Wang Song	The Co-Founder and Ex-director of the Company
Ms. Kou Xiaohong	The Co-Founder and Ex-director of the Company
Mr. Xiaoqiang Wei	Chief Executive Officer and Director of the Company

Schedule of related party balances

Amounts due from a related party

	<u>Mr. Xiaoqiang Wei</u>	<u>Total</u>
Balance as of December 31, 2019	65	65
Return of advance	(65)	(65)
Balance as of December 31, 2020	—	—
Balance as of December 31, 2021	—	—
Balance as of December 31, 2021 (US\$'000)	<u>—</u>	<u>—</u>

Amounts due to related parties

	<u>Mr. Wang Song</u>	<u>Ms. Kou Xiaohong</u>	<u>Total</u>
Balance as of December 31, 2019	—	27	27
exchange rate difference	—	(1)	(1)
Balance as of December 31, 2020	—	26	26
Expense Reimbursement payment or return	95	(26)	69
Debt paid on behalf of the Group	—	31,994	31,994
Balance as of December 31, 2021	95	31,994	32,089
Balance as of December 31, 2021 (US\$'000)	<u>15</u>	<u>5,020</u>	<u>5,035</u>

LOSS PER SHARE (Tables)**12 Months Ended
Dec. 31, 2021****LOSS PER SHARE****Schedule of basic and diluted
loss per share**

	For the Year Ended December 31,			
	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000) (US\$'000)	
except shares and per share data				
<i>Numerator:</i>				
Net loss attributable to ordinary shareholders:	(51,671)	(72,507)	(14,472)	(2,271)
<i>Denominator:</i>				
Number of shares outstanding, opening	429,404,977	436,656,529	436,816,529	436,816,529
Weighted average number of shares issued	7,244,845	160,000	—	—
Weighted average number of shares reduced	—	—	—	—
Weighted-average number of shares outstanding – Basic and diluted	436,649,822	436,763,196	436,816,529	436,816,529
Loss per share				
-Basic and diluted	(0.12)	(0.17)	(0.03)	(0.01)

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY**
(Tables)

12 Months Ended

Dec. 31, 2021

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY**

Schedule of condensed balance
sheets

CONDENSED BALANCE SHEETS
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))

	As of December 31,		
	2020	2021	
	RMB	RMB	US\$
ASSETS:			
Current assets:			
Cash and cash equivalents	758	740	116
Prepaid expenses and other current assets, net	1,328	1,297	204
Total current assets	2,086	2,037	320
Non-current assets:			
Long term investments	20,045	20,045	3,145
Investments in subsidiaries and consolidated VIEs	(686,847)	(703,779)	(110,438)
Total non-current assets	(666,802)	(683,734)	(107,293)
TOTAL ASSETS	(664,716)	(681,697)	(106,973)
LIABILITIES AND SHAREHOLDERS’ DEFECIT:			
Current liabilities:			
Accrued employee benefits	1,449	1,415	222
Accrued expenses and other payables	2,968	2,277	357
Total current liabilities	4,417	3,692	579
Total liabilities	4,417	3,692	579
Shareholders’ deficit:			
Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	338	338	44
Additional paid-in capital	1,581,684	1,581,771	248,214
Treasury stock	(15,332)	(15,332)	(2,406)
Statutory reserves	1,326	1,326	208
Accumulated deficit	(2,224,747)	(2,239,219)	(351,382)
Accumulated other comprehensive loss	(12,402)	(14,273)	(2,229)
Total shareholders’ deficit	(669,133)	(685,389)	(107,551)
TOTAL LIABILITIES AND SHAREHOLDERS’ DEFICIT	(664,716)	(681,697)	(106,973)

CONDENSED STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in thousands of RMB and US\$)

For the years ended December 31,

Schedule of condensed
statements of comprehensive
loss

	2019		2020		2021	
	RMB	US\$	RMB	US\$	RMB	US\$
General and administrative expenses	(32,232)	(1,719)	(11,802)	(663)	(10,952)	(613)
Operating loss	(32,232)	(1,719)	(11,802)	(663)	(10,952)	(613)
Interest income/(expense), net	(3)	—	—	—	—	—
Other income/(expenses), net	3,430	—	—	—	(1,224)	(192)
Foreign exchange loss (gain)	1,448	—	13,568	753	(6,110)	(388)
Share of losses from subsidiaries and consolidated VIEs	(24,314)	(1,397)	(74,273)	(4,363)	(3,814)	(232)
Loss before income taxes	(51,671)	(2,817)	(72,507)	(4,363)	(14,472)	(825)
Income tax expense	—	—	—	—	—	—
Net loss	(51,671)	(2,817)	(72,507)	(4,363)	(14,472)	(825)
Foreign currency translation adjustment	(1,706)	(92)	(12,218)	(640)	(1,871)	(116)
Total other comprehensive loss, net of nil tax	(1,706)	(92)	(12,218)	(640)	(1,871)	(116)
Comprehensive loss	(53,377)	(2,909)	(84,725)	(5,003)	(16,343)	(941)

[Schedule of condensed statements of cash flows](#)

CONDENSED STATEMENTS OF CASH FLOWS
(Amounts in thousands of RMB and US\$)

	For the years ended December 31,					
	2019		2020		2021	
	RMB	US\$	RMB	US\$	RMB	US\$
Net cash used in operating activities	(10,481)	(575)	(123)	(63)	(17)	(105)
Cash flows from investing activities:						
Net cash provided by investing activities	—	—	—	—	—	—
Cash flows from financing activities:						
Net cash used in financing activities	—	—	—	—	—	—
Net increase/(decrease)in cash and cash equivalents	(10,481)	(575)	(123)	(63)	(17)	(105)
Cash and cash equivalents at beginning of the year	8,455	453	880	420	757	463
Effect of foreign exchange rate changes on cash	2,906	161	—	—	—	—
Cash and cash equivalents at end of the year	<u>880</u>	<u>339</u>	<u>757</u>	<u>357</u>	<u>740</u>	<u>358</u>

ORGANIZATION (Details)	Dec. 19, 2016 CNY (¥)	Jan. 20, 2016 CNY (¥)	Nov. 16, 2015 CNY (¥)	Nov. 16, 2015 USD (\$)	12 Months Ended		
					Sep. 23, 2005	Dec. 31, 2021 CNY (¥) agreement	Dec. 31, 2020
Beijing Jingtian Exclusive Business Cooperative Agreement							
Organization							
Service fees charged on percentage of net income						100.00%	
Beijing Blue IT Exclusive technical support and service agreement/Exclusive technical consultation and training agreement/Equipment leasing agreement							
Organization							
Number of agreements with VIEs agreement						3	
Beijing Blue IT Loan Agreement							
Organization							
Capital injection from a PRC company wholly owned by the Founders						¥ 10,000,000	
Variable interest entity agreement term						10 years	
Variable interest entity renewed additional term						10 years	
ChinaCache Beijing							
Organization							
Percentage of ownership						100.00%	
ChinaCache Beijing Exclusive Business Cooperative Agreement							
Organization							
Variable interest entity agreement term						10 years	
ChinaCache Beijing Beijing Jingtian Loan Agreement							
Organization							
Variable interest entity agreement term						10 years	
Loan facility provided to the Nominee Shareholders of the variable interest entity						¥ 8,500,000	
ChinaCache Beijing Beijing Blue IT Exclusive technical support and service agreement/Exclusive technical consultation and training agreement/Equipment leasing agreement							
Organization							
Variable interest entity agreement term						5 years	

Variable interest entity renewed additional term			15 years
ChinaCache Beijing Beijing Blue IT Loan Agreement			
Organization			
Variable interest entity agreement term	10 years	10 years	
Interest-free loan facility	¥	¥	
	20,000,000	10,000,000	
ChinaCache North America, Inc.			
Organization			
Percentage of ownership			100.00%
JNet Holdings Limited ("JNet Holdings")			
Organization			
Percentage of ownership			100.00%
ChinaCache Networks Hong Kong Ltd. ("ChinaCache HK")			
Organization			
Percentage of ownership			100.00%
Xin Run			
Organization			
Percentage of ownership			99.00%
Percentage of ownership, after transfer			99.00% 99.00%
Xin Run ChinaCache Shouming Loan Agreement			
Organization			
Variable interest entity agreement term			10 years
Loan facility provided to the Nominee Shareholders of the variable interest entity			¥
			10,000,000
Xin Run Tianjin Shuishan Technology Co., Ltd			
Organization			
Capital injection from a PRC company wholly owned by the Founders		¥	\$
		1,292,000	202,000
Metasequoia Investment Inc. ("Metasequoia")			
Organization			
Percentage of ownership			100.00%
Beijing Shou Ming Technology Co., Ltd. ("Beijing Shou Ming")			
Organization			
Percentage of ownership			99.00%
Beijing Zhao Du Technology Co., Ltd. ("Beijing Zhao Du")			
Organization			
Percentage of ownership			99.00%

[ChinaCache Networks Limited \("ChinaCache UK"\)](#)

Organization

[Percentage of ownership](#) 100.00%

[Beijing Xiangqing Technology Co.,Ltd \("Beijing Xiangqing"\)](#)

Organization

[Percentage of ownership](#) 99.00%

[Beijing Wangrun Technology Co.,Ltd \("Beijing Wangrun"\)](#)

Organization

[Percentage of ownership](#) 99.00%

[ShenRong Technology \(Hongkong\) Limited \("ShenRong HK"\)](#)

Organization

[Percentage of ownership](#) 100.00%

[Beijing Shuosun Technology Co.,Ltd\("Beijing Shuosun"\)](#)

Organization

[Percentage of ownership](#) 99.00%

[RuiShen Technology \(Beijing\) Co., Ltd.\("Ruishen BJ"\)](#)

Organization

[Percentage of ownership](#) 100.00%

[RuiShen Technology \(Beijing\) Co., Ltd.\("Ruishen BJ"\) | RuiShen BJ | Loan Agreement](#)

Organization

[Variable interest entity agreement term](#) 13 years

[Loan facility provided to the Nominee](#) ¥

[Shareholders of the variable interest entity](#) 10,000,000

[ChinaCache \(Hong Kong\) Limited \("CCHK"\)](#)

Organization

[Percentage of ownership](#) 100.00%

ORGANIZATION - FINANCIAL INFORMATION (Details) \$ in Thousands	12 Months Ended					
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2018 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 USD (\$)
Organization						
<u>Pledge or collateralization of assets</u>	¥ 0					
Current assets:						
<u>Cash and cash equivalents</u>	38,432,000	¥ 20,284,000			\$ 6,031	
<u>Accounts receivable (net of allowance for doubtful accounts of RMB75,225 and RMB80,556 (US\$12,641) as of December 31, 2020 and 2021, respectively)</u>	39,649,000	66,159,000			6,222	
<u>Accounts receivable, allowance for doubtful accounts (in CNY and dollars)</u>	83,456,000	80,230,000	¥ 82,495,000		13,096	\$ 12,590
<u>Prepaid expenses and other current assets, net</u>	56,226,000	125,344,000			8,823	
<u>Amounts due from subsidiaries held for sale</u>		447,000				
<u>Total current assets</u>	483,958,000	565,811,000			75,944	
Non-current assets:						
<u>Property and equipment, net</u>	321,280,000	362,340,000			50,416	
<u>Long term investments</u>	30,148,000	30,148,000			4,731	
<u>Operating lease right-of-use asset</u>	3,400,000	5,869,000			534	
<u>Long term deposits and other non-current assets</u>	17,939,000	27,696,000			2,815	
<u>Total non-current assets</u>	552,538,000	746,602,000			86,706	
TOTAL ASSETS	1,036,496,000	1,312,413,000			162,650	
Current liabilities:						
<u>Accounts payable</u>	318,510,000	331,658,000			49,981	
<u>Accrued employee benefits</u>	27,793,000	30,883,000			4,361	
<u>Accrued expenses and other payables</u>	130,281,000	94,995,000			20,444	
<u>Other payables</u>	902,023,000	1,006,830,000			141,547	
<u>Income tax payable</u>	89,701,000	97,054,000			14,076	
<u>Current portion of finance lease obligations</u>		25,241,000				
<u>Current portion of operating lease liability</u>	2,565,000	2,427,000			403	
<u>Total current liabilities</u>	1,680,645,000	1,916,316,000			263,730	
Non-current liabilities:						

<u>Non-current portion of operating lease liabilities</u>	905,000	3,470,000	142
<u>Deferred government grant</u>	14,350,000	14,350,000	2,252
<u>Other noncurrent liabilities</u>	31,139,000	52,775,000	4,886
<u>Total non-current liabilities</u>	46,394,000	70,595,000	7,280
<u>Total liabilities</u>	1,727,039,000	1,986,911,000	271,010
<u>Net revenues</u>			
<u>-Third party customers</u>	14,350,000	\$ 2,252 14,350,000	
<u>Noet profit/(loss)</u>	(14,261,000)	(2,238)(73,123,000)	(52,705,000)
<u>Net cash provided by /(used in) operating activities</u>	76,815,000	12,054 82,601,000	108,944,000
<u>Net cash used in investing activities</u>	(26,164,000)	(4,106)(52,336,000)	(35,678,000)
<u>Net cash used in financing activities</u>	(28,449,000)	(4,464)(41,467,000)	¥ (78,452,000)
<u>Consolidated Variable Interest Entity (VIEs)</u>			
<u>Current assets:</u>			
<u>Cash and cash equivalents</u>	12,775,000	2,407,000	2,005
<u>Restricted cash</u>	5,867,000	8,463,000	921
<u>Accounts receivable (net of allowance for doubtful accounts of RMB75,225 and RMB80,556 (US\$12,641) as of December 31, 2020 and 2021, respectively)</u>	14,509,000	51,074,000	2,277
<u>Accounts receivable, allowance for doubtful accounts (in CNY and dollars)</u>	80,556,000	75,225,000	12,641
<u>Prepaid expenses and other current assets, net</u>	39,864,000	39,664,000	6,255
<u>Amounts due from inter-companies</u>	248,628,000	270,245,000	39,015
<u>Total current assets</u>	321,643,000	371,853,000	50,473
<u>Non-current assets:</u>			
<u>Property and equipment, net</u>		2,000	
<u>Long term investments</u>	10,103,000	10,103,000	1,585
<u>Operating lease right-of-use asset</u>	3,400,000	5,814,000	534
<u>Long term deposits and other non-current assets</u>	122,000	128,000	19
<u>Total non-current assets</u>	13,625,000	16,047,000	2,138
TOTAL ASSETS	335,268,000	387,900,000	52,611
<u>Current liabilities:</u>			
<u>Accounts payable</u>	232,662,000	257,499,000	36,510
<u>Accrued employee benefits</u>	20,355,000	22,367,000	3,194

<u>Accrued expenses and other payables</u>	58,121,000		48,883,000		9,120
<u>Income tax payable</u>	10,812,000		12,196,000		1,697
<u>Amounts due to inter-companies</u>	469,183,000		465,151,000		73,625
<u>Current portion of operating lease liability</u>	2,565,000		2,372,000		403
<u>Total current liabilities</u>	793,698,000		808,468,000		124,549
<u>Non-current liabilities:</u>					
<u>Non-current portion of operating lease liabilities</u>	905,000		3,470,000		142
<u>Deferred government grant</u>	14,350,000		14,350,000		2,252
<u>Other noncurrent liabilities</u>			9,210,000		
<u>Total non-current liabilities</u>	15,255,000		27,030,000		2,394
<u>Total liabilities</u>	808,953,000		835,498,000		\$ 126,943
<u>Net revenues</u>					
<u>-Third party customers</u>	63,038,000	9,892	243,224,000		¥ 287,653,000
<u>-Inter-companies</u>	16,082,000	2,523	30,670,000		532,766,000
<u>Noet profit/(loss)</u>	¥ (26,087,000)	\$ (4,094)	¥ 9,718,000		¥ 60,994,000

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- LIQUIDITY (Details)**

**SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES**

Net loss

	Dec. 31, 2021 USD (\$)	12 Months Ended Dec. 31, 2021 CNY (¥)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2021 CNY (¥)
	\$ 2,238,000	¥ 14,261,000	¥ 73,123,000	¥ 52,705,000	

Negative cash flows from operations

	(12,054,000)	¥ (76,815,000)	¥ (82,601,000)	¥ (108,944,000)	
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Net current liability

	240,139,000			¥ 1,530,313,000	
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Sales And Lease back Receivables

	\$ 239,776,000			¥ 1,528,000,000	
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**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- CONVENIENCE
TRANSLATION AND
PROPERTY AND
EQUIPMENT (Details)**

12 Months Ended

Dec. 31, 2021 Dec. 31, 2020

Convenience translation

Noon buying rate (in CNY per dollar) 6.3757 1.00

Optical Fibers

Property and equipment

Estimated useful lives of the assets 20 years

Computer equipment | Minimum

Property and equipment

Estimated useful lives of the assets 3 years

Computer equipment | Maximum

Property and equipment

Estimated useful lives of the assets 15 years

Furniture, fixtures and office equipment

Property and equipment

Estimated useful lives of the assets 5 years

Motor vehicles

Property and equipment

Estimated useful lives of the assets 10 years

Buildings | Minimum

Property and equipment

Estimated useful lives of the assets 20 years

Buildings | Maximum

Property and equipment

Estimated useful lives of the assets 40 years

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- INTANGIBLE ASSETS
(Details)**

12 Months Ended

Dec. 31, 2021

Purchased software

Intangible assets

Estimated economic life of the intangible assets 5 years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - IMPAIRMENT OF LONG- LIVED ASSETS & INVESTMENT (Details)	12 Months Ended						
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2018 CNY (¥)	Dec. 31, 2021 USD (\$)	Jan. 01, 2018 USD (\$)
<u>Impairment of long-lived assets</u>	¥ 114,000	\$ 18,000	¥ 13,448,000	¥ 0			
<u>Investments</u>							
<u>Impairment of available-for-sale investment</u>	0		0	¥ 0			
<u>Impairment of cost method investment</u>	0		0		¥ 0		
<u>Accumulated deficit</u>	¥ (2,239,219,000)		¥ (2,224,747,000)			\$ (351,382,000)	
<u>ASC 321</u>							
<u>Investments</u>							
<u>Accumulated deficit \$</u>							\$ 0

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
- REVENUE
RECOGNITION (Details)
¥ in Thousands, \$ in
Thousands**

	1 Months Ended	12 Months Ended				
	Jun. 30, 2014	Dec. 31, 2021 CNY (¥) class	Dec. 31, 2021 USD (\$) class	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2021 USD (\$)
<u>Net revenues</u>						
<u>Number of class of services in a portfolio of content and application delivery to total solutions class</u>	1	1				
<u>Accounts receivables and contract liabilities</u>						
<u>Accounts receivables</u>		¥ 39,649		¥ 66,159		\$ 6,222
<u>Advance from customers ¥</u>				17,466		
<u>Disaggregation of revenue</u>		205,391	\$ 32,230	335,337	¥ 918,628	
<u>CDN Services</u>						
<u>Accounts receivables and contract liabilities</u>						
<u>Disaggregation of revenue</u>		62,270	9,772	103,548	648,117	
<u>IDC Services</u>						
<u>Accounts receivables and contract liabilities</u>						
<u>Disaggregation of revenue</u>		142,870	22,419	223,887	255,524	
<u>IX Services</u>						
<u>Accounts receivables and contract liabilities</u>						
<u>Disaggregation of revenue</u>		¥ 251	\$ 39	¥ 7,902	¥ 14,987	
<u>Beijing Blue IT All services</u>						
<u>Accounts receivables and contract liabilities</u>						
<u>Value-added tax</u>	6.00%					

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - ADVERTISING, GOVERNMENT GRANT, LEASES AND SEGMENT REPORTING (Details)	12 Months Ended								
	Dec. 31, 2021 CNY (¥) segment	Dec. 31, 2021 USD (\$) segment	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2021 USD (\$) segment	Jan. 31, 2019 CNY (¥)	Jan. 31, 2019 USD (\$)	Jan. 01, 2019 CNY (¥)	Jan. 01, 2019 USD (\$)
Advertising expenditures									
<u>Advertising expenditures, included in sales and marketing expenses ¥</u>	¥ 0		¥ 0	¥ 0					
Government Grant									
<u>-Third party customers</u>	14,350,000	\$ 2,252,000	14,350,000						
Leases									
<u>Operating lease right-of-use asset</u>	3,400,000		5,869,000		\$ 534,000				
<u>Operating lease liability</u>	¥ 3,470,000		5,897,000		\$ 545,000				
Segment reporting									
<u>Number of reportable segment</u>	1	1							
<u>Number of geographical segments</u>	0				0				
Employee benefits									
<u>Employee benefits incurred under defined contribution plans</u>	¥ 6,532,000	\$ 1,025,000	¥ 15,420,000	¥ 28,285,000					
ASU 842									
Leases									
<u>Operating lease right-of-use asset</u>					¥ 166,124,000	\$ 23,862,000			
<u>Operating lease liability</u>							¥ 164,358,000	\$ 23,608,000	

**CONCENTRATION OF
RISK (Details) - Credit risk**

Dec. 31, 2021 **Dec. 31, 2021** **Dec. 31, 2020**
CNY (¥) **USD (\$)** **CNY (¥)**

PRC

CONCENTRATION OF RISK

Amounts deposited with major financial institutions ¥ 26,389,000 \$ 4,141,000 ¥ 17,369,000

Hong Kong Special Administration Region

CONCENTRATION OF RISK

Amounts deposited with major financial institutions 4,386,000 688,000 1,297,000

United Kingdom

CONCENTRATION OF RISK

Amounts deposited with major financial institutions 3,363,000 527,000 4,694,000

United States of America

CONCENTRATION OF RISK

Amounts deposited with major financial institutions ¥ 11,373,000 \$ 1,784,000 ¥ 7,931,000

**CONCENTRATION OF
RISK - TOTAL REVENUE
& TOTAL ACCOUNTS
RECEIVABLE (Details)
¥ in Thousands, \$ in
Thousands**

12 Months Ended

CONCENTRATION OF RISK

Purchase from suppliers

**Dec. 31, 2021
CNY (¥)** **Dec. 31, 2021
USD (\$)** **Dec. 31, 2020
CNY (¥)** **Dec. 31, 2019
CNY (¥)** **Dec. 31, 2021
USD (\$)**

¥ 156,390 \$ 24,541 ¥ 235,889 ¥ 689,820

Total revenues

205,391 \$ 32,230 335,337 ¥ 918,628

Accounts receivables

¥ 39,649 ¥ 66,159 \$ 6,222

Minimum period for which the PRC government has been pursuing economic reform policies

20 years 20 years

Percentage of depreciation of the RMB against US\$

(2.34%) (2.34%) (6.27%) 1.30%

Customer A

CONCENTRATION OF RISK

Accounts receivables

¥ 7,019

Customer B

CONCENTRATION OF RISK

Accounts receivables

¥ 15,113 2,372

Customer C

CONCENTRATION OF RISK

Accounts receivables

5,387 6,352 845

Customer D

CONCENTRATION OF RISK

Accounts receivables

5,012 786

Customer F

CONCENTRATION OF RISK

Accounts receivables

17,706

Revenues | Customer risk | Customer E

CONCENTRATION OF RISK

Total revenues

¥ 520,358

Revenues | Customer risk | Customer F

CONCENTRATION OF RISK

Total revenues

54,389

Revenues | Customer risk | Customer G

CONCENTRATION OF RISK

Total revenues

65,505 \$ 10,279

Revenues | Customer risk | Customer H

CONCENTRATION OF RISK

Total revenues

20,774 3,260

Accounts receivables | Customer risk | Customer H

CONCENTRATION OF RISK

Accounts receivables 5,160 810

Purchases | Supplier risk | Supplier A

CONCENTRATION OF RISK

Purchase from suppliers 59,465

Purchases | Supplier risk | Supplier B

CONCENTRATION OF RISK

Purchase from suppliers 63,608 49,802

Purchases | Supplier risk | Supplier C

CONCENTRATION OF RISK

Purchase from suppliers ¥ 91,268

Purchases | Supplier risk | Supplier D

CONCENTRATION OF RISK

Purchase from suppliers 13,833

Purchases | Supplier risk | Supplier E

CONCENTRATION OF RISK

Purchase from suppliers 12,431

Purchases | Supplier risk | Supplier F

CONCENTRATION OF RISK

Purchase from suppliers 62,296 9,776

Purchases | Supplier risk | Supplier G

CONCENTRATION OF RISK

Purchase from suppliers 29,522 \$ 4,633

Accounts payable | Supplier risk | Supplier B

CONCENTRATION OF RISK

Accounts payable ¥ 28,929 28,929 \$ 4,540

Accounts payable | Supplier risk | Supplier D

CONCENTRATION OF RISK

Accounts payable 12,853

Accounts payable | Supplier risk | Supplier E

CONCENTRATION OF RISK

Accounts payable ¥ 6,290

**ACCOUNTS
RECEIVABLE, NET**
(Details)
¥ in Thousands, \$ in
Thousands

12 Months Ended

Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2021 USD (\$)
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**Accounts receivable and allowance for doubtful
accounts**

<u>Accounts receivable</u>	¥ 123,105		¥ 146,389	\$ 19,318
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<u>Less: allowance for doubtful accounts</u>	(83,456)		(80,230)	(13,096)
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<u>Accounts receivable</u>	39,649		66,159	\$ 6,222
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Analysis of the allowance for doubtful accounts

<u>Balance, beginning of year</u>	80,230	\$ 12,590	82,495	
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<u>Additions for the current year</u>	5,934	931	350	
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<u>Recovery</u>	(2,708)	(425)	(2,615)	
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<u>Balance, end of year</u>	¥ 83,456	\$ 13,096	¥ 80,230	
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PREPAID EXPENSES AND OTHER CURRENT ASSETS, NET (Details)	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2019 USD (\$)
<u>Prepaid expenses and other current assets:</u>					
<u>Prepaid expense for bandwidth and servers</u>	[1] ¥ 3,584,000	\$ 562,000	¥ 3,533,000		
<u>Staff field advances</u>	902,000	142,000	665,000		
<u>Prepaid commission</u>	74,520,000	11,694,000	74,520,000		
<u>Prepaid service fee</u>	8,000	1,000	8,000		
<u>Other deposit and receivables</u>	[2] 51,883,000	8,142,000	49,006,000		
<u>Prepaid income tax</u>			6,227,000		
<u>Prepaid expense and other current assets</u>	130,897,000	20,541,000	133,959,000		
<u>Provision of doubtful accounts</u>	(74,671,000)	(11,718,000)	(8,615,000)		
<u>Prepaid expenses and other current assets, net</u>	¥ 56,226,000	\$ 8,823,000	¥ 125,344,000		

Beijing Zhao Du Technology Co., Ltd.
("Beijing Zhao Du")

Prepaid expenses and other current assets:

<u>Prepaid commission</u>	¥	\$
	67,200,000	10,545,000

Beijing Shuo Ge

Prepaid expenses and other current assets:

<u>Prepaid commission</u>	¥	\$
	7,320,000	1,149,000

[1] Prepaid expense for bandwidth and servers represents the unamortized portion of prepayments made to the Group's telecom operators and certain technology companies, who provide the Group with access to bandwidth and network servers.

[2] Other deposit and receivables represent deductible VAT, and other deposits for operation.

PROPERTY AND EQUIPMENT, NET (Details)	Dec. 31, 2021 CNY (¥)	12 Months Ended		Dec. 31, 2019 CNY (¥)	Dec. 31, 2021 USD (\$)
		Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)		
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Property and equipment, at cost</u>	¥		¥		\$
	1,126,405,000		1,187,786,000		176,758,000
<u>Less: accumulated depreciation</u>	(458,450,000)		(476,864,000)		(71,941,000)
<u>Less: impairment</u>	(346,675,000)		(348,582,000)		(54,401,000)
<u>Property and equipment, net</u>	321,280,000		362,340,000		50,416,000
<u>Depreciation expenses</u>	28,410,000	\$ 4,459,000	38,169,000	¥	28,642,000
<u>Impairment of property, plant and equipment</u>	114,000	18,000	13,448,000	0	
<u>Impairment reduced</u>	2,021,000	317,000			
<u>Cost of revenue</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Depreciation expenses</u>	28,400,000	4,457,000	38,169,000	28,598,000	
<u>Sales and marketing expenses</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Depreciation expenses</u>				6,000	
<u>General and administration expenses</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Depreciation expenses</u>	10,000	\$ 2,000		18,000	
<u>Research and development expenses</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Depreciation expenses</u>				¥ 20,000	
<u>Optical Fibers</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Property and equipment, at cost</u>	13,100,000		13,100,000		2,056,000
<u>Computer equipment</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Property and equipment, at cost</u>	770,218,000		825,796,000		120,864,000
<u>Furniture and fixtures</u>					
<u>PROPERTY AND EQUIPMENT, NET</u>					
<u>Property and equipment, at cost</u>	5,964,000		6,011,000		936,000
<u>Leasehold improvements</u>					

**PROPERTY AND EQUIPMENT,
NET**

<u>Property and equipment, at cost</u>	18,439,000	18,439,000	2,894,000
<u>Motor vehicles</u>			

**PROPERTY AND EQUIPMENT,
NET**

<u>Property and equipment, at cost</u>	6,559,000	6,838,000	1,029,000
<u>Buildings</u>			

**PROPERTY AND EQUIPMENT,
NET**

<u>Property and equipment, at cost</u>	¥ 312,125,000	¥ 317,602,000	\$ 48,979,000
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**PROPERTY AND
EQUIPMENT, NET -
CARRYING AMOUNT
(Details)**

12 Months Ended

	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2021
	CNY (¥)	CNY (¥)	USD (\$)

PROPERTY AND EQUIPMENT, NET

<u>Property and equipment held under capital leases, at cost</u>	¥ 276,089,000		
<u>Less: accumulated depreciation</u>	(88,039,000)		
<u>Less: impairment</u>	(166,162,000)		
<u>Property and equipment held under capital leases, net</u>	21,888,000		
<u>Property and equipment, pledged as collateral</u>	306,608,000	¥ 296,744,000	\$ 46,566,000
<u>Optical Fibers</u>			

PROPERTY AND EQUIPMENT, NET

<u>Property and equipment held under capital leases, at cost</u>	13,100,000		
<u>Computer equipment</u>			

PROPERTY AND EQUIPMENT, NET

<u>Property and equipment held under capital leases, at cost</u>	¥ 262,989,000		
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12 Months Ended

LAND USE RIGHT, NET (Details)	Dec. 31,	12 Months Ended			Dec. 31,	Dec. 31,
	2021 CNY (¥) m ²	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2013 CNY (¥)	Dec. 31, 2021 USD (\$) m ²
LAND USE RIGHT, NET						
<u>Land use right</u>	¥ 25,410,000		¥ 34,057,000			\$ 3,987,000
<u>Less: accumulated amortization</u>	(2,722,000)		(3,296,000)			(427,000)
<u>Land use right, net</u>	¥ 22,688,000		30,761,000			\$ 3,560,000
<u>Payments to Acquire Land Held-for-use</u>					¥ 51,678,000	
<u>Area of Land m²</u>	39,000					39,000
<u>Land use right, term of contract</u>					50 years	
<u>Amortization Expense for Land Use Right</u>	¥ 706,000	\$ 110,000	706,000	¥ 706,000		
<u>Land use right, pledged as collateral</u>	¥ 15,768,000		¥ 30,761,000			

**RIGHT-OF-USE ASSETS
AND OPERATING
LIABILITIES (Details)**
¥ in Thousands, \$ in
Thousands

	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)
<u>Right-of-use assets and operating lease liabilities as of the respective balance sheet</u>			
<u>Right-of-use assets</u>	¥ 3,400	\$ 534	¥ 5,869
<u>Operating lease liabilities - current</u>	2,565	403	2,427
<u>Operating lease liabilities - non-current</u>	905	142	3,470
<u>Total operating lease liabilities</u>	¥ 3,470	\$ 545	¥ 5,897

**RIGHT-OF-USE ASSETS
AND OPERATING
LIABILITIES - Schedule of
weighted average remaining
lease terms (Details)**

12 Months Ended

	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)
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**RIGHT-OF-USE ASSETS AND OPERATING
LIABILITIES**

<u>Weighted average remaining lease term (years)</u>	1 year 4 months 24 days	1 year 4 months 24 days		
<u>Weighted average discount rate</u>	6.18%	6.18%		
<u>Cash payment for operating leases</u>	¥ 2,034,000	\$ 316,000		
<u>Total operating lease expenses</u>	¥ 2,034,000	\$ 316,000	¥ 4,307,000	¥ 45,384,000

**RIGHT-OF-USE ASSETS
AND OPERATING
LIABILITIES - Schedule of
maturities of lease liabilities
(Details)**
¥ in Thousands, \$ in
Thousands

Dec. 31, 2021 Dec. 31, 2021 Dec. 31, 2020
CNY (¥) USD (\$) CNY (¥)

Schedule, by fiscal years, of maturities of lease liabilities

<u>2022</u>	¥ 2,708		
<u>2023</u>	917		
<u>Total lease payments</u>	3,625		
<u>Less: imputed interest</u>	(155)		
<u>Total operating lease liabilities</u>	¥ 3,470	\$ 545	¥ 5,897

ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE (Details)	12 Months Ended									Sep. 30, 2015 CNY (¥) building	Jan. 31, 2015 CNY (¥)
	Apr. 03, 2019 CNY (¥)	Apr. 03, 2019 USD (\$)	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2018 CNY (¥)	Dec. 31, 2021 USD (\$)	Apr. 03, 2019 USD (\$)		
Major classes of assets and liabilities held for sale											
Assets held for sale			¥ 342,570,000		¥ 342,570,000			\$ 53,757,000			
Liabilities held for sale			8,944,000		7,261,000			1,404,000			
Property and equipment, gross			1,126,405,000		1,187,786,000			176,758,000			
Disposal gain						¥ 18,285,000					
Xin Run											
Major classes of assets and liabilities held for sale											
Disposal gain	¥ 18,285,000	\$ 2,626,000									
Xin Run Assets/liabilities held-for-sale											
Major classes of assets and liabilities held for sale											
Prepaid expenses and other current assets			15,478,000		15,478,000			2,429,000			
Property and equipment			318,446,000		318,446,000			49,971,000			
Land use right, net			8,646,000		8,646,000			1,357,000			
Assets held for sale			342,570,000		342,570,000			53,757,000			
Accrued expenses and other current liabilities			8,944,000		6,814,000			1,404,000			
Amounts due to the Company					447,000						
Liabilities held for sale			8,944,000		7,261,000			\$ 1,404,000			
Loss before income taxes			(1,188,000)	\$ (186,000)	(2,960,000)			¥ (5,682,000)			
Loss before income taxes attributable to the noncontrolling interest			¥ 12,000,000	\$ 2,000	¥ 30,000,000			¥ 57,000			
Xin Run Assets/liabilities held-for-sale Framework agreement [Member]											
ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE [Line Items]											
Consideration in cash for sale of equity interest											¥ 325,000,000
Major classes of assets and liabilities held for sale											
Consideration for disposal											¥ 325,000,000
Xin Run Assets/liabilities held-for-sale BFSMC Definitive Sale and Leaseback Agreement [Member]											
ASSETS HELD FOR SALE / LIABILITIES HELD FOR SALE [Line Items]											
Consideration in cash for sale of equity interest											¥ 960,000,000
Major classes of assets and liabilities held for sale											
Number of IDC buildings building											2
Consideration for disposal											¥ 960,000,000
Xin Run Assets/liabilities held-for-sale BFSMC Supplementary agreement [Member]											

ASSETS HELD FOR SALE
/ LIABILITIES HELD FOR
SALE [Line Items]

Consideration in cash for sale
of equity interest

672,000,000

Major classes of assets and
liabilities held for sale

Consideration for disposal

¥
672,000,000

Beijing Shuo Ge

ASSETS HELD FOR SALE
/ LIABILITIES HELD FOR
SALE [Line Items]

Consideration in cash for sale 251,800,000
of equity interest

\$
36,169,000

Major classes of assets and
liabilities held for sale

Consideration for disposal 251,800,000

36,169,000

Consideration to be returned ¥

\$

73,200,000

10,515,000

Period for returning
consideration

5 years 5 years

CLOUD INFRASTRUCTURE CONSTRUCTION IN PROGRESS (Details)	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	12 Months Ended		Dec. 31, 2019 CNY (¥)	Dec. 31, 2018 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2017 CNY (¥)
			Dec. 31, 2020 CNY (¥)	Dec. 31, 2020 USD (\$)				
<u>Major classes of assets and liabilities held for sale</u>								
<u>Cloud infrastructure construction in progress</u>	¥ 157,083,000		¥ 289,788,000			¥ 289,280,000	\$ 24,650,000	
<u>Costs capitalized</u>	12,045,000						1,890,000	¥ 416,352,000
<u>Additional investment</u>			25,960,000	\$ 3,979,000	¥ 12,637,000	333,286,000		
<u>Property, Plant and Equipment, Gross</u>	1,126,405,000		1,187,786,000				176,758,000	
<u>Write off from property and equipment</u>	12,578,000	\$ 1,974,000						
<u>Transferred to asset held for sale</u>	133,238,000	\$ 20,908,000						
<u>Buildings</u>								
<u>Major classes of assets and liabilities held for sale</u>								
<u>Costs capitalized</u>						265,152,000		
<u>Property, Plant and Equipment, Gross</u>	312,125,000		¥ 317,602,000				48,979,000	
<u>Equipment</u>								
<u>Major classes of assets and liabilities held for sale</u>								
<u>Property, Plant and Equipment, Gross</u>	¥ 28,811,000				¥ 9,278,000	104,078,000	\$ 4,415,000	
<u>Other noncurrent assets</u>								
<u>Major classes of assets and liabilities held for sale</u>								
<u>Property, Plant and Equipment, Gross</u>						¥ 91,128,000		

12 Months Ended

LONG TERM INVESTMENTS (Details)	Dec. 31, 2020	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017	Dec. 31, 2017	Dec. 31, 2011	Dec. 31, 2021	Dec. 31, 2021
	CNY (¥)	USD (\$)	CNY (¥)	CNY (¥)	CNY (¥)	USD (\$)	CNY (¥)	CNY (¥)	USD (\$)
<u>LONG TERM INVESTMENTS</u>									
<u>Long term Investments</u>	¥							¥	\$
	30,148,000							30,148,000	4,731,000
<u>Additional investment</u>	25,960,000	\$	¥	¥					
		3,979,000	12,637,000	333,286,000					
<u>PRC Fund</u>									
<u>LONG TERM INVESTMENTS</u>									
<u>Cost method investments</u>	10,103,000						¥	10,103,000	1,585,000
<u>Long term investments, number of years of investment</u>									9 years
<u>United States Fund</u>									
<u>LONG TERM INVESTMENTS</u>									
<u>Cost method investments</u>	¥							¥	\$
	20,045,000							20,045,000	3,146,000
<u>Additional investment</u>					¥	\$			
					361,000	53,000			

**ACCRUED EXPENSES
AND OTHER CURRENT
LIABILITIES (Details)**
 ¥ in Thousands, \$ in
 Thousands

**ACCRUED EXPENSES AND OTHER CURRENT
LIABILITIES**

	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)
<u>Advance from customers</u>	¥ 17,954	\$ 2,817	¥ 17,836
<u>Other accrued expenses</u>	102,679	16,113	69,186
<u>Other tax payables</u>	9,648	1,514	7,973
<u>Accrued expenses and other current liabilities</u>	¥ 130,281	\$ 20,444	¥ 94,995

OTHER PAYABLES
(Details)
¥ in Thousands, \$ in
Thousands

Dec. 31, 2021 **Dec. 31, 2021** **Dec. 31, 2020**
CNY (¥) **USD (\$)** **CNY (¥)**

Payables for purchase of property and equipment	¥ 281,315	\$ 44,144	¥ 268,073
Penalty accrual			128,890
Current portion of other non-current liability (Note 15)	35,544	5,578	23,118
Other Payables			1,585
Total	902,023	141,547	1,006,830
Beijing Zhao Du Technology Co., Ltd. ("Beijing Zhao Du")			
Consideration received for disposal of Beijing Zhao Du (Note 9)	¥ 585,164	\$ 91,825	¥ 585,164

**OTHER NON-CURRENT
LIABILITY (Details)**
¥ in Thousands, \$ in
Thousands

Dec. 31, 2021 Dec. 31, 2021 Dec. 31, 2020
CNY (¥) USD (\$) CNY (¥)

OTHER NON-CURRENT LIABILITY

<u>Consideration refund payable</u>	¥ 62,255	\$ 9,769	¥ 62,255
<u>Other noncurrent payable</u>	4,428	695	13,638
<u>Less: current portion</u>	(35,544)	(5,578)	(23,118)
<u>Total</u>	¥ 31,139	\$ 4,886	¥ 52,775

**OTHER NON-CURRENT
LIABILITY - Disposal of
Beijing Shuo Ge (Details) -
Dec. 31, 2021 - Beijing Shuo
Ge**

CNY (¥) USD (\$)

Other Liabilities, Noncurrent [Line Items]

<u>Consideration to be returned</u>	¥ 73,200,000	\$ 10,515,000
<u>Interest on consideration to be returned</u>	¥ 13,018,000	\$ 1,870,000

DEFERRED GOVERNMENT GRANT (Details)	12 Months Ended				
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2018 CNY (¥)	Dec. 31, 2021 USD (\$)
<u>Deferred government grant</u>					
<u>Beginning balance</u>	¥ 14,652,000		¥ 14,652,000		\$ 2,299,000
<u>Recognized as income during the year</u>	(302,000)	\$ (47,000)	(302,000)	¥ 1,394,000	
<u>Total balance of deferred government grant</u>	14,350,000	\$ 2,252,000	14,350,000		
<u>Balance of non-current deferred government grant</u>	¥ 14,350,000		¥ 14,350,000		\$ 2,252,000

**DEFERRED
GOVERNMENT GRANT -
Additional Information
(Details)**

12 Months Ended

Dec. 31, 2021 **Dec. 31, 2021** **Dec. 31, 2020** **Dec. 31, 2018**
CNY (¥) **USD (\$)** **CNY (¥)** **CNY (¥)**

DEFERRED GOVERNMENT GRANT

Recognized as income during the year ¥ 302,000 \$ 47,000 ¥ 302,000 ¥ (1,394,000)

**FINANCE LEASE
OBLIGATIONS (Details)**
¥ in Thousands

Dec. 31, 2020
CNY (¥)

<u>Future minimum lease payments under non-cancellable capital lease arrangements</u>	
<u>2021</u>	¥ 27,027
<u>Total minimum lease payment</u>	27,027
<u>Less: amount representing interest</u>	(1,786)
<u>Present value of remaining minimum lease payment</u>	25,241
<u>Less: current portion</u>	¥ 25,241

SHARE-BASED COMPENSATION (Details)	12 Months Ended						
	Dec. 31, 2021 item \$/ shares shares	Dec. 31, 2020 \$/ shares shares	Dec. 31, 2019 \$/ shares shares	Jun. 20, 2011 shares	May 20, 2010 shares	May 28, 2009 shares	Oct. 16, 2008 shares
<u>SHARE-BASED COMPENSATION</u>							
<u>Options granted (in shares)</u>	0	0	0				
<u>Maximum</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Exercise price (in CNY or dollars per share) \$ / shares</u>	\$ 0.07	\$ 0.07	\$ 0.07				
<u>Minimum</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Exercise price (in CNY or dollars per share) \$ / shares</u>	\$ 0.06	\$ 0.06	\$ 0.06				
<u>Options</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Options to purchase ordinary shares, outstanding (in shares)</u>	19,097,149						
<u>Number of ordinary shares available for future grant</u>	13,658,508						
<u>2007 Plan</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Aggregate number of shares that can be purchased</u>							14,000,000
<u>2008 Plan</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Aggregate number of shares that can be purchased</u>						8,600,000	
<u>2010 Plan</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Aggregate number of shares that can be purchased</u>						9,000,000	
<u>2010 Plan Maximum</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Expiration term of options granted</u>	10 years						
<u>2010 Plan Minimum</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Expiration term of options granted</u>	7 years						
<u>2010 Plan Vesting schedule one</u>							
<u>SHARE-BASED COMPENSATION</u>							
<u>Percentage of options vesting on the stated vesting commencement date</u>	100.00%						

2010 Plan | Vesting schedule two

SHARE-BASED COMPENSATION

Percentage of options vesting on the second anniversary of the stated vesting commencement date 25.00%

Percentage of options vesting on the fourth anniversary of the stated vesting commencement date 25.00%

Percentage of options vesting on the first anniversary of the stated vesting commencement date 25.00%

Percentage of options vesting each quarter for the third anniversary of the stated vesting commencement date 25.00%

2010 Plan | Vesting schedule three

SHARE-BASED COMPENSATION

Percentage of options vesting on the first anniversary of the stated vesting commencement date 25.00%

Percentage of options vesting each quarter for the second anniversary of the stated vesting commencement date 6.25%

Percentage of options vesting each quarter for the third anniversary of the stated vesting commencement date 6.25%

Percentage of options vesting each quarter for the fourth anniversary of the stated vesting commencement date 6.25%

2011 Plan

SHARE-BASED COMPENSATION

Aggregate number of shares that can be purchased 22,000,000

Number of different vesting schedules | item 4

2011 Plan | Maximum

SHARE-BASED COMPENSATION

Expiration term of options granted 10 years

2011 Plan | Minimum

SHARE-BASED COMPENSATION

Expiration term of options granted 6 years

2011 Plan | Vesting schedule one

SHARE-BASED COMPENSATION

Percentage of options vesting on the stated vesting commencement date 100.00%

2011 Plan | Vesting schedule two

SHARE-BASED COMPENSATION

Percentage of options vesting on the second anniversary of the stated vesting commencement date	25.00%
Percentage of options vesting on the third anniversary of the stated vesting commencement date	25.00%
Percentage of options vesting on the fourth anniversary of the stated vesting commencement date	25.00%
Percentage of options vesting on the first anniversary of the stated vesting commencement date	25.00%

[2011 Plan | Vesting schedule three](#)

[SHARE-BASED COMPENSATION](#)

Percentage of options vesting on the first anniversary of the stated vesting commencement date	25.00%
Percentage of options vesting each quarter for the second anniversary of the stated vesting commencement date	6.25%
Percentage of options vesting each quarter for the third anniversary of the stated vesting commencement date	6.25%
Percentage of options vesting each quarter for the fourth anniversary of the stated vesting commencement date	6.25%

[2011 Plan | Vesting schedule four](#)

[SHARE-BASED COMPENSATION](#)

Percentage of options vesting on the second anniversary of the stated vesting commencement date	33.00%
Percentage of options vesting on the third anniversary of the stated vesting commencement date	33.00%
Percentage of options vesting on the first anniversary of the stated vesting commencement date	33.00%

[2007 and 2008 Option Plans | Vesting schedule one](#)

[SHARE-BASED COMPENSATION](#)

Percentage of options vesting on the stated vesting commencement date	100.00%
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[2007 and 2008 Option Plans | Vesting schedule two](#)

[SHARE-BASED COMPENSATION](#)

<u>Percentage of options vesting on the second anniversary of the stated vesting commencement date</u>	50.00%
<u>Percentage of options vesting on the third anniversary of the stated vesting commencement date</u>	25.00%
<u>Percentage of options vesting on the fourth anniversary of the stated vesting commencement date</u>	25.00%

SHARE-BASED COMPENSATION - STOCK OPTION ACTIVITY & OPTION PRICING MODEL (Details)	12 Months Ended							
	Dec. 31, 2021 \$/ shares	Dec. 31, 2021 CNY (¥) shares	Dec. 31, 2020 USD (\$) \$/ shares shares	Dec. 31, 2020 CNY (¥) shares	Dec. 31, 2019 USD (\$) \$/ shares shares	Dec. 31, 2019 CNY (¥) shares	Dec. 31, 2018 USD (\$) \$/ shares shares	Dec. 31, 2021 CNY (¥) shares
Number of options								
<u>Granted (in shares) shares</u>	0	0	0	0	0	0		
<u>Exercised (in shares) shares</u>	0	0	0	0				
<u>Minimum</u>								
Weighted average Exercise price								
<u>Granted (in dollars per shares) \$ / shares</u>	\$ 0.06		\$ 0.06		\$ 0.06			
Aggregate intrinsic value								
<u>Period over which unrecognized share-based compensation cost are expected to be recognized</u>		1 year						
<u>Maximum</u>								
Weighted average Exercise price								
<u>Granted (in dollars per shares) \$ / shares</u>	0.07		\$ 0.07		\$ 0.07			
<u>Ordinary shares</u>								
Aggregate intrinsic value								
<u>Closing price of ordinary shares (in dollars per share) \$ / shares</u>	0							
<u>Options</u>								
Number of options								
<u>Outstanding at the end of the period (in shares) shares</u>		19,097,149						
<u>Options Employees</u>								
Number of options								
<u>Outstanding at the beginning of the period (in shares) shares</u>		21,237,053	31,182,205	31,182,205	37,369,229	37,369,229		
<u>Exercised (in shares) shares</u>					(44,000)	(44,000)		
<u>Forfeited (in shares) shares</u>		(2,139,904)	(9,945,152)	(9,945,152)	(6,143,024)	(6,143,024)		
<u>Outstanding at the end of the period (in shares) shares</u>		19,097,149	21,237,053	21,237,053	31,182,205	31,182,205	37,369,229	
<u>Exercisable at the end of the period (in shares) shares</u>			13,529,251		20,119,147			13,658,508
Weighted average Exercise price								

<u>Outstanding at the beginning of the period (in dollars per shares) \$ / shares</u>	0.11	\$ 0.10	\$ 0.11			
<u>Exercised (in dollars per shares) \$ / shares</u>			0.08			
<u>Forfeited (in dollars per shares) \$ / shares</u>	0.18	0.08	0.16			
<u>Outstanding at the end of the period (in dollars per shares) \$ / shares</u>	0.10	0.11	0.10			\$ 0.11
<u>Exercisable at the end of the period (in dollars per shares) \$ / shares</u>	\$ 0.10	\$ 0.11	\$ 0.10			
<u>Weighted average remaining contractual term (Years)</u>						
<u>Outstanding at the end of the period</u>	4 years 10 months 24 days	5 years 4 months 24 days	5 years 4 months 24 days	7 years 2 months 23 days	7 years 2 months 23 days	7 years 9 months 21 days
<u>Exercisable at the end of the period</u>	4 years 10 months 24 days	5 years 4 months 24 days	5 years 4 months 24 days	7 years 1 month 6 days	7 years 1 month 6 days	
<u>Aggregate intrinsic value</u>						
<u>Outstanding at the beginning of the period (in dollars) \$</u>		\$ 1,350	\$ 2,000			
<u>Exercisable at the end of the period (in dollars) \$</u>			1,350			
<u>Outstanding at the end of the period (in dollars) \$</u>			\$ 1,350			\$ 2,000
<u>Total intrinsic value of stock options exercised ¥</u>	¥ 0		¥ 0		¥ 18,000	
<u>Unrecognized share-based compensation cost (in CNY or dollars) ¥</u>						¥ 0
<u>Total fair value of options vested ¥</u>	¥ 0		¥ 649,000		¥ 1,834,000	

SHARE-BASED COMPENSATION - RESTRICTED SHARES AWARD (Details)	Apr. 09, 2018 shares	Dec. 13, 2017 shares	Dec. 11, 2015 shares	Dec. 23, 2014 shares	Dec. 31, 2021 CNY (¥)	12 Months Ended			Dec. 31, 2019 CNY (¥) \$/ shares
						Dec. 31, 2020 CNY (¥) \$/ shares	Dec. 31, 2020 CNY (¥) \$/ shares	Dec. 31, 2019 CNY (¥) \$/ shares	
Number of ordinary shares									
<u>Outstanding at the beginning of the period (in shares)</u>								640,000	
<u>Vested (in shares)</u>						(160,000)		(320,000)	
<u>Forfeited (in shares)</u>								(160,000)	
Weighted average grant date fair value									
<u>Outstanding at the beginning of the period (in dollars per share) \$ / shares</u>									\$ 0.07
<u>Vested (in dollars per share) \$ / shares</u>							\$ 0.07		0.07
<u>Forfeited (in dollars per share) \$ / shares</u>									0.07
<u>Aggregate fair value of the unvested restricted shares ¥</u>					¥ 0	¥ 0			
<u>Total fair value of restricted shares vested ¥</u>					0	¥ 72,000		¥ 151,000	
<u>Restricted shares</u>									
Number of ordinary shares									
<u>Outstanding at the beginning of the period (in shares)</u>						160,000			
<u>Outstanding at the end of the period (in shares)</u>								160,000	
Weighted average grant date fair value									
<u>Outstanding at the beginning of the period (in dollars per share) \$ / shares</u>								\$ 0.07	
<u>Outstanding at the end of the period (in dollars per share) \$ / shares</u>									\$ 0.07
<u>2011 Plan Restricted shares Employees and directors</u>									
SHARE-BASED COMPENSATION									
<u>Shares issued (in shares)</u>	480,000	16,813,344	40,106,656	11,265,520					

Unrecognized share-based
compensation cost | ¥

¥ 0 ¥ 0 \$ 0

**SHARE-BASED
COMPENSATION - SHARE
OPTIONS ISSUED TO
NON-EMPLOYEES
(Details)**

**Dec. 31, 2021
\$ / shares**

Ordinary shares

SHARE-BASED COMPENSATION

Closing price of ordinary shares (in dollars per share) \$ 0

SHARE-BASED COMPENSATION - RESTRICTED SHARE AWARD GRANTED TO NON-EMPLOYEE (Details) \$ in Thousands	12 Months Ended			
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)
<u>Share-based compensation</u>				
<u>Total fair value of restricted shares vested</u>	¥ 0		¥ 72,000	¥ 151,000
<u>Total compensation expense</u>	88,000	\$ 14	654,000	1,891,000
<u>Cost of revenue</u>				
<u>Share-based compensation</u>				
<u>Total compensation expense</u>	11,000	2	79,000	211,000
<u>Sales and marketing expenses</u>				
<u>Share-based compensation</u>				
<u>Total compensation expense</u>	5,000	1	32,000	83,000
<u>General and administration expenses</u>				
<u>Share-based compensation</u>				
<u>Total compensation expense</u>	48,000	7	367,000	1,114,000
<u>Research and development expenses</u>				
<u>Share-based compensation</u>				
<u>Total compensation expense</u>	¥ 24,000	\$ 4	¥ 176,000	¥ 483,000

**MAINLAND CHINA
EMPLOYEE
CONTRIBUTION PLAN
(Details)**

		12 Months Ended	
Dec. 31, 2021	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
CNY (¥)	USD (\$)	CNY (¥)	CNY (¥)

**MAINLAND CHINA EMPLOYEE CONTRIBUTION
PLAN**

Total expenses for the plan

¥ 6,532,000	\$ 1,025,000	¥ 15,420,000	¥ 28,285,000
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INCOME TAXES (Details) ¥ in Thousands, \$ in Thousands, \$ in Millions	12 Months Ended					
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2021 HKD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2020 HKD (\$)	Dec. 31, 2019 CNY (¥)
<u>Loss before income tax expense</u>						
<u>Non-PRC</u>	¥	\$		¥		¥
	(19,608)	(3,077)		(15,467)		(12,095)
<u>PRC</u>	5,450	855		(57,650)		(32,643)
<u>Profit (Loss) before income taxes</u>	(14,158)	(2,222)		(73,117)		(44,738)
<u>Income tax expense</u>						
<u>Current</u>	103	16		6		7,967
<u>Deferred</u>	0	0				
<u>Income tax expense</u>	¥ 103	\$ 16		¥ 6		¥ 7,967
<u>Hong Kong Special Administration Region</u>						
<u>Income taxes</u>						
<u>Foreign statutory corporate income tax rate (as a percent)</u>	16.50%	16.50%	16.50%			
<u>Amount of assessable profits under lowered tax rate</u>				\$ 2		
<u>Percentage of lowered income tax rate</u>	8.25%	8.25%	8.25%			
<u>PRC</u>						
<u>Income taxes</u>						
<u>Statutory tax rate (as a percent)</u>	25.00%	25.00%	25.00%			
<u>HNTE PRC</u>						
<u>Income taxes</u>						
<u>Preferential tax rate (as a percent)</u>	15.00%	15.00%	15.00%			
<u>Tax Year 2016 to 2021 [Member] HNTE PRC</u>						
<u>Income taxes</u>						
<u>Preferential tax rate (as a percent)</u>	15.00%	15.00%	15.00%			
<u>Tax Year 2016 to 2020 [Member] HNTE PRC</u>						
<u>Income taxes</u>						
<u>Preferential tax rate (as a percent)</u>	15.00%	15.00%	15.00%			
<u>ChinaCache North America, Inc. Maximum United States of America</u>						
<u>Income taxes</u>						
<u>Foreign statutory corporate income tax rate (as a percent)</u>	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
<u>ChinaCache North America, Inc. Maximum CALIFORNIA</u>						
<u>Income taxes</u>						
<u>State Income Tax (as a percent)</u>	8.84%	8.84%	8.84%	8.84%	8.84%	8.84%
<u>ChinaCache Networks Hong Kong Ltd. ("ChinaCache HK") Hong Kong Special Administration Region</u>						
<u>Income taxes</u>						
<u>Foreign statutory corporate income tax rate (as a percent)</u>	16.50%	16.50%	16.50%	8.25%	8.25%	

Amount of assessable profits under lowered tax rate

\$ 2

\$ 2

**INCOME TAXES - TAX
RECONCILIATION
(Details)
¥ in Thousands, \$ in
Thousands**

12 Months Ended

**Dec. 31, 2021
CNY (¥)** **Dec. 31, 2021
USD (\$)** **Dec. 31, 2020
CNY (¥)** **Dec. 31, 2019
CNY (¥)**

Reconciliation of tax computed by applying statutory income tax rate to the income tax expense

<u>Loss before income tax expense</u>	¥		¥	¥
	(14,158)	\$ (2,222)	(73,117)	(44,738)
<u>Income tax computed at PRC statutory tax rate of 25%</u>	(3,540)	(555)	(18,279)	(11,184)
<u>Preferential tax rates</u>	(2,252)	(353)	1,100	(2,737)
<u>International rate differences</u>	5,856	919	338	7,636
<u>Additional 75% tax deduction for qualified research and development expenses</u>	(60)	(9)	(1,207)	(9,697)
<u>Non-deductible expenses</u>	30	5	1,365	3,629
<u>Effect of changes in tax rates on deferred taxes</u>	(81,413)	(12,775)		1,765
<u>Changes in the valuation allowance</u>	17,639	2,768	9,751	10,996
<u>Realization gain from intercompany transaction</u>	0	0		7,435
<u>Expiration of tax loss carry forward</u>	72,085	11,312	6,932	77
<u>other adjustment</u>	(8,242)	(1,293)	6	47
<u>Income tax expense</u>	¥ 103	\$ 16	¥ 6	¥ 7,967

**INCOME TAXES -
COMPONENTS OF
DEFERRED TAX ASSETS
(Details)**

Deferred Tax Assets, Net of Valuation Allowance

[Abstract]

	12 Months Ended			
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2021 USD (\$)
<u>- Allowance for doubtful accounts</u>	¥ 39,541,000		¥ 12,257,000	\$ 6,205,000
<u>- Deferred revenue</u>	4,499,000		2,832,000	706,000
<u>- Accruals</u>	3,410,000		2,489,000	535,000
<u>- Tax losses</u>	162,420,000		197,885,000	25,487,000
<u>- Property and equipment</u>	28,514,000		6,488,000	4,474,000
<u>- Intangible assets</u>	3,817,000		2,611,000	599,000
<u>- Long-term investment impairment</u>	960,000		960,000	151,000
<u>- Unrealized profit</u>	71,868,000		71,868,000	11,278,000
<u>Less: valuation allowance</u>	(315,029,000)		(297,390,000)	(49,435,000)
<u>Total Deferred tax assets</u>	0			\$ 0
<u>Increased in valuation allowance</u>	¥ 17,639,000	\$ 2,768,000	¥ 9,751,000	

**INCOME TAXES -
OPERATING LOSS
CARRYFORWARDS** **Dec. 31, 2021**
(Details) **CNY (¥)**

PRC Subsidiaries

Income taxes

Net operating loss carryforwards ¥ 697,291,000

Non PRC

Income taxes

Net operating loss carryforwards ¥ 45,076,000

INCOME TAXES - UNRECOGNIZED TAX EXPENSE (Details)	12 Months Ended			
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)
<u>Roll-forward of accrued unrecognized tax expense</u>				
<u>Beginning balance</u>	¥ 8,273,000	\$ 8,273,000	¥ 8,273,000	
<u>Increase based on tax positions related to the current year</u>	0	0	0	
<u>Ending balance</u>	8,273,000	\$ 8,273,000	8,273,000	¥ 8,273,000
<u>Unrecognized tax expense</u>	¥ 0		0	
<u>Period in which the amount of unrecognized tax expense will change</u>	12 months	12 months		
<u>Unrecognized Tax Benefits, Income Tax Penalties and Interest Expense</u>	¥ 0	\$ 0	1,365,000	¥ 1,365,000
<u>Payment of interest and penalties accrued</u>	¥ 16,461,000	\$ 2,583,000	¥ 16,461,000	
<u>PRC Subsidiaries</u>				
<u>Roll-forward of accrued unrecognized tax expense</u>				
<u>Period to assess underpaid tax plus penalties and interest</u>	5 years	5 years		

**RELATED PARTY
BALANCES AND
TRANSACTIONS -
RELATIONSHIP WITH
THE COMPANY (Details)**

12 Months Ended

Dec. 31, 2021

[Mr. Wang Song](#)

[Related party balances and transactions](#)

[Relationship with the Company](#)

The Co-Founder and Ex-director of the Company

[Ms. Kou Xiaohong](#)

[Related party balances and transactions](#)

[Relationship with the Company](#)

The Co-Founder and Ex-director of the Company

[Mr. Xiaoqiang Wei](#)

[Related party balances and transactions](#)

[Relationship with the Company](#)

Chief Executive Officer and Director of the Company

**RELATED PARTY
BALANCES AND
TRANSACTIONS -
GUARANTEE PROVIDED
BY RELATED PARTIES
TO GROUP (Details) -**

Dec. 31, 2020 Dec. 31, 2020 Dec. 31, 2018
CNY (¥) HKD (\$) CNY (¥)

**Capital lease
¥ in Thousands, \$ in
Thousands**

[Mr. Wang Song | Vendor A](#)

[Guarantee provided by related parties to the Group](#)

[Guarantee provided](#)

¥ 50,000,000

¥ 39,000,000

[Wang Song and Kou Xiahong | Vendor B](#)

[Guarantee provided by related parties to the Group](#)

[Guarantee provided](#)

\$ 34,500,000 ¥ 25,000,000

**RELATED PARTY
BALANCES AND
TRANSACTIONS - DUE
FROM RELATED PARTY
(Details)
¥ in Thousands, \$ in
Thousands**

12 Months Ended

Dec. 31, 2021 Dec. 31, 2021 Dec. 31, 2020 Dec. 31, 2020
CNY (¥) USD (\$) CNY (¥) USD (\$)

Due from Related Parties, Unclassified [Abstract]

<u>Balance at the beginning</u>				¥ 65
<u>Return of advance</u>				(65)
<u>Changes in related party balances</u>				
<u>Balance at the beginning of the period</u>	¥ (26)			27
<u>Expense Reimbursement payment</u>	69			
<u>Debt paid on behalf of the Group</u>	31,994			
<u>exchange rate difference \$</u>				\$ 1
<u>Balance at the end of the period</u>	32,089	\$ 5,035	(26)	

Mr. Xiaoqiang Wei

Due from Related Parties, Unclassified [Abstract]

<u>Balance at the beginning</u>				65
<u>Return of advance</u>				(65)
<u>Mr. Wang Song</u>				
<u>Changes in related party balances</u>				
<u>Expense Reimbursement payment</u>	95			
<u>Balance at the end of the period</u>	95	15		

Ms. Kou Xiaohong

Changes in related party balances

<u>Balance at the beginning of the period</u>	(26)			27
<u>Expense Reimbursement payment</u>	(26)			
<u>Debt paid on behalf of the Group</u>	31,994			
<u>exchange rate difference \$</u>				\$ 1
<u>Balance at the end of the period</u>	¥ 31,994	\$ 5,020	¥ (26)	

RESTRICTED NET ASSETS (Details)	12 Months Ended			
	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2021 USD (\$)
<u>RESTRICTED NET ASSETS</u>				
<u>Minimum percentage of after tax profits to be allocated to general reserve fund</u>	10.00%			10.00%
<u>Maximum threshold, expressed as a percentage of an entity's general reserve fund to its registered capital, for which allocations of after-tax profits to the general reserve fund are required</u>	50.00%	50.00%		
<u>Amount appropriated to the statutory reserve funds</u>	¥ 1,326,000	\$ 208,000	¥ 1,326,000	
<u>Restricted net assets of the Company's PRC subsidiaries and VIEs</u>	¥ 511,413,000			\$ 80,252,000

LOSS PER SHARE (Details) ¥ / shares in Units, \$ / shares in Units, ¥ in Thousands, \$ in Thousands	12 Months Ended			
	Dec. 31, 2021 CNY (¥) ¥ / shares shares	Dec. 31, 2021 USD (\$) \$ / shares shares	Dec. 31, 2020 CNY (¥) ¥ / shares shares	Dec. 31, 2019 CNY (¥) ¥ / shares shares
<u>Numerator:</u>				
<u>Net loss attributable to ordinary shareholders:</u>	¥ (14,472)	\$ (2,271)	¥ (72,507)	¥ (51,671)
<u>Denominator:</u>				
<u>Number of shares outstanding, opening</u>	436,816,529	436,816,529	436,656,529	429,404,977
<u>Weighted average number of shares issued</u>			160,000	7,244,845
<u>Weighted-average number of shares outstanding - Basic</u>	436,816,529	436,816,529	436,763,196	436,649,822
<u>Weighted-average number of shares outstanding - Diluted</u>	436,816,529	436,816,529	436,763,196	436,649,822
<u>Loss per share</u>				
<u>-Basic (in CNY or dollars per share) (per share)</u>	¥ (0.03)	\$ (0.01)	¥ (0.17)	¥ (0.12)
<u>-Diluted (in CNY or dollars per share) (per share)</u>	¥ 0.11	\$ 0.02	¥ (0.17)	¥ (0.12)
<u>Number of share options and restricted share (in shares)</u>			7,707,802	11,223,058
<u>Options exercised (in shares)</u>	0	0	0	
<u>Restricted shares vested (in shares)</u>	0	0	160,000	

**COMMITMENTS AND
CONTINGENCIES (Details)
- Dec. 31, 2021**

CNY (¥) USD (\$)

Purchase Commitments

Outstanding purchase commitments in relation to bandwidth and cloud infrastructure ¥ 687,000 \$ 108,000

COMMITMENTS AND CONTINGENCIES - Contingencies (Details)	Apr. 24, 2018 CNY (¥)	Nov. 30, 2020 CNY (¥)	Nov. 30, 2020 USD (\$)	1 Months Ended			9 Months Ended					
				Jan. 31, 2020 CNY (¥)	Oct. 31, 2019 CNY (¥)	Oct. 31, 2019 USD (\$)	Aug. 31, 2017 CNY (¥)	Mar. 31, 2019 CNY (¥)	Jun. 30, 2018 CNY (¥)	Dec. 31, 2020 CNY (¥)	Sep. 30, 2017 CNY (¥)	Sep. 12, 2017 CNY (¥)
Notice for early repayment of bank loans				¥	\$							
				160,000,000	22,983,000							
Assets/liabilities held-for-sale												
Litigation accrued									¥			
									128,890,000			
BFSMC												
Notice for early repayment of bank loans				¥								
				672,000,000								
Interest rate				9.00%								
Interest on damage sought				¥								
				263,790,000								
Xin Run												
Approximate amount of compensation or damages payable												¥
												50,500,000
Bank Deposits and Other Assets												¥
												50,500,000
Notice for early repayment of bank loans	¥	¥	\$									
	14,400,000	175,078,000	27,473,000									
Interest on damage sought	8,860,000											
Xin Run BFSMC												
Rental received							¥	¥				
							64,800,000	64,800,000				
Notice for early repayment of bank loans	¥			¥		¥						
	96,000,000			82,680,000		105,600,000						
Interest rate				4.35%								
Interest on damage sought				¥								
				13,340,000								

COMMITMENTS AND CONTINGENCIES - Litigations related to Bank loans (Details)	1 Months Ended						12 Months Ended				
	Apr. 24, 2018 CNY (¥)	Nov. 30, 2020 CNY (¥)	Nov. 30, 2020 USD (\$)	Nov. 30, 2019 CNY (¥)	Nov. 30, 2019 USD (\$)	Oct. 31, 2019 CNY (¥)	Oct. 31, 2019 USD (\$)	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)
Notice for early repayment of bank loans						¥	\$				
Early repayment of bank loans						160,000,000	22,983,000				
Bank B								¥	\$	¥	¥
Notice for early repayment of bank loans								3,208,000	503,000	59,000	73,850,000
Bank C											
Notice for early repayment of bank loans											
Early repayment of bank loans											
Xin Run											
Notice for early repayment of bank loans	¥	¥	\$								
	14,400,000	175,078,000	27,473,000								

**COMMITMENTS AND
CONTINGENCIES -**

1 Months Ended

Litigations related to Beijing Apr. 24, 2018 Nov. 30, 2020 Nov. 30, 2020 Oct. 31, 2019 Oct. 31, 2019

Kangtuo Technologies Co.,Ltd ("BJKT") (Details)	CNY (¥)	CNY (¥)	USD (\$)	CNY (¥)	USD (\$)
<u>Damages sought value</u>				¥ 160,000,000	\$ 22,983,000
<u>Xin Run</u>					
<u>Damages sought value</u>	¥ 14,400,000	¥ 175,078,000	\$ 27,473,000		

COMMITMENTS AND CONTINGENCIES - Other litigation issues (Details)	1 Months Ended											3 Months Ended	12 Months Ended			
	Apr. 24, 2018 CNY (¥)	Oct. 31, 2021 CNY (¥)	Sep. 30, 2021 CNY (¥)	Nov. 30, 2020 CNY (¥)	Nov. 30, 2020 USD (\$)	Aug. 31, 2020 CNY (¥)	Mar. 31, 2020 CNY (¥)	Jan. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Oct. 31, 2019 CNY (¥)	Oct. 31, 2019 USD (\$)	Jun. 30, 2019 CNY (¥)	Aug. 31, 2017 CNY (¥)	Mar. 31, 2020 CNY (¥)	Dec. 31, 2021 CNY (¥)	Dec. 31, 2020 CNY (¥)
Damages sought value										¥	\$	160,000,000	22,983,000			
BFSMC																
Damages sought value								¥	672,000,000							
Interest rate									9.00%							
Interest on damage sought								¥	263,790,000							
Xin Run																
Damages sought value	¥			¥	\$											
	14,400,000			175,078,000	27,473,000											
Legal fees						¥										
						77,200,000										
Interest on damage sought	8,860,000															
Payment of overdue fees			¥										¥		¥	
			74,810,000										38,600,000		38,000,000.0	
Xin Run Technology Company Beijing Shunyi [Member]																
Construction Fees Not Paid								¥	65,200,000							
Interest on damage sought								¥	7,500,000							
Other Payables																¥ 43,960,000
Xin Run Beijing Shunyi [Member]																
Payment of overdue fees				54,420,000								¥	74,600,000			
Xin Run Beijing Haidian [Member]																
Payment of overdue fees												¥	40,800,000			
Xin Run BFSMC																
Damages sought value	¥							¥	82,680,000				¥	105,600,000		
	96,000,000								4.35%							
Interest rate								¥	13,340,000							
Interest on damage sought																
Payment of overdue fees		¥														
		34,120,000														
Beijing Blue IT																
Other Payables									28,900,000							
Payment of overdue fees			¥			¥		¥							¥	
			11,310,000			15,400,000	38,600,000								5,790,000	

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY -
BALANCE SHEETS
(Details)
¥ in Thousands, \$ in
Thousands**

	Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2020 USD (\$)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2018 CNY (¥)	Dec. 31, 2016 CNY (¥)
<u>Current assets:</u>							
<u>Cash and cash equivalents</u>	¥ 38,432	\$ 6,031	¥ 20,284				
<u>Prepaid expenses and other current assets, net</u>	56,226	8,823	125,344				
<u>Total current assets</u>	483,958	75,944	565,811				
<u>Non-current assets:</u>							
<u>Long term investments</u>	30,148	4,731	30,148				
<u>Total non-current assets</u>	552,538	86,706	746,602				
TOTAL ASSETS	1,036,496	162,650	1,312,413				
<u>Current liabilities:</u>							
<u>Accrued employee benefits</u>	27,793	4,361	30,883				
<u>Accrued expenses and other payables</u>	130,281	20,444	94,995				
<u>Total current liabilities</u>	1,680,645	263,730	1,916,316				
<u>Total liabilities</u>	1,727,039	271,010	1,986,911				
<u>Shareholders' deficit:</u>							
<u>Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)</u>	338	44	338				
<u>Additional paid-in capital</u>	1,581,771	248,214	1,581,684				
<u>Treasury stock</u>	(15,332)	(2,406)	(15,332)				
<u>Statutory reserves</u>	1,326	208	1,326				
<u>Accumulated deficit</u>	(2,239,219)	(351,382)	(2,224,747)				
<u>Accumulated other comprehensive loss</u>	(14,273)	(2,229)	(12,402)				
<u>Total shareholder's deficit</u>	(690,543)	(108,360)	(674,498)		¥ (589,777)	¥ (539,978)	
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	1,036,496	162,650	1,312,413				
Parent							
<u>Current assets:</u>							
<u>Cash and cash equivalents</u>	740	116	757	\$ 119		¥ 880	¥ 8,455
<u>Prepaid expenses and other current assets, net</u>	1,297	204	1,328				
<u>Total current assets</u>	2,037	320	2,086				
<u>Non-current assets:</u>							
<u>Long term investments</u>	20,045	3,145	20,045				
<u>Investments in subsidiaries and consolidated VIEs</u>	(703,779)	(110,438)	(686,847)				

<u>Total non-current assets</u>	(683,734)	(107,293)	(666,802)
<u>TOTAL ASSETS</u>	(681,697)	(106,973)	(664,716)
<u>Current liabilities:</u>			
<u>Accrued employee benefits</u>	1,415	222	1,449
<u>Accrued expenses and other payables</u>	2,277	357	2,968
<u>Total current liabilities</u>	3,692	579	4,417
<u>Total liabilities</u>	3,692	579	4,417
<u>Shareholders' deficit:</u>			
<u>Ordinary shares (US\$0.0001 par value; 1,000,000,000 and 1,000,000,000 shares authorized; 436,816,529 and 436,816,529 shares issued and outstanding as of December 31, 2020 and 2021, respectively)</u>	338	44	338
<u>Additional paid-in capital</u>	1,581,771	248,214	1,581,684
<u>Treasury stock</u>	(15,332)	(2,406)	(15,332)
<u>Statutory reserves</u>	1,326	208	1,326
<u>Accumulated deficit</u>	(2,239,219)	(351,382)	(2,224,747)
<u>Accumulated other comprehensive loss</u>	(14,273)	(2,229)	(12,402)
<u>Total shareholder's deficit</u>	(685,389)	(107,551)	(669,133)
<u>TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT</u>	¥ (681,697)	\$ (106,973)	¥ (664,716)

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY -
BALANCE SHEETS -
Additional information
(Details) - \$ / shares**

Dec. 31, 2021 Dec. 31, 2020

CONDENSED BALANCE SHEETS

<u>Ordinary shares, par value (in dollars per share)</u>	\$ 0.0001	\$ 0.0001
<u>Ordinary shares, shares authorized (in shares)</u>	1,000,000,000	1,000,000,000
<u>Ordinary shares, shares issued (in shares)</u>	436,816,529	436,816,529
<u>Ordinary shares, shares outstanding (in shares)</u>	436,816,529	436,816,529

Parent

CONDENSED BALANCE SHEETS

<u>Ordinary shares, par value (in dollars per share)</u>	\$ 0.0001	\$ 0.0001
<u>Ordinary shares, shares authorized (in shares)</u>	1,000,000,000	1,000,000,000
<u>Ordinary shares, shares issued (in shares)</u>	436,816,529	436,816,529
<u>Ordinary shares, shares outstanding (in shares)</u>	436,816,529	436,816,529

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY -
COMPREHENSIVE (LOSS)
INCOME (Details)
\$ in Thousands**

12 Months Ended

Dec. 31, 2021 CNY (¥)	Dec. 31, 2021 USD (\$)	Dec. 31, 2020 CNY (¥)	Dec. 31, 2019 CNY (¥)	Dec. 31, 2018 CNY (¥)
-----------------------------	------------------------------	-----------------------------	--------------------------	-----------------------------

**CONDENSED STATEMENTS OF
COMPREHENSIVE LOSS**

<u>General and administrative expenses</u>	¥		¥	¥
	(55,905,000)	\$ (8,773)	(65,943,000)	(152,160,000)
<u>Operating loss</u>	(98,683,000)	(15,486)	(34,668,000)	(51,095,000)
<u>Interest income/(expense), net</u>	329,000	52	96,000	181,000
<u>Other income</u>	135,997,000	21,341	(7,896,000)	36,367,000
<u>Foreign exchange loss (gain)</u>	(6,110,000)	(959)	13,567,000	1,448,000
<u>Profit (Loss) before income taxes</u>	(14,158,000)	(2,222)	(73,117,000)	(44,738,000)
<u>Income tax expense</u>	(103,000)	(16)	(6,000)	(7,967,000)
<u>Net loss</u>	(14,261,000)	(2,238)	(73,123,000)	(52,705,000)
<u>Foreign currency translation adjustment</u>	(1,871,000)	(294)	(12,218,000)	(1,706,000)
<u>Total other comprehensive loss net of tax</u>	(1,871,000)	(294)	(12,218,000)	(1,706,000)
<u>Comprehensive gain (loss)</u>	(16,132,000)	(2,532)	(85,341,000)	¥ (54,411,000)

Parent

**CONDENSED STATEMENTS OF
COMPREHENSIVE LOSS**

<u>General and administrative expenses</u>				¥
	(10,952,000)	(1,719)	(11,802,000)	(32,232,000)
<u>Operating loss</u>	(10,952,000)	(1,719)	(11,802,000)	(32,232,000)
<u>Interest income/(expense), net</u>				(3,000)
<u>Other income</u>	(1,224,000)	(192)		3,430,000
<u>Foreign exchange loss (gain)</u>	(6,110,000)	(959)	13,568,000	1,448,000
<u>Share of losses from subsidiaries and consolidated VIEs</u>	(3,814,000)	(599)	(74,273,000)	(24,314,000)
<u>Profit (Loss) before income taxes</u>	(14,472,000)	(2,271)	(72,507,000)	(51,671,000)
<u>Net loss</u>	(14,472,000)	(2,271)	(72,507,000)	(51,671,000)
<u>Foreign currency translation adjustment</u>	(1,871,000)	(294)	(12,218,000)	(1,706,000)
<u>Total other comprehensive loss net of tax</u>	(1,871,000)	(294)	(12,218,000)	(1,706,000)
<u>Comprehensive gain (loss)</u>	¥ (16,343,000)	\$ (2,565)	¥ (84,725,000)	¥ (53,377,000)

**CONDENSED FINANCIAL
INFORMATION OF THE
PARENT COMPANY -
CASH FLOWS (Details)**
¥ in Thousands, \$ in
Thousands

12 Months Ended

Dec. 31, 2021, **Dec. 31, 2021**, **Dec. 31, 2020**, **Dec. 31, 2019**, **Dec. 31, 2018**, **Dec. 31, 2021**, **Dec. 31, 2016**
CNY (¥) **USD (\$)** **CNY (¥)** **CNY (¥)** **CNY (¥)** **USD (\$)** **CNY (¥)**

**CONDENSED STATEMENTS OF
CASH FLOWS**

<u>Net cash used in operating activities</u>	¥ 76,815	\$ 12,054	¥ 82,601	¥ 108,944		
<u>Cash flows from investing activities:</u>						
<u>Net cash provided by investing activities</u>	(26,164)	(4,106)	(52,336)	(35,678)		
<u>Cash flows from financing activities:</u>						
<u>Net cash used in financing activities</u>	(28,449)	(4,464)	(41,467)	(78,452)		
<u>Net decrease in cash and cash equivalents and restricted cash</u>	22,203	3,484	(11,202)	(5,186)		
<u>Cash and cash equivalents at beginning of the year</u>	20,284					
<u>Effect of foreign exchange rate changes on cash</u>	(7,981)	(1,252)	1,349	(259)		
<u>Cash and cash equivalents at end of the year</u>	38,432		20,284		\$ 6,031	

Parent

**CONDENSED STATEMENTS OF
CASH FLOWS**

<u>Net cash used in operating activities</u>	(17)	(3)	(123)	¥ (10,481)		
<u>Cash flows from financing activities:</u>						
<u>Net decrease in cash and cash equivalents and restricted cash</u>	(17)	(3)	(123)	(10,481)		
<u>Cash and cash equivalents at beginning of the year</u>	757	\$ 119		¥ 880		
<u>Effect of foreign exchange rate changes on cash</u>				2,906		
<u>Cash and cash equivalents at end of the year</u>	¥ 740		¥ 757	¥ 880	\$ 116	¥ 8,455

