



ChinaCache

April 24, 2017

ChinaCache Reports Adjusted Fourth Quarter and Full Year 2016 Results from New Value-added Tax Treatment

BEIJING, April 24, 2017 (GLOBE NEWSWIRE) -- ChinaCache International Holdings Ltd. ("ChinaCache" or the "Company") (Nasdaq:CCIH), a leading total solutions provider of Internet content and application delivery services in China, today reported its adjusted unaudited financial results for the fourth quarter and full year 2016.

On April 17, 2017, a Beijing local taxation division notified the Company that it disallowed the value-added tax treatment by the Company on certain transactions that happened in 2016. As a result of this development, the Company recalculated the related value-added taxes and revised the amount of cost of revenues for the fourth quarter of 2016 and full year 2016 from RMB257.7 million and RMB1,059.5 million, respectively, as reported on March 27, 2017, to RMB275.9 million and RMB1,077.8 million, respectively. This revision resulted in an increase in the cost of revenue for the fourth quarter of 2016 and full year 2016 by approximately RMB18.3 million and RMB18.3 million (variance due to rounding), respectively. The revision did not affect the Company's cash flows for 2016.

The following presents the Company's unaudited financial results for the fourth quarter of 2016 and full year 2016 after giving effect to the aforementioned adjustment.

Condensed Consolidated Balance Sheets

(amounts in thousands)

	As of Dec 31 2015 RMB (Audited)	As of Dec 31 2016 RMB (Unaudited)	As of Dec 31 2016 US\$ (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents	606,796	134,924	19,433
Accounts receivable, net	243,431	190,587	27,450
Prepaid expenses and other current assets	31,560	56,976	8,206
Short term investments	26,169	-	-
Deferred tax assets	17,923	-	-
Amount due from a subsidiary held for sale	435	53,169	7,658
Assets held for sale	1,060,543	1,270,483	182,988
Total current assets	1,986,857	1,706,139	245,735
Non-current assets			
Property and equipment, net	499,946	387,940	55,875
Intangible assets, net	10,898	11,728	1,689
Long term investments	50,157	34,159	4,920
Deferred tax assets	11,368	-	-
Long term deposits and other non-current assets	59,390	36,525	5,261
Total non-current assets	631,759	470,352	67,745
Total Assets	2,618,616	2,176,491	313,480
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term loan	-	29,311	4,222
Accounts payable	205,593	301,569	43,435
Accrued employee benefits	44,690	46,233	6,659
Accrued expenses and other payables	76,409	52,697	7,590

Income tax payable	13,513	13,924	2,005
Liabilities for uncertain tax positions	11,337	10,020	1,443
Amounts due to related parties	18	18	3
Current portion of long term loan	7,180	3,840	553
Current portion of capital lease obligations	70,615	72,851	10,493
Deferred government grant	16,360	13,000	1,872
Amount due to a subsidiary held for sale	319,536	18,063	2,602
Liabilities held for sale	1,014,449	1,302,658	187,622
Total current liabilities	1,779,700	1,864,184	268,499
Non-current liabilities			
Long-term loan	4,340	-	-
Non-current portion of capital lease obligations	104,450	43,951	6,330
Deferred government grant	8,439	11,208	1,614
Total non-current liabilities	117,229	55,159	7,944
Total Liabilities	1,896,929	1,919,343	276,443
Total Shareholders' equity	721,687	257,148	37,037
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,618,616	2,176,491	313,480

Condensed Consolidated Statements of Comprehensive Income

(amounts in thousands, except for number of shares, per share and per ADS data)

	For the Three Months Ended				For the Twelve Months Ended		
	Dec 31, 2015	Sep 30, 2016	Dec 31, 2016	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2016
	RMB (Unaudited)	RMB (Unaudited)	RMB (Unaudited)	US\$ (Unaudited)	RMB (Audited)	RMB (Unaudited)	US\$ (Unaudited)
Net revenues	311,447	261,643	263,312	37,926	1,353,627	1,054,235	151,842
Cost of revenues	(267,339)	(255,133)	(275,927)	(39,742)	(1,041,412)	(1,077,810)	(155,237)
Gross profit (loss)	44,108	6,510	(12,615)	(1,816)	312,215	(23,575)	(3,395)
Other operating income (loss)	13,911	3,260	(28,895)	(4,162)	13,911	(19,044)	(2,743)
Sales & marketing expenses	(30,145)	(23,009)	(22,467)	(3,236)	(115,621)	(93,603)	(13,482)
General & administrative expenses	(61,062)	(62,202)	(50,264)	(7,240)	(198,626)	(265,017)	(38,170)
Research & development expenses	(25,530)	(24,037)	(25,102)	(3,615)	(103,110)	(104,018)	(14,982)
Transaction tax on assets transfer	(5,394)	-	-	-	(27,733)	-	-
Impairment of long term investments	-	-	(18,240)	(2,627)	-	(18,240)	(2,627)
Operating loss	(64,112)	(99,478)	(157,583)	(22,696)	(118,964)	(523,497)	(75,399)
Interest income	1,940	1,627	261	38	4,618	4,669	672
Interest expense	(2,473)	(2,932)	(2,091)	(301)	(13,158)	(11,647)	(1,678)
Other income (expense)	141	5,171	(263)	(38)	2,991	5,336	769
Foreign exchange gain, net	4,845	915	8,015	1,154	13,164	14,209	2,047
Loss before income taxes	(59,659)	(94,697)	(151,661)	(21,843)	(111,349)	(510,930)	(73,589)
Income tax benefit (expense)	22,861	384	(21,805)	(3,141)	22,614	(4,229)	(609)

Net loss	(36,798)	(94,313)	(173,466)	(24,984)	(88,735)	(515,159)	(74,198)
Net loss attributable to the noncontrolling interest	(44)	(152)	(463)	(67)	(44)	(776)	(112)
Net loss attributable to the Company's shareholders	<u>(36,754)</u>	<u>(94,161)</u>	<u>(173,003)</u>	<u>(24,917)</u>	<u>(88,691)</u>	<u>(514,383)</u>	<u>(74,086)</u>
Foreign currency translation	249	(196)	(426)	(61)	264	(666)	(96)
Unrealized holding gain on available-for-sale investments	1,106	36	-	-	1,853	36	5
Reclassification adjustments for gains included in net income	-	(3,741)	-	-	-	(3,741)	(539)
Total other comprehensive income (loss), net of tax	<u>1,355</u>	<u>(3,901)</u>	<u>(426)</u>	<u>(61)</u>	<u>2,117</u>	<u>(4,371)</u>	<u>(630)</u>
Comprehensive loss	<u>(35,443)</u>	<u>(98,214)</u>	<u>(173,892)</u>	<u>(25,045)</u>	<u>(86,618)</u>	<u>(519,530)</u>	<u>(74,828)</u>
Comprehensive loss attributable to the noncontrolling interest	(44)	(152)	(463)	(67)	(44)	(776)	(112)
Comprehensive loss attributable to the Company's shareholders	<u>(35,399)</u>	<u>(98,062)</u>	<u>(173,429)</u>	<u>(24,978)</u>	<u>(86,574)</u>	<u>(518,754)</u>	<u>(74,716)</u>
Loss per ordinary share:							
Basic	(0.09)	(0.23)	(0.41)	(0.06)	(0.22)	(1.26)	(0.18)
Diluted	(0.09)	(0.23)	(0.41)	(0.06)	(0.22)	(1.26)	(0.18)
Loss per ADS*:							
Basic	(1.45)	(3.68)	(6.56)	(0.96)	(3.49)	(20.16)	(2.88)
Diluted	(1.45)	(3.68)	(6.56)	(0.96)	(3.49)	(20.16)	(2.88)
Weighted average number of ordinary shares used in earnings per share computation:							
Basic	404,344,939	412,253,323	421,522,374	421,522,374	407,149,509	408,189,722	408,189,722
Diluted	404,344,939	412,253,323	421,522,374	421,522,374	407,149,509	408,189,722	408,189,722

* Note1:1 ADS = 16 shares

Supplementary Metrics - Reconciliations of Non-GAAP to GAAP Financial Measures

(amounts in thousands, except for percentages, number of shares, per share and per ADS data)
(Unaudited)

	For the Three Months Ended				For the Twelve Months Ended		
	Dec 31, 2015	Sep 30, 2016	Dec 31, 2016	Dec 31, 2016	Dec 31, 2015	Dec 31, 2016	Dec 31, 2016
	RMB	RMB	RMB	US\$	RMB	RMB	US\$

Adjusted EBITDA — defined as EBITDA before share-based compensation expense, foreign exchange gain, transaction tax on assets transfer and impairment of long term investments

Net loss	(36,798)	(94,313)	(173,466)	(24,984)	(88,735)	(515,159)	(74,198)
Depreciation	40,872	38,653	38,090	5,486	153,313	155,225	22,357
Amortization	1,151	1,102	1,253	180	4,298	3,869	557
Interest expense	2,473	2,932	2,091	301	13,158	11,647	1,678
Interest income	(1,940)	(1,627)	(261)	(38)	(4,618)	(4,669)	(672)
Income tax (benefit) expense	(22,861)	(384)	21,805	3,141	(22,614)	4,229	609

Share-based compensation	18,259	8,601	2,685	387	48,606	85,025	12,246
Foreign exchange gain	(4,845)	(915)	(8,015)	(1,154)	(13,164)	(14,209)	(2,047)
Penalties on uncertain tax positions	2,206	-	658	95	2,206	658	95
Transaction tax on assets transfer	5,394	-	-	-	27,733	-	-
Impairment of long term investments	-	-	18,240	2,627	-	18,240	2,627
Adjusted EBITDA	<u>3,911</u>	<u>(45,951)</u>	<u>(96,920)</u>	<u>(13,959)</u>	<u>120,183</u>	<u>(255,144)</u>	<u>(36,748)</u>
Margin%	1.3%	(17.6%)	(36.8%)	(36.8%)	8.9%	(24.2%)	(24.2%)

Adjusted net loss — defined as net loss before share-based compensation, foreign exchange gain (loss), penalties on uncertain tax positions, transaction tax on assets transfer and impairment of long term investments

Net loss	(36,798)	(94,313)	(173,466)	(24,984)	(88,735)	(515,159)	(74,198)
Share-based compensation	18,259	8,601	2,685	387	48,606	85,025	12,246
Foreign exchange gain	(4,845)	(915)	(8,015)	(1,154)	(13,164)	(14,209)	(2,047)
Penalties on uncertain tax positions	2,206	-	658	95	2,206	658	95
Transaction tax on assets transfer	5,394	-	-	-	27,733	-	-
Impairment of long term investments	-	-	18,240	2,627	-	18,240	2,627
Adjusted net loss	<u>(15,784)</u>	<u>(86,627)</u>	<u>(159,898)</u>	<u>(23,029)</u>	<u>(23,354)</u>	<u>(425,445)</u>	<u>(61,277)</u>
Margin%	(5.1%)	(33.1%)	(60.7%)	(60.7%)	(1.7%)	(40.4%)	(40.4%)
Loss per ordinary share:							
Basic	(0.04)	(0.21)	(0.38)	(0.05)	(0.13)	(1.04)	(0.15)
Diluted	(0.04)	(0.21)	(0.38)	(0.05)	(0.13)	(1.04)	(0.15)
Loss per ADS:							
Basic	(0.64)	(3.36)	(6.08)	(0.80)	(2.01)	(16.64)	(2.40)
Diluted	(0.64)	(3.36)	(6.08)	(0.80)	(2.01)	(16.64)	(2.40)

Non-GAAP gross profit (loss) — defined as gross profit (loss) before share-based compensation expense

Gross profit (loss)	44,108	6,510	(12,615)	(1,816)	312,215	(23,575)	(3,395)
Plus: Share-based compensation	945	378	623	90	3,670	5,961	859
Non-GAAP gross profit (loss)	<u>45,053</u>	<u>6,888</u>	<u>(11,992)</u>	<u>(1,726)</u>	<u>315,885</u>	<u>(17,614)</u>	<u>(2,536)</u>
Margin%	14.5%	2.6%	(4.6%)	(4.6%)	23.3%	(1.7%)	(1.7%)

Non-GAAP operating expense — defined as operating expense before share-based compensation expense

Sales & marketing expenses	30,145	23,009	22,467	3,236	115,621	93,603	13,482
Minus: Share-based compensation	(693)	131	(7)	(1)	(2,882)	(2,753)	(397)
Non-GAAP sales & marketing expenses	<u>29,452</u>	<u>23,140</u>	<u>22,460</u>	<u>3,235</u>	<u>112,739</u>	<u>90,850</u>	<u>13,085</u>
% of net revenues	9.5%	8.8%	8.5%	8.5%	8.3%	8.6%	8.6%
General & administrative expenses	61,062	62,202	50,264	7,240	198,626	265,017	38,170
Minus: Share-based compensation	(15,876)	(8,092)	(1,854)	(267)	(38,796)	(72,483)	(10,440)
Non-GAAP general & administrative expenses	<u>45,186</u>	<u>54,110</u>	<u>48,410</u>	<u>6,973</u>	<u>159,830</u>	<u>192,534</u>	<u>27,730</u>
% of net revenues	14.5%	20.7%	18.4%	18.4%	11.8%	18.3%	18.3%
Research & development expenses	25,530	24,037	25,102	3,615	103,110	104,018	14,982
Minus: Share-based compensation	(745)	(262)	(201)	(29)	(3,258)	(3,828)	(550)
Non-GAAP research & development expenses	<u>24,785</u>	<u>23,775</u>	<u>24,901</u>	<u>3,586</u>	<u>99,852</u>	<u>100,190</u>	<u>14,432</u>
% of net revenues	8.0%	9.1%	9.5%	9.5%	7.4%	9.5%	9.5%

Non-GAAP operating loss — defined as GAAP operating loss before share-based compensation expense, transaction tax

on assets transfer and impairment of long term investments

Operating loss	(64,112)	(99,478)	(157,583)	(22,696)	(118,964)	(523,497)	(75,399)
Share-based compensation	18,259	8,601	2,685	387	48,606	85,025	12,246
Transaction tax on assets transfer	5,394	-	-	-	27,733	-	-
Impairment of long term investments		-	18,240	2,627	-	18,240	2,627
Non-GAAP operating loss	<u>(40,459)</u>	<u>(90,877)</u>	<u>(136,658)</u>	<u>(19,682)</u>	<u>(42,625)</u>	<u>(420,232)</u>	<u>(60,526)</u>
Margin%	<u>(13.0%)</u>	<u>(34.7%)</u>	<u>(51.9%)</u>	<u>(51.9%)</u>	<u>(3.1%)</u>	<u>(39.9%)</u>	<u>(39.9%)</u>

About ChinaCache International Holdings Ltd.

ChinaCache International Holdings Ltd. (Nasdaq:CCIH) is a leading total solutions provider of Internet content and application delivery services in China. As a carrier-neutral service provider, ChinaCache's network in China is interconnected with networks operated by all telecom carriers, major non-carriers and local Internet service providers. With more than a decade of experience in developing solutions tailored to China's complex Internet infrastructure, ChinaCache is a partner of choice for businesses, government agencies and other enterprises to enhance the reliability and scalability of online services and applications and improve end-user experience. For more information on ChinaCache, please visit ir.chinacache.com.

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