



ChinaCache

March 26, 2015

## ChinaCache International Holdings Ltd. Announces Fourth Quarter and Full Fiscal Year 2014 Financial Results

### Company Expects 2015 Revenue Growth of 25% to 30%

BEIJING, March 26, 2015 (GLOBE NEWSWIRE) -- ChinaCache International Holdings Ltd. ("ChinaCache" or the "Company") (Nasdaq:CCIH), the leading total solutions provider of Internet content and application delivery services in China, today announced its unaudited condensed consolidated financial results for the fourth quarter and full fiscal year ended December 31, 2014.

#### Highlights for the Fourth Quarter of 2014

- **Net revenues** in the fourth quarter were RMB338.9 million (US\$54.6 million) as compared with RMB339.4 million in the fourth quarter of 2013.
- **Gross profit** in the fourth quarter was RMB101.7 million (US\$16.4 million), reflecting a 30.0% gross profit margin in the fourth quarter.
- Financial results in the fourth quarter were impacted by a one-time RMB32.5 million (US\$5.2 million) non-cash bad debt provision related to a single customer from previous years.
- Excluding this one-time non-cash bad debt provision of RMB32.5 million (US\$5.2 million), fourth-quarter **adjusted EBITDA** (non-GAAP) was RMB44.7 million (US\$7.2 million) and fourth-quarter **adjusted net income** (non-GAAP) was RMB 15.7 million (US\$2.5 million).
- Excluding this one-time non-cash bad debt provision of RMB32.5 million (US\$5.2 million), **adjusted net income per diluted ADS** (non-GAAP) was RMB0.59 (US\$0.09) in the fourth quarter of 2014 as compared to an adjusted net loss per ADS of RMB0.31 in the fourth quarter of 2013.

#### Highlights for the Full Year 2014

- **Net revenues** in 2014 reached a record high of RMB1,384.3 million (US\$223.1 million), representing a 25.5% increase over the previous year.
- **Gross profit** in 2014 was RMB417.7 million (US\$67.3 million), up 20.5% from 2013.
- Excluding the one-time non-cash bad debt provision of RMB32.5 million (US\$5.2 million) from the fourth quarter 2014, the **adjusted EBITDA** (non-GAAP) in 2014 was RMB135.5 million (US\$21.8 million) and **adjusted net income** (non-GAAP) in 2014 was RMB38.9 million (US\$6.3 million).
- Excluding this one-time non-cash bad debt provision of RMB32.5 million (US\$5.2 million), **adjusted net income per diluted ADS** (non-GAAP) was RMB1.46 (US\$0.24) for the full-year 2014 as compared to an adjusted net loss per ADS of RMB0.79 for the full-year 2013.

"Our record revenue in 2014 reflects the strong capability, flexibility and reliability of our network and content delivery technology in meeting the expanding demands of our diversified customers. We have a leading position in high growth sectors such as video and mobile, as well as the capabilities in providing customized services to large e-commerce enterprises and online media companies," said Mr. Song Wang, Founder, Chairman and Chief Executive Officer of ChinaCache.

"Our fourth quarter revenue was impacted by our decision to accelerate customer migration onto our next-generation High Performance Cloud Cache ("HPCC") platform, which resulted in less available bandwidth and service capacity. However, as we are on track in completing the migration in the first quarter of 2015, we can now offer enhanced services and a more efficient network to all our customers, which will strengthen our long-term competitive position and our ability to address a rapidly growing market. Going forward, with our industry-leading infrastructure, customers will experience faster, more reliable service, and we will benefit from higher bandwidth reuse, and greater capacity through a more balanced network system," concluded Mr. Wang.

#### Fourth Quarter 2014 Financial Results

**Net revenues** for the fourth quarter of 2014 were RMB338.9 million (US\$54.6 million), representing a 9.7% decrease from the third quarter of 2014 and a 0.2% decrease from the corresponding period in 2013. The decrease in net revenues was due to

bandwidth and service capacity interruption as customers continue to migrate onto the next-generation HPCC platform in the fourth quarter of 2014 as compared with the previous quarter. The Company expects the HPCC migration to be near completion by end of first quarter of 2015.

**Cost of revenues** for the fourth quarter decreased by 9.3% quarter-over-quarter, and increased by 2.1% year-over-year to RMB237.2 million (US\$38.2 million). Gross margin was 30.0%, compared to 30.3% in the previous quarter and 31.6% in the corresponding period in 2013. Non-GAAP gross margin, which excludes share-based compensation, was 30.0%, compared to 30.4% in the third quarter and 31.7% in the corresponding period in 2013.

*Sales and marketing expenses* for the fourth quarter decreased by 4.8% from the previous quarter to RMB29.2 million (US\$4.7 million) and decreased by 23.3% year-over-year, representing 8.6% of net revenues. The decrease in sales and marketing expenses was primarily attributable to reduced personnel-related expenses due to less commission paid in the fourth quarter of 2014 as compared with the previous quarter.

*General and administrative expenses* for the fourth quarter increased by 73.5% from the previous quarter to RMB73.8 million (US\$11.9 million) and increased by 70.0% year-over-year, representing 21.8% of net revenues. The increase in general and administrative expenses was primarily attributable to RMB32.5 million in accruals for bad debt provision from one single customer from previous years. Excluding the one-time non-cash bad debt provision of RMB32.5 million incurred from a single client, general and administrative expenses for the fourth quarter were RMB41.3 million (US\$6.7 million), representing a decrease of 3.0% from the previous quarter and a decrease of 5.0% year-over-year, representing 12.2% of net revenues.

*Research and development expenses* for the fourth quarter decreased by 6.4% from the previous quarter to RMB28.1 million (US\$4.5 million), and decreased by 8.0% year-over-year, representing 8.3% of net revenues. The decrease was mainly attributable to improved cost control measures enacted throughout the Company.

**Adjusted EBITDA** (non-GAAP), defined as EBITDA excluding share-based compensation expense, foreign exchange gain/(loss) and impairment of an available-for-sale investment, was RMB12.1 million (US\$2.0 million) in the fourth quarter of 2014, as compared with RMB20.3 million in the fourth quarter in 2013. Excluding the one-time non-cash bad debt provision of RMB32.5 million incurred from a single client, adjusted EBITDA was RMB44.7 million (US\$7.2 million).

**Operating loss** was RMB29.4 million (US\$4.7 million) in the fourth quarter of 2014, compared to operating income of RMB10.7 million in the previous quarter and an operating loss of RMB6.0 million in the corresponding period in 2013. Excluding share-based compensation expense and impairment of an available-for-sale investment, non-GAAP operating loss was RMB20.8 million (US\$3.4 million), compared with a non-GAAP operating income of RMB12.6 million in the third quarter of 2014 and a non-GAAP operating loss of RMB1.1 million in the fourth quarter of 2013. Further excluding the one-time non-cash bad debt provision of RMB32.5 million incurred from a single client, the Company had a non-GAAP operating income of RMB11.7 million (US\$1.9 million) in the fourth quarter of 2014.

**Income tax benefit** was RMB3.0 million (US\$0.5 million) in the fourth quarter of 2014, compared to income tax expense of RMB2.6 million in the third quarter of 2014 and RMB9.4 million in the corresponding period in 2013.

**Net loss** was RMB20.6 million (US\$3.3 million) in the fourth quarter of 2014, compared to net income of RMB0.6 million in the third quarter of 2014, and net loss of RMB14.0 million in the corresponding period in 2013. Net loss per basic and diluted American Depositary Share ("ADS") for the fourth quarter of 2014 was RMB0.80 (US\$0.13) and RMB0.80 (US\$0.13), respectively. Each ADS represents 16 ordinary shares of the Company.

**Adjusted net loss** (non-GAAP), defined as net loss before share-based compensation expense, foreign exchange gain/(loss), penalties on uncertain tax positions and impairment of an available-for-sale investment, was RMB16.8 million (US\$2.7 million), compared to adjusted net income (non-GAAP) of RMB8.9 million in the third quarter of 2014 and adjusted net loss (non-GAAP) of RMB7.2 million in the corresponding period in 2013. Non-GAAP net loss per basic and diluted ADS for the fourth quarter of 2014 amounted to RMB0.65 (US\$0.11) and RMB0.65 (US\$0.11), respectively.

Excluding the one-time non-cash bad debt provision of RMB32.5 million incurred from a single client, adjusted net income (non-GAAP) was RMB15.7 million (US\$2.5 million). As a result, the adjusted net income per basic and diluted ADS (non-GAAP) for the fourth quarter of 2014 amounted to RMB0.61 (US\$0.10) and RMB0.59 (US\$0.09) respectively.

## Full Year 2014 Financial Results

For the full year ended December 31, 2014, net revenues were RMB1,384.3 million (US\$223.1 million), representing a 25.5% increase from the previous year. Gross profit in 2014 increased 20.5% to RMB417.7 million (US\$67.3 million), representing a gross profit margin of 30.2%.

Adjusted EBITDA (non-GAAP) in 2014 was RMB103.0 million (US\$16.6 million), a 123.1% increase from the previous year. Net

loss in 2014 was RMB6.8 million (US\$1.1 million), compared to a net loss of RMB34.2 million in 2013.

Adjusted net income (non-GAAP) was RMB6.4 million (US\$1.0 million) in 2014, compared to an adjusted net loss of RMB18.0 million in 2013.

Excluding the one-time non-cash bad debt provision of RMB32.5 million incurred from a single client, adjusted EBITDA (non-GAAP) in 2014 was RMB135.5 million (US\$21.8 million), and adjusted net income (non-GAAP) was RMB38.9 million (US\$6.3 million) in 2014.

## **Balance Sheet**

As of December 31, 2014, the Company had cash and cash equivalents of RMB375.9 million (US\$60.6 million). In addition, the Company had an available-for-sale investment amounting to RMB25.2 million (US\$4.1 million) in an RMB-denominated fund, which is presented as a current asset.

Capital expenditures for the fourth quarter and full year of 2014 were RMB66.6 million (US\$10.7 million) and RMB259.3 million (US\$41.8 million) respectively.

## **First Quarter and Full Year 2015 Revenue Guidance**

For the first quarter of 2015, ChinaCache expects its total net revenues to be between RMB340.0 million and RMB350.0 million, representing an increase of 5.0% to 8.0% over the first quarter of 2014.

For 2015, ChinaCache expects that its full-year total net revenues will grow by 25% to 30% over 2014.

## **Conference Call Information**

The Company has scheduled a conference call to discuss these results at 8:00 PM Eastern Time on March 26, 2015, which corresponds to 8:00 AM Beijing time on March 27, 2015.

The dial-in details for the live conference call are as follows:

- U.S. dial-in number: +1 (845) 675-0438
- Hong Kong dial-in number: +852 3018-6776
- International dial-in number: +65 6723-9385
- China dial-in number: 400-1200-654
- Conference ID: 7524177

A live and archived webcast of the conference call will be available on the Investor Relations section of ChinaCache's website at [ir.chinacache.com](http://ir.chinacache.com)

A replay of the conference call will also be available approximately two hours after the conclusion of the live call until April 1, 2015 by dialing:

- U.S. dial-in number: +1 (855) 452-5696
- International dial-in number: +61 (2) 9003-4211
- China dial-in number: 400-632-2162
- Conference ID: 7524177

## **About ChinaCache International Holdings Ltd.**

ChinaCache International Holdings Ltd. (Nasdaq:CCIH) is the 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](http://ir.chinacache.com).

## **\*Use of Non-GAAP Financial Measures**

In evaluating its business, ChinaCache considers and uses the following non-GAAP measures defined as non-GAAP financial measures by the SEC as supplemental measures to review and assess its operating performance: non-GAAP gross profit, non-

GAAP sales and marketing expenses, non-GAAP general and administrative expenses, non-GAAP research and development expenses, non-GAAP operating income/(loss), adjusted net income/(loss) (non-GAAP), EBITDA and adjusted EBITDA (non-GAAP). The presentation of these non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with U.S. GAAP. For more information on these non-GAAP financial measures, please see the table captioned "Reconciliations of Non-GAAP to GAAP Financial Measures" set forth at the end of this press release.

To present non-GAAP sales and marketing expenses, non-GAAP general and administrative expenses and non-GAAP research and development expenses, the Company excludes share-based compensation expense.

To present non-GAAP gross profit, the Company excludes share-based compensation expense.

To present non-GAAP operating income/(loss), the Company excludes share-based compensation expense and impairment of an available-for-sale investment.

The Company defines adjusted net income/(loss) as net income/(loss) before share-based compensation expense, foreign exchange gain/(loss), penalties on uncertain tax positions and impairment of an available-for-sale investment.

The Company uses EBITDA to assist in reconciliation to adjusted EBITDA. The Company defines EBITDA as net income/(loss) before interest expense, interest income, income tax expense and penalties on uncertain tax positions and depreciation and amortization. The Company defines adjusted EBITDA as EBITDA before share-based compensation expense, foreign exchange gain/(loss) and impairment of an available-for-sale investment that the Company does not consider reflective of its ongoing operations. The Company believes that the use of adjusted EBITDA facilitates investors' use of operating performance comparisons from period to period and company to company by backing out potential differences caused by variations in items such as capital structure (affecting relative interest expense and share-based compensation expense), the book amortization of intangibles (affecting relative amortization expense), the age and book value of facilities and equipment (affecting relative depreciation expense) and other non-cash expenses. The Company also presents adjusted EBITDA because it believes it is frequently used by securities analysts, investors and other interested parties as a measure of the financial performance of companies in its industry.

Those non-GAAP financial measures are not defined under U.S. GAAP and are not measures presented in accordance with U.S. GAAP. Those non-GAAP financial measures have limitations as analytical tools, and when assessing the Company's operating performance, investors should not consider them in isolation, or as a substitute for net income or other consolidated income statement data prepared in accordance with U.S. GAAP. Some of these limitations include, but are not limited to:

- Adjusted net income, EBITDA and adjusted EBITDA do not reflect the Company's cash expenditures or future requirements for capital expenditures or contractual commitments;
- They do not reflect changes in, or cash requirements for, the Company's working capital needs;
- They do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on the Company's debt;
- They do not reflect income taxes or the cash requirements for any tax payments;
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized often will have to be replaced in the future, and adjusted net income, EBITDA and adjusted EBITDA do not reflect any cash requirements for such replacements;
- While share-based compensation is a component of cost of revenues and operating expenses, the impact on the Company's financial statements compared to other companies can vary significantly due to such factors as assumed life of the options and assumed volatility of the Company's ordinary shares; and
- Other companies may calculate adjusted net income, EBITDA and adjusted EBITDA differently than the Company does, limiting their usefulness as comparative measures.

## **Exchange Rate Information**

This announcement contains translations of certain RMB amounts into U.S. dollars at a specified rate solely for the convenience of the reader. Unless otherwise noted, all translations from RMB to U.S. dollars are based on the effective exchange rate of 6.2046 as of December 31, 2014.

## **Safe Harbor Statement**

This announcement contains forward-looking statements. These statements are made under the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by terminology such as "will," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar statements. Among other things, the outlook for the first quarter and full year 2015 and quotations from management in this announcement, as well as ChinaCache's strategic and operational plans, contain forward-looking statements. ChinaCache may also make written or oral forward-looking statements in its reports filed or furnished to the U.S. Securities and Exchange Commission, in its annual

reports to shareholders, in press releases and other written materials and in oral statements made by its officers, directors or employees to third parties. Forward-looking statements involve inherent risks and uncertainties. A number of factors could cause actual results to differ materially from those contained in any forward-looking statements, including but not limited to the following: the Company's goals and strategies, expansion plans, the expected growth of the content and application delivery services market, the Company's expectations regarding keeping and strengthening its relationships with its customers, and the general economic and business conditions in the regions where the Company provides its solutions and services. Further information regarding these and other risks is included in the Company's filings with the U.S. Securities and Exchange Commission. All information provided in this press release is as of the date of this press release, and ChinaCache undertakes no duty to update such information, except as required under applicable law.

**Condensed Consolidated Balance Sheets**

(amounts in thousands)

	<u>As of Dec 31</u>	<u>As of Dec 31</u>	<u>As of Dec 31</u>
	2013	2014	2014
	RMB	RMB	US\$
	(Audited)	(Unaudited)	(Unaudited)
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	338,092	375,879	60,581
Restricted Cash	60,000	68,191	10,990
Accounts receivable, net	306,237	319,494	51,493
Prepaid expenses and other current assets	50,549	55,374	8,925
Short term investment	24,636	25,219	4,065
Deferred tax assets	7,096	20,658	3,329
Amount due from a related party	141	--	--
Total current assets	<u>786,751</u>	<u>864,815</u>	<u>139,383</u>
Non-current assets			
Property and equipment, net	240,650	418,886	67,512
Cloud infrastructure construction in progress	12,236	283,475	45,688
Intangible assets, net	5,563	10,321	1,663
Land use right, net	50,730	49,697	8,010
Long term investments	33,690	46,950	7,567
Deferred tax assets	1,719	980	158
Long term deposits and other non-current assets	<u>35,829</u>	<u>56,084</u>	<u>9,039</u>
Total non-current assets	<u>380,417</u>	<u>866,393</u>	<u>139,637</u>
<b>Total Assets</b>	<u><u>1,167,168</u></u>	<u><u>1,731,208</u></u>	<u><u>279,020</u></u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

Current Liabilities

Short-term loan	60,000	60,000	9,670
Accounts payable	203,750	255,821	41,231
Accrued employee benefits	43,922	45,016	7,255
Accrued expenses and other payables	157,075	411,803	66,371
Income tax payable	10,399	21,374	3,445
Liabilities for uncertain tax positions	11,540	11,739	1,892
Amounts due to related parties	862	18	3

Current portion of long term liabilities	--	7,180	1,157
Current portion of capital lease obligations	--	13,794	2,223
Deferred government grant	<u>24,360</u>	<u>37,360</u>	<u>6,021</u>
Total current liabilities	511,908	864,105	139,268
Non-current liabilities			
Long-term loan	--	11,520	1,857
Non-current portion of capital lease obligations	--	20,592	3,319
Deferred tax liabilities	<u>2,127</u>	<u>44</u>	<u>7</u>
Total non-current liabilities	2,127	32,156	5,183
Total Liabilities	<u>514,035</u>	<u>896,261</u>	<u>144,451</u>
Total Shareholders' equity	653,133	834,947	134,569
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>1,167,168</u>	<u>1,731,208</u>	<u>279,020</u>

### 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, 2013	Sep 30, 2014	Dec 31, 2014	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2014
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Unaudited)	(Unaudited)
<b>Net revenues</b>	339,373	375,258	338,850	54,613	1,103,243	1,384,273	223,104
<b>Cost of revenues</b>	<u>(232,203)</u>	<u>(261,371)</u>	<u>(237,157)</u>	<u>(38,223)</u>	<u>(756,617)</u>	<u>(966,558)</u>	<u>(155,781)</u>
<b>Gross profit</b>	107,170	113,887	101,693	16,390	346,626	417,715	67,323
Sales & marketing expenses	(38,017)	(30,637)	(29,175)	(4,702)	(124,578)	(127,843)	(20,605)
General & administrative expenses	(43,409)	(42,523)	(73,797)	(11,894)	(153,568)	(190,980)	(30,780)
Research & development expenses	(30,555)	(30,035)	(28,113)	(4,531)	(102,704)	(116,381)	(18,757)
Impairment of an available-for-sale investment	<u>(1,217)</u>	--	--	--	<u>(1,217)</u>	--	--
<b>Operating (loss)/income</b>	(6,028)	10,692	(29,392)	(4,737)	(35,441)	(17,489)	(2,819)
Interest income	459	863	1,052	170	2,513	5,529	891
Interest expense	(1,275)	(1,965)	(3,192)	(514)	(3,584)	(8,220)	(1,325)
Other income	3,973	88	3,098	499	6,886	6,298	1,015
Foreign exchange (loss)/gain, net	<u>(1,735)</u>	<u>(6,409)</u>	<u>4,814</u>	<u>776</u>	<u>(3,308)</u>	<u>3,944</u>	<u>636</u>
<b>(Loss)/income before income taxes</b>	(4,606)	3,269	(23,620)	(3,806)	(32,934)	(9,938)	(1,602)
Income tax (expense)/benefit	<u>(9,410)</u>	<u>(2,646)</u>	<u>2,981</u>	<u>480</u>	<u>(1,295)</u>	<u>3,097</u>	<u>499</u>
<b>Net (loss)/income attributable to ordinary shareholders</b>	<u>(14,016)</u>	<u>623</u>	<u>(20,639)</u>	<u>(3,326)</u>	<u>(34,229)</u>	<u>(6,841)</u>	<u>(1,103)</u>

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Foreign currency translation	(2,328)	1,687	(1,857)	(299)	(1,975)	46	7
Unrealized holding gains arising during the period	232	141	200	32	1,821	583	94
Reclassification adjustments for gains included in net loss	(499)	--	--	--	(1,912)	--	--
<b>Total other comprehensive (loss)/income, net of tax</b>	<b>(2,595)</b>	<b>1,828</b>	<b>(1,657)</b>	<b>(267)</b>	<b>(2,066)</b>	<b>629</b>	<b>101</b>
							--
<b>Comprehensive (loss)/income</b>	<b>(16,611)</b>	<b>2,451</b>	<b>(22,296)</b>	<b>(3,593)</b>	<b>(36,295)</b>	<b>(6,212)</b>	<b>(1,002)</b>
<b>(Loss)/earnings per ordinary share:</b>							
Basic	(0.04)	0.00	(0.05)	(0.01)	(0.09)	(0.02)	(0.00)
Diluted	(0.04)	0.00	(0.05)	(0.01)	(0.09)	(0.02)	(0.00)
<b>(Loss)/earnings per ADS*:</b>							
Basic	(0.61)	0.02	(0.80)	(0.13)	(1.51)	(0.27)	(0.04)
Diluted	(0.61)	0.02	(0.80)	(0.13)	(1.51)	(0.27)	(0.04)

**Weighted average number of ordinary shares used in earnings per share computation:**

Basic	367,762,251	411,553,199	412,586,217	412,586,217	362,916,540	403,401,928	403,401,928
Diluted	367,762,251	422,211,476	412,586,217	412,586,217	362,916,540	403,401,928	403,401,928

\* Note1:1 ADS = 16 shares

Note2: Non-GAAP Financial Measures

**Supplementary Metrics**

(Unaudited)

Jun 30, 2013 Sep 30, 2013 Dec 31, 2013 Mar 31, 2014 Jun 30, 2014 Sep 30, 2014 Dec 31, 2014

**Revenues breakdown by industry verticals**

Internet and software	20%	22%	25%	23%	23%	23%	22%
Mobile internet	17%	17%	15%	15%	15%	16%	16%
Media and entertainment	29%	27%	27%	28%	29%	29%	29%
E-commerce	22%	21%	21%	21%	20%	19%	19%
Enterprises	9%	10%	10%	11%	12%	13%	14%
Government agencies	3%	3%	2%	2%	1%	0%	0%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>Capital expenditures</b>	28,444	22,689	32,886	29,728	58,368	104,588	66,611
As a percentage of net revenues	11.0%	8.2%	9.7%	9.2%	16.9%	27.9%	19.7%

**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, 2013	Sep 30, 2014	Dec 31, 2014	Dec 31, 2014	Dec 31, 2013	Dec 31, 2014	Dec 31, 2014
	RMB	RMB	RMB	US\$	RMB	RMB	US\$
<i>Adjusted EBITDA — defined as EBITDA before share-based compensation expense, foreign exchange gain/loss and impairment of an available-for-sale investment</i>							
<b>Net (loss)/income</b>	(14,016)	623	(20,639)	(3,326)	(34,229)	(6,841)	(1,103)
Depreciation	16,613	23,707	29,156	4,699	59,877	94,826	15,283
Amortization	631	534	619	100	1,891	2,202	355
Interest expense	1,275	1,965	3,192	514	3,584	8,220	1,325
Interest income	(459)	(863)	(1,052)	(170)	(2,513)	(5,529)	(891)
Income tax expense/(benefit)	9,410	2,646	(2,981)	(480)	1,295	(3,097)	(499)
Share-based compensation	3,684	1,872	8,586	1,383	11,852	17,037	2,746
Foreign exchange loss/(gain)	1,735	6,409	(4,814)	(776)	3,308	(3,944)	(636)
Penalties on uncertain tax positions	229	--	56	9	(123)	100	16
Impairment of an available-for-sale investment	1,217	--	--	--	1,217	--	--
<b>Adjusted EBITDA</b>	<u>20,319</u>	<u>36,893</u>	<u>12,123</u>	<u>1,953</u>	<u>46,159</u>	<u>102,974</u>	<u>16,596</u>
<i>Margin%</i>	6.0%	9.8%	3.6%	3.6%	4.2%	7.4%	7.4%
 <i>Adjusted net (loss)/income — defined as net (loss)/income before share-based compensation, foreign exchange gain/loss, penalties on uncertain tax positions and impairment of an available-for-sale investment</i>							
<b>Net (loss)/income</b>	(14,016)	623	(20,639)	(3,326)	(34,229)	(6,841)	(1,103)
Share-based compensation	3,684	1,872	8,586	1,383	11,852	17,037	2,746
Foreign exchange loss/(gain)	1,735	6,409	(4,814)	(776)	3,308	(3,944)	(636)
Penalties on uncertain tax positions	229	--	56	9	(123)	100	16
Impairment of an available-for-sale Investment	1,217	--	--	--	1,217	--	--
<b>Adjusted net (loss)/income</b>	<u>(7,151)</u>	<u>8,904</u>	<u>(16,811)</u>	<u>(2,710)</u>	<u>(17,975)</u>	<u>6,352</u>	<u>1,023</u>
<i>Margin%</i>	(2.1%)	2.4%	(5.0%)	(5.0%)	(1.6%)	0.5%	0.5%
<b>(Loss)/earnings per ordinary share:</b>							
Basic	(0.02)	0.02	(0.04)	(0.01)	(0.05)	0.02	0.00
Diluted	(0.02)	0.02	(0.04)	(0.01)	(0.05)	0.01	0.00
<b>(Loss)/earnings per ADS:</b>							
Basic	(0.31)	0.35	(0.65)	(0.11)	(0.79)	0.25	0.04
Diluted	(0.31)	0.34	(0.65)	(0.11)	(0.79)	0.24	0.04



*Non-GAAP gross profit - defined as gross profit before share-based compensation expense*

<b>Gross profit</b>	107,170	113,887	101,693	16,390	346,626	417,715	67,323
Plus: Share-based compensation	<u>302</u>	<u>162</u>	<u>108</u>	<u>17</u>	<u>1,665</u>	<u>951</u>	<u>153</u>
<b>Non-GAAP gross profit</b>	<u>107,472</u>	<u>114,049</u>	<u>101,801</u>	<u>16,407</u>	<u>348,291</u>	<u>418,666</u>	<u>67,476</u>
<i>Margin%</i>	31.7%	30.4%	30.0%	30.0%	31.6%	30.2%	30.2%

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

<b>Sales &amp; marketing expenses</b>	38,017	30,637	29,175	4,702	124,578	127,843	20,605
Minus: Share-based compensation	<u>(656)</u>	<u>(366)</u>	<u>(327)</u>	<u>(53)</u>	<u>(3,853)</u>	<u>(2,167)</u>	<u>(349)</u>
<b>Non-GAAP sales &amp; marketing expenses</b>	<u>37,361</u>	<u>30,271</u>	<u>28,848</u>	<u>4,649</u>	<u>120,725</u>	<u>125,676</u>	<u>20,256</u>
<i>% of net revenues</i>	11.0%	8.1%	8.5%	8.5%	10.9%	9.1%	9.1%

<b>General &amp; administrative expenses</b>	43,409	42,523	73,797	11,894	153,568	190,980	30,780
Minus: Share-based compensation	<u>(2,022)</u>	<u>(998)</u>	<u>(6,542)</u>	<u>(1,054)</u>	<u>(3,833)</u>	<u>(10,612)</u>	<u>(1,710)</u>
<b>Non-GAAP general &amp; administrative expenses</b>	<u>41,387</u>	<u>41,525</u>	<u>67,255</u>	<u>10,840</u>	<u>149,735</u>	<u>180,368</u>	<u>29,070</u>
<i>% of net revenues</i>	12.2%	11.1%	19.8%	19.8%	13.6%	13.0%	13.0%

<b>Research &amp; development expenses</b>	30,555	30,035	28,113	4,531	102,704	116,381	18,757
Minus: Share-based compensation	<u>(704)</u>	<u>(346)</u>	<u>(1,609)</u>	<u>(259)</u>	<u>(2,501)</u>	<u>(3,307)</u>	<u>(533)</u>
<b>Non-GAAP research &amp; development expenses</b>	<u>29,851</u>	<u>29,689</u>	<u>26,504</u>	<u>4,272</u>	<u>100,203</u>	<u>113,074</u>	<u>18,224</u>
<i>% of net revenues</i>	8.8%	7.9%	7.8%	7.8%	9.1%	8.2%	8.2%

*Non-GAAP operating (loss)/income — defined as GAAP operating (loss)/income before share-based compensation expense and impairment of an available-for-sale investment*

<b>Operating (loss)/income</b>	(6,028)	10,692	(29,392)	(4,737)	(35,441)	(17,489)	(2,819)
Plus: Share-based compensation	3,684	1,872	8,586	1,383	11,852	17,037	2,746
Plus: Impairment of an available-for-sale investment	<u>1,217</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,217</u>	<u>--</u>	<u>--</u>
<b>Non-GAAP operating (loss)/income</b>	<u>(1,127)</u>	<u>12,564</u>	<u>(20,806)</u>	<u>(3,354)</u>	<u>(22,372)</u>	<u>(452)</u>	<u>(73)</u>
<i>Margin%</i>	(0.3%)	3.3%	(6.1%)	(6.1%)	(2.0%)	(0.0%)	(0.0%)

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