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

FORM 6-K

**REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16
OR 15d-16 UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the Month of March 2025

Commission File Number: 001-35126

VNET Group, Inc.

**Guanjie Building, Southeast 1st Floor
10# Jiuxianqiao East Road
Chaoyang District
Beijing 100016
The People's Republic of China
(Address of principal executive offices)**

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F Form 40-F

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

VNET Group, Inc.

By: /s/ Qiyu Wang

Name: Qiyu Wang

Title: Chief Financial Officer

Date: March 13, 2025

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press release titled “VNET Announces Proposed Offering of Convertible Senior Notes”
99.2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations
99.3.	Unaudited Condensed Consolidated Financial Statements
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

VNET Announces Proposed Offering of Convertible Senior Notes

BEIJING, March 13, 2025 PRNewswire — VNET Group, Inc. (Nasdaq: VNET) (“VNET” or the “Company”), a leading carrier-neutral and cloud-neutral internet data center services provider in China, today announced the commencement of a proposed offering by the Company of US\$400 million aggregate principal amount of its convertible senior notes due 2030 (the “Notes”), subject to market and other conditions (the “Notes Offering”).

The Notes will be senior, unsecured obligations of the Company, and will accrue interest payable semi-annually in arrears and will mature on April 1, 2030, unless earlier repurchased, redeemed or converted in accordance with their terms prior to such date.

Holder of the Notes may require the Company to repurchase all or part of their Notes in cash on April 3, 2028 or in the event of certain fundamental changes, at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the relevant repurchase date. In addition, on or after April 10, 2028, the Company may redeem all or part of the Notes for cash subject to certain conditions, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the relevant optional redemption date. Furthermore, the Company may redeem all but not part of the Notes in the event of certain changes in the tax laws, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, to, but not including, the related redemption date.

Before October 1, 2029, Holders of the Notes will have the right to convert their Notes only upon the occurrence of certain events. From and after October 1, 2029, Holders of the Notes may convert their Notes at any time at their election until the close of business on the second scheduled trading day immediately preceding the maturity date. The Company will settle conversions by paying or delivering, as applicable, cash, the American Depositary Shares, each representing six Class A ordinary shares, with par value of US\$0.00001 per share, of the Company (the “ADSs”) or a combination of cash and ADSs, at the Company’s election, subject to certain restrictions. The final terms of the Notes, including the interest rate, initial conversion rate and certain other terms of the Notes, will be determined at the pricing of the Notes Offering.

The Notes are offered in offshore transactions outside the United States to non-U.S. persons in compliance with Regulation S under the United States Securities Act of 1933, as amended (the “Securities Act”). The Notes, the ADSs deliverable upon conversion of the Notes (if any) and the Class A ordinary shares represented thereby have not been and will not be registered under the Securities Act or any other applicable securities laws, and may not be sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any other applicable securities laws. No public offering of the Notes, the ADSs deliverable upon conversion of the Notes (if any) and the Class A ordinary shares represented thereby is being made into the United States.

The Company intends to use the net proceeds from the Notes Offering for the capital investment in wholesale IDC projects, working capital and general corporate purposes.

The Company expects that potential investors in the Notes may employ a convertible arbitrage strategy to hedge their exposure in connection with the Notes. Any such activities by potential investors of the Notes following the pricing of the Notes Offering and prior to the maturity date could decrease (or reduce the size of any increase in) the market price of the ADSs and the trading price of the Notes. The effect, if any, of the activities described in this paragraph, including the direction or magnitude, on the market price of the ADSs or the trading price of the Notes will depend on a variety of factors, including market conditions, and cannot be ascertained at this time.

This press release shall not constitute an offer to sell or a solicitation of an offer to purchase any securities, nor shall there be a sale of the securities in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful. This press release contains information about the pending Notes Offering, and there can be no assurance that such transaction will be completed.

About VNET

VNET Group, Inc. is a leading carrier- and cloud-neutral internet data center services provider in China. VNET provides hosting and related services, including IDC services, cloud services, and business VPN services to improve the reliability, security, and speed of its customers' internet infrastructure. Customers may locate their servers and equipment in VNET's data centers and connect to China's internet backbone. VNET operates in more than 30 cities throughout China, servicing a diversified and loyal base of over 7,500 hosting and related enterprise customers that span numerous industries ranging from internet companies to government entities and blue-chip enterprises to small- to mid-sized enterprises.

Safe Harbor Statement

This announcement contains forward-looking statements. These forward-looking statements are made under the "safe harbor" provisions of the U.S. Private Securities

Litigation Reform Act of 1995. These statements can be identified by terminology such as “will,” “expects,” “anticipates,” “future,” “intends,” “plans,” “target,” “believes,” “estimates” and similar statements. Among other things, quotations from management in this announcement as well as VNET’s strategic and operational plans, contain forward-looking statements. VNET may also make written or oral forward-looking statements in its reports filed with, 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. Statements that are not historical facts, including statements about VNET’s beliefs and expectations, are forward-looking statements. 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 statement, including but not limited to the following: VNET’s goals and strategies; VNET’s liquidity conditions; VNET’s expansion plans; the expected growth of the data center services market; expectations regarding demand for, and market acceptance of, VNET’s services; VNET’s expectations regarding keeping and strengthening its relationships with customers; VNET’s plans to invest in research and development to enhance its solution and service offerings; and general economic and business conditions in the regions where VNET provides solutions and services. Further information regarding these and other risks is included in VNET’s reports filed with, or furnished to, the U.S. Securities and Exchange Commission. All information provided in this press release is as of the date of this press release, and VNET undertakes no duty to update such information, except as required under applicable law.

Investor Relations Contact:

Xinyuan Liu
Tel: +86 10 8456 2121
Email: ir@vnet.com

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following information in conjunction with "Item 5. Operating and Financial Review and Prospects" in our Form 20-F for the year ended December 31, 2023, or our 2023 Annual Report, and our audited consolidated financial statements and the related notes to our 2023 Annual Report, as well as our unaudited condensed consolidated financial statements for the nine months ended September 30, 2023 and 2024 and the related notes included in our current report on Form 6-K furnished with the SEC on March 13, 2025.

RESULTS OF OPERATIONS

The following table sets forth a summary of our consolidated results of operations for the years indicated both in absolute amount. This information should be read together with our consolidated financial statements and related notes included elsewhere in this offering memorandum. The results of operations in any period are not necessarily indicative of the results you may expect for future periods.

	For the Years Ended		For the Nine Months Ended		
	December 31,		September 30,		
	2022	2023	2023	2024	
	RMB	RMB	RMB	RMB	US\$
(in thousands, except for number of shares and per share data)					
Consolidated Statements of Operations Data:					
Net revenues	7,065,232	7,412,930	5,514,450	6,012,680	856,800
Cost of revenues	(5,706,976)	(6,120,445)	(4,512,843)	(4,685,381)	(667,661)
Gross profit	1,358,256	1,292,485	1,001,607	1,327,299	189,139
Operating (expenses) income:					
Operating income	60,013	106,273	73,980	15,716	2,240
Sales and marketing expenses	(311,917)	(266,207)	(192,921)	(190,668)	(27,170)
Research and development expenses	(306,842)	(322,220)	(241,549)	(190,514)	(27,148)
General and administrative expenses	(642,945)	(541,850)	(393,395)	(466,076)	(66,415)
Allowance for doubtful debt	(35,409)	(368,505)	(7,034)	(63,309)	(9,021)
Impairment of long-lived assets	—	(506,686)	—	—	—
Impairment of goodwill	—	(1,364,191)	—	—	—
Total operating expenses	(1,237,100)	(3,263,386)	(760,919)	(894,851)	(127,514)
Operating profit (loss)	121,156	(1,970,901)	240,688	432,448	61,625
Interest income	31,574	41,802	28,606	21,796	3,106
Interest expense	(273,305)	(312,172)	(233,295)	(323,850)	(46,148)
Other income	17,328	27,344	22,892	50,873	7,249
Other expenses	(26,599)	(16,086)	(14,887)	(17,105)	(2,437)
Changes in the fair value of financial liabilities	22,626	(165,930)	21,718	(2,537)	(362)
Impairment of long-term investment	—	(11,166)	(11,115)	—	—
Gain on debt extinguishment	—	—	—	246,175	35,080
Foreign exchange loss, net	(523,235)	(78,965)	(168,391)	(17,915)	(2,553)
(Loss) income before income taxes and gain from equity method investments	(630,455)	(2,486,074)	(113,784)	389,885	55,560
Income tax expenses	(133,464)	(114,374)	(63,748)	(151,682)	(21,615)
Gain from equity method investments	1,925	3,279	3,651	6,770	965
Net (loss) income	(761,994)	(2,597,169)	(173,881)	244,973	34,910
Net income attributable to noncontrolling interest	(13,958)	(46,667)	(27,167)	(50,677)	(7,221)
Net (loss) income attributable to VNET Group, Inc.	(775,952)	(2,643,836)	(201,048)	194,296	27,689
(Loss) earning per share:					
Basic	(0.87)	(2.93)	(0.23)	0.11	0.02
Diluted	(0.87)	(2.93)	(0.24)	(0.02)	(0.00)
Shares used in (loss) earning per share computation					
Basic	886,817,620	901,143,138	888,724,901	1,588,659,647	1,588,659,647
Diluted	886,817,620	901,143,138	899,884,241	1,730,216,309	1,730,216,309

DISCUSSION OF NON-GAAP FINANCIAL MEASURES

In evaluating our business, we consider and use the following non-GAAP measures as supplemental measures to review and assess our operating performance: adjusted cash gross profit, adjusted cash gross margin, adjusted operating expenses, adjusted EBITDA and adjusted EBITDA margin. 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. We define adjusted cash gross profit as gross profit excluding depreciation and amortization, and share-based compensation expenses. We define adjusted cash gross margin as adjusted cash gross profit divided by net revenue. We define adjusted operating expenses as operating expenses excluding share-based compensation expenses, compensation for post combination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill. We define adjusted EBITDA as operation profit (loss) excluding depreciation and amortization, share-based compensation expenses, compensation for post combination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill. We define adjusted EBITDA margin as adjusted EBITDA divided by net revenue.

The non-GAAP financial measure disclosed by us should not be considered a substitute for financial measures prepared in accordance with U.S. GAAP. You should carefully evaluate the financial results we have reported in accordance with U.S. GAAP and our reconciliation of GAAP to non-GAAP results. The non-GAAP financial measure used by us may be prepared differently from and, therefore, may not be comparable to similarly titled measures used by other companies.

We believe that the use of these non-GAAP measures facilitates investors' assessment of our operating performance from period to period and from company to company by backing out potential differences caused by variations in items such as capital structures (affecting relative interest expenses), the book amortization of intangibles (affecting relative amortization expenses), the age and book value of property and equipment (affecting relative depreciation expenses) and other non-cash expenses (affecting share-based compensation expenses, compensation for postcombination employment in an acquisition, allowance of loan receivables, impairment of long-lived assets and impairment of goodwill). We also present these non-GAAP measures because we believe these non-GAAP measures are frequently used by securities analysts, investors and other interested parties as measures of the financial performance of companies in our industry.

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

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;

- they do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our 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 EBITDA do not reflect any cash forward looking requirements for such replacements;
- while share-based compensation is a component of cost of revenues and operating expenses, the impact to our financial statements compared to other companies can vary significantly due to such factors as assumed life of the options and assumed volatility of our ordinary shares; and
- other companies may calculate adjusted cash gross profit, adjusted cash gross margin, adjusted operating expenses, adjusted EBITDA and adjusted EBITDA margin differently than we do, limiting the usefulness of these non-GAAP measures as comparative measures.

We compensate for these limitations by relying primarily on our U.S. GAAP results and using adjusted cash gross profit, adjusted cash gross margin, adjusted operating expenses, adjusted EBITDA and adjusted EBITDA margin only as supplemental measures. Our adjusted cash gross profit, adjusted cash gross margin, adjusted operating expenses, adjusted EBITDA and adjusted EBITDA margin are calculated as follows for the years presented:

	For the Years Ended December 31,		For the Nine Months Ended September 30,		
	2022	2023	2023	2024	
	RMB	RMB	RMB	RMB	US\$
	(in thousands, except percentages)				
Gross profit	1,358,256	1,292,485	1,001,607	1,327,299	189,139
Plus: depreciation and amortization	1,487,438	1,684,842	1,233,983	1,085,984	154,751
Plus: share-based compensation expenses	563	—	—	234	33
Adjusted cash gross profit	2,846,257	2,977,327	2,235,590	2,413,517	343,923
Adjusted cash gross margin	40.3 %	40.2 %	40.5 %	40.1 %	40.1 %
Operating expenses	(1,237,100)	(3,263,386)	(760,919)	(894,851)	(127,514)
Plus: share-based compensation expenses	117,607	35,296	25,817	105,428	15,023
Plus: compensation for post combination employment in an acquisition	37,398	—	—	—	—
Plus: allowance of loan receivables	—	287,900	—	—	—
Plus: impairment of long-lived assets	—	506,686	—	—	—
Plus: impairment of goodwill	—	1,364,191	—	—	—
Adjusted operating expenses	(1,082,095)	(1,069,313)	(735,102)	(789,423)	(112,491)
Operating profit (loss)	121,156	(1,970,901)	240,688	432,448	61,625
Plus: depreciation and amortization	1,595,942	1,816,228	1,332,649	1,170,313	166,768
Plus: share-based compensation expenses	118,170	35,296	25,817	105,662	15,057
Plus: compensation for post combination employment in an acquisition	37,398	—	—	—	—
Plus: allowance of loan receivables	—	287,900	—	—	—
Plus: impairment of long-lived assets	—	506,686	—	—	—
Plus: impairment of goodwill	—	1,364,191	—	—	—
Adjusted EBITDA	1,872,666	2,039,400	1,599,154	1,708,423	243,450
Adjusted EBITDA margin	26.5 %	27.5 %	29.0 %	28.4 %	28.4 %

Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023

Net Revenues

Our net revenues increased by 9.0% from RMB5,514.5 million for the nine months ended September 30, 2023 to RMB6,012.7 million (US\$856.8 million) for the same period in 2024, primarily due to (i) expansion in capacity in service of wholesale IDC business and (ii) increase in utilization rate of wholesale IDC business. The capacity in service of our wholesale IDC business increased by 23.4% from 290MW as of September 30, 2023 to 358MW as of September 30, 2024.

Cost of Revenues

Our cost of revenues increased by 3.8% from RMB4,512.8 million for the nine months ended September 30, 2023 to RMB4,685.4 million (US\$667.7 million) for the same period in 2024, primarily due to an increase in our utility and other miscellaneous costs attributable to the delivery of additional capacity.

Gross Profit

As a result of the foregoing, our gross profit increased by 32.5% from RMB1,001.6 million for the nine months ended September 30, 2023 to RMB1,327.3 million (US\$189.1 million) for the same period in 2024. Our gross margin increased from 18.2% for the nine months ended September 30, 2023 to 22.1% for the same period in 2024, primarily due to a reduction in depreciation expense due to the change in the estimated useful lives of property and equipment from January 1, 2024.

Operating Expenses

Our operating expenses increased by 17.6% from RMB760.9 million for the nine months ended September 30, 2023 to RMB894.9 million (US\$127.5 million) for the same period in 2024. Our operating expenses as a percentage of net revenues increased from 13.8% for the nine months ended September 30, 2023 to 14.9% for the same period in 2024.

Sales and Marketing Expenses

Our sales and marketing expenses remain relatively stable from RMB192.9 million for the nine months ended September 30, 2023 to RMB190.7 million (US\$27.2 million) for the same period in 2024, primarily due to a decrease in the staff costs. As a percentage of net revenues, our sales and marketing expenses decreased from 3.5% for the nine months ended September 30, 2023 to 3.2% for the same period in 2024.

Research and Development Expenses

Our research and development expenses decreased by 21.1% from RMB241.5 million for the nine months ended September 30, 2023 to RMB190.5 million (US\$27.1 million) for the same period in 2024, primarily due to a decrease in the staff costs. As a percentage of net revenues, our research and development expenses decreased from 4.4% for the nine months ended September 30, 2023 to 3.2% for the same period in 2024.

General and Administrative Expenses

Our general and administrative expenses increased by 18.5% from RMB393.4 million for the nine months ended September 30, 2023 to RMB466.1 million (US\$66.4 million) for the same period in 2024, primarily due to an increase in the staff costs. As a percentage of net revenues, our general and administrative expenses increased from 7.1% for the nine months ended September 30, 2023 to 7.8% for the same period in 2024.

Allowance for doubtful debt

Our allowance for doubtful debt increased from RMB7.0 million for the nine months ended September 30, 2023 to RMB63.3 million (US\$9.0 million) for the same period in 2024, primarily due to the increase in credit risk for certain customers. As a percentage of net revenues, our allowance for doubtful debt increased from 0.1% for the nine months ended September 30, 2023 to 1.1% for the same period in 2024.

Interest Income

Our interest income decreased by 23.8% from RMB28.6 million for the nine months ended September 30, 2023 to RMB21.8 million (US\$3.1 million) for the same period in 2024.

Interest Expense

Our interest expense increased by 38.8% from RMB233.3 million for the nine months ended September 30, 2023 to RMB323.9 million (US\$46.1 million) for the same period in 2024, primarily due to the increase in bank and other borrowings.

Other Income

Our other income increased from RMB22.9 million for the nine months ended September 30, 2023 to RMB50.9 million (US\$7.2 million) for the same period in 2024. Other income comprises miscellaneous non-operating income that we generate.

Other Expenses

Our other expenses increased from RMB14.9 million for the nine months ended September 30, 2023 to RMB17.1 million (US\$2.4 million) for the same period in 2024.

Changes in the Fair Value of Financial Liabilities

Changes in the fair value of financial liabilities were RMB2.5 million (US\$0.4 million) for the nine months ended September 30, 2024, primarily due to the increase in the fair value of the derivative liability.

Foreign Exchange Loss, Net

We had a foreign exchange loss, net of RMB17.9 million (US\$2.6 million) for the nine months ended September 30, 2024.

Income Tax Expenses

We recorded income tax expenses in the amount of RMB151.7 million (US\$21.6 million) for the nine months ended September 30, 2024, compared with income tax expenses of RMB63.7 million for the nine months ended September 30, 2023, with the effective tax rate of 38.2%. This is primarily due to the effect of changes in valuation allowance.

Net Income

As a result of the foregoing, we recorded a net income of RMB245.0 million (US\$34.9 million) for the nine months ended September 30, 2024, as compared to a net loss of RMB173.9 million for the nine months ended September 30, 2023.

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2024, we had total outstanding debts (consisting of borrowings) of RMB8,951.6 million (US\$1,275.6 million), all of which were onshore debt obligations. We believe we have sufficient financial resources to meet both of our onshore and offshore debt obligations when due. The growth of our business relies on the construction of new data centers. We also intend to acquire or invest in companies whose businesses are complementary to ours. We intend to use the proceeds of our outstanding debt mainly to construct new data centers and fund our acquisitions. As of September 30, 2024, we had purchase commitments made for acquisitions of machinery, equipment, construction in progress, bandwidth and cabinet capacity of RMB4,336.9 million (US\$618.0 million) becoming due by December 31, 2025, and we intend to use a portion of the proceeds to fund these purchase commitments. Except as disclosed in this offering memorandum, we have no outstanding bank loans or financial guarantees or similar commitments to guarantee the payment obligations of third parties. We believe that our current cash, cash equivalents and time deposits, our cash flow from operations and proceeds from our financing activities will be sufficient to meet our anticipated cash needs, including our cash needs for working capital and capital expenditures, for the next 12 months. If we have additional liquidity needs in the future, we may conduct additional financing, including equity offering and debt financing in private or public capital markets and control of operating expenses and capital expenditure where necessary, to meet such needs.

As of September 30, 2024, the total amount of cash and cash equivalents, restricted cash and short-term investments was RMB2,097.8 million (US\$298.9 million), of which RMB1,225.0 million (US\$174.6 million), RMB755.4 million (US\$107.6 million) and RMB117.4 million (US\$16.7 million) was held by our consolidated affiliated entities, PRC subsidiaries and offshore subsidiaries, respectively. Cash transfers from our PRC subsidiaries 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 our PRC subsidiaries and consolidated affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. The major cost that would be incurred to distribute dividends is the withholding tax imposed on the dividends distributed by our PRC operating subsidiaries at the rate of 10% or a lower rate under an applicable tax treaty, if any.

We have incurred losses since inception. As of September 30, 2024, we had an accumulated deficit of RMB10,835.7 million (US\$1,544.1 million) and net current liabilities of RMB1,421.2 million (US\$202.5 million). Absent any other action, we will likely require additional liquidity to continue our operations over the next 12 months. With our unused loan facilities with banks and financial institutions, strategy to obtain financing from the issuance of equity shares, bonds and convertible notes, and control of operating expenses and capital expenditure where necessary, we have the ability to manage the liquidity needs to enable continuation of operations for the foreseeable future. The following table sets forth a summary of our cash flows for the years indicated:

	For the Years Ended December 31,		For the Nine Months Ended September 30		
	2022	2023	2023	2024	
	RMB	RMB	RMB	RMB	US\$
			(in thousands)		
Net cash generated from operating activities	2,440,214	2,063,480	1,332,800	1,433,157	204,223
Net cash used in investing activities	(3,559,252)	(3,905,109)	(2,503,174)	(3,014,548)	(429,568)
Net cash generated from (used in) financing activities	2,298,080	3,941,134	1,183,461	(1,412,900)	(201,338)
Effect on foreign exchange rate changes on cash and cash equivalents and restricted cash	101,979	9,988	21,633	(22,729)	(3,239)
Net increase (decrease) in cash and cash equivalents and restricted cash	1,281,021	2,109,493	34,720	(3,017,020)	(429,922)
Cash and cash equivalents and restricted cash at beginning of the year	1,708,473	2,989,494	2,989,494	5,098,987	726,600
Cash and cash equivalents and restricted cash at end of the year	2,989,494	5,098,987	3,024,214	2,081,967	296,678
Cash and cash equivalents, restricted cash and short-term investments at end of the year	2,989,494	5,455,807	3,024,214	2,097,846	298,941

Operating Activities

Net cash generated from operating activities was RMB1,433.2 million (US\$204.2 million) for the nine months ended September 30, 2024, primarily resulting from a net income of RMB245.0 million (US\$34.9 million), as adjusted for certain items, such as (i) depreciation and amortization of RMB1,159.5 million (US\$165.2 million), (ii) allowance for doubtful debt of RMB63.3 million (US\$9.0 million), (iii) share-based compensation expense of RMB105.7 million (US\$15.1 million), (iv) the increase in advances from customers of RMB147.7 million (US\$21.1 million) and (v) the increase in deferred government grants of RMB132.1 million (US\$18.8 million), partially offset by certain item such as gain on extinguishment of 2027 Convertible Notes of RMB246.2 million (US\$35.1 million) and the increase in accounts and notes receivable of RMB223.5 million (US\$31.8 million).

Net cash generated from operating activities was RMB1,332.8 million for the nine months ended September 30, 2023, primarily resulting from a net loss of RMB173.9 million, as adjusted for certain items, such as (i) depreciation and amortization of RMB1,326.3 million, (ii) foreign exchange loss of RMB168.4 million, (iii) the increase in deferred government grants of RMB100.1 million, (vi) the increase in advances from customers of RMB415.8 million and (v) the increase in accrued expenses and other payables of RMB131.5 million, partially offset by certain item such as the increase in accounts and notes receivable, prepaid expenses and other current assets of RMB673.5 million.

Investing Activities

Net cash used in investing activities was RMB3,014.5 million (US\$429.6 million) for the nine months ended September 30, 2024, as compared to net cash used in investing activities of RMB2,503.2 million for the nine months ended September 30, 2023. Net cash used in investing activities for the nine months ended September 30, 2024 is primarily related to our purchase of property and equipment in the amounts of RMB3,430.7 million (US\$488.9 million), payment for long-term investments in the amount of RMB52.7 million (US\$7.5 million) and payment for other investing activities in the amounts of RMB164.2 million (US\$23.4 million), offset by our proceeds from maturity of short-term investments in the amounts of RMB433.1 million (US\$61.7 million), and our proceeds from collection of the deposit associated with an acquisition in the amount of RMB200.0 million (US\$28.5 million). Net cash used in investing activities was RMB2,503.2 million for the nine months ended September 30, 2023, which is primarily related to our purchase of property and equipment in the amounts of RMB1,950.0 million and payments for long-term investments in the amounts of RMB511.3 million.

Financing Activities

Net cash used in financing activities was RMB1,412.9 million (US\$201.3 million) for the nine months ended September 30, 2024, as compared to net cash generated from financing activities amounting to RMB1,183.5 million for the nine months ended September 30, 2023. Net cash used in financing activities for the nine months ended September 30, 2024 is primarily related to repurchase of 2026 Convertible Notes of RMB4,262.3 million (US\$607.4 million) and repayments of bank borrowings of RMB714.7 million (US\$101.8 million), offset by proceeds from bank borrowings of RMB2,592.7 million (US\$369.5 million) and proceeds from other long-term borrowings of RMB1,664.2 million (US\$237.2 million).

Net cash generated from financing activities was RMB1,183.5 million for the nine months ended September 30, 2023, which is primarily related to proceeds from bank borrowings of RMB1,205.2 million and proceeds from other long-term borrowings of RMB810.6 million, offset by repurchase of 2025 Convertible Notes of RMB529.2 million and repayments of bank borrowings of RMB207.0 million.

Material Cash Requirements

Our material cash requirements as of September 30, 2024 and any subsequent interim period primarily include our capital expenditures, long-term borrowings, convertible promissory notes, purchase commitments, operating lease obligations and finance lease minimum lease payment.

Our capital expenditures were primarily for building self-built data centers, purchasing bandwidth and cabinet capacity and purchasing network equipment, servers and other equipment. Our capital expenditures have been primarily funded by cash generated from our operations and net cash provided by financing activities. We had capital expenditures (i.e. overall outflow of funds for acquiring property and equipment, intangible assets, land use rights, engaging in mergers and acquisitions as well as long-term investments, with an offset by proceeds from deposit of new acquisition), of RMB2,492.0 million and RMB3,346.4 million (US\$476.9 million) for the nine months ended September 30, 2023 and 2024, respectively. We may incur additional capital expenditure for real property purchase, data center construction and network capacity expansion if our actual development is beyond our current plan.

We had unused credit lines in an aggregate amount of RMB1491.0 million (US\$212.5 million) as of September 30, 2024 under credit agreements with 15 banks. We have pledged land use rights with the net book value of RMB218.0 million (US\$31.1 million), property with the net book value of RMB370.8 million (US\$52.8 million), leasehold improvements with the net book value of RMB224.7 million (US\$32.0 million), computer and network equipment with the net book value of RMB399.2 million (US\$56.9 million) and office equipment with the net book value of RMB1.4 million (US\$0.2 million) for our borrowings.

Long-term borrowings (including the current portions) outstanding as of September 30, 2024 bear a weighted-average interest rate of 4.09% per annum, and are denominated in Renminbi. These loans were obtained from financial institutions located in the PRC.

Our convertible promissory notes as of the date of this annual report consist primarily of the 2027 Convertible Notes issued in January 2022, with an aggregate principal amount of US\$250.0 million at an interest rate of 2% per annum, which will mature in February 2027.

Our operating lease obligations are primarily related to the lease of office and data center space. Our operating cash payments for operating leases was RMB573.7 million and RMB623.7 million (US\$88.9 million) for the nine months ended September 30, 2023 and 2024, respectively.

Our finance lease minimum lease payment is primarily related to finance leases for electronic equipment, optic fibers and property. Our financing cash payments for finance leases amounted to RMB182.4 million and RMB76.9 million (US\$11.0 million) for the nine months ended September 30, 2023 and 2024, respectively.

We plan to fund our existing and future material cash requirements with cash from the proceeds from our operations, bank borrowings and other appropriate financing instruments, if available.

We do not have retained or contingent interests in assets transferred. We have not entered into contractual arrangements that support the credit, liquidity or market risk for transferred assets. We do not have obligations that arise or could arise from variable interests held in an unconsolidated entity, or obligations related to derivative instruments that are both indexed to and classified in our own equity, or not reflected in the statement of financial position.

Other than as discussed above, we did not have any significant capital and other commitments, long-term obligations or guarantees as of September 30, 2024.

CAPITAL EXPENDITURE

We had capital expenditures (i.e. overall outflow of funds for acquiring property and equipment, intangible assets, land use rights, engaging in mergers and acquisitions as well as long-term investments, with an offset by proceeds from deposit of new acquisition) of RMB3,346.4 million (US\$476.9 million) in the nine months ended September 30, 2024, representing 55.7% of our net revenue. Our capital expenditures were primarily for building self-built data centers, purchasing bandwidth and cabinet capacity and purchasing network equipment, servers and other equipment. Our capital expenditures have been primarily funded by cash generated from our operations and net cash provided by financing activities. We had capital expenditures relating to the purchase of property and equipment of RMB3,430.7 million (US\$488.9 million) in the nine months ended September 30, 2024, representing 57.1% of our total net revenues for the same periods. We may incur additional capital expenditure for real property purchase, data center construction and network capacity expansion if our actual development is beyond our current plan.

OFF-BALANCE SHEET ARRANGEMENTS

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.

VNET GROUP, INC.

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VNET GROUP, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

	Note	As of		
		December 31, 2023	September 30, 2024	
		RMB	RMB	US\$
ASSETS				
Current assets:				
Cash and cash equivalents		2,243,537	1,524,819	217,285
Restricted cash		2,854,568	556,266	79,267
Accounts and notes receivable (net of allowance for doubtful debt of RMB188,356 and RMB243,492 as of December 31, 2023 and September 30, 2024, respectively)	3	1,715,975	1,861,828	265,308
Short-term investments		356,820	15,879	2,263
Prepaid expenses and other current assets	4	2,375,341	2,665,924	379,891
Amounts due from related parties	16	277,237	317,619	45,260
Total current assets		9,823,478	6,942,335	989,274
Non-current assets:				
Property and equipment, net	5	13,024,393	15,153,253	2,159,321
Intangible assets, net	6	1,383,406	1,347,751	192,053
Land use rights, net	7	602,503	588,846	83,910
Operating lease right-of-use assets, net		4,012,329	4,412,834	628,824
Restricted cash		882	882	126
Deferred tax assets, net		247,644	309,390	44,088
Long-term investments, net	8	757,949	798,638	113,805
Other non-current assets	9	533,319	371,501	52,938
Total non-current assets		20,562,425	22,983,095	3,275,065
Total assets		30,385,903	29,925,430	4,264,339

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VNET GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Amounts in thousands)

	Note	December 31, 2023 RMB	As of September 30, 2024	
			RMB	US\$
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities:				
Accounts and notes payable (including amounts of consolidated VIEs without recourse to the Company of RMB493,837 and RMB 603,469 as of December 31, 2023 and September 30, 2024, respectively)		696,177	728,361	103,791
Short-term bank borrowings (including amounts of consolidated VIEs without recourse to the Company of RMB30,000 and RMB 552,270 as of December 31, 2023 and September 30, 2024, respectively)	10	30,000	552,270	78,698
Accrued expenses and other payables (including amounts of consolidated VIEs without recourse to the Company of RMB1,616,423 and RMB 1,116,332 as of December 31, 2023 and September 30, 2024, respectively)	11	2,783,102	2,527,584	360,178
Advances from customers (including amounts of consolidated VIEs without recourse to the Company of RMB1,605,247 and RMB 1,752,935 as of December 31, 2023 and September 30, 2024, respectively)		1,605,247	1,752,935	249,791
Deferred revenue (including amounts of consolidated VIEs without recourse to the Company of RMB83,546 and RMB 81,087 as of December 31, 2023 and September 30, 2024, respectively)		95,477	87,354	12,448
Income taxes payable (including amounts of consolidated VIEs without recourse to the Company of RMB13,531 and RMB 14,038 as of December 31, 2023 and September 30, 2024, respectively)		35,197	51,554	7,346
Amounts due to related parties (including amounts of consolidated VIEs without recourse to the Company of RMB356,080 and RMB 354,902 as of December 31, 2023 and September 30, 2024, respectively)	16	356,080	354,903	50,573
Current portion of long-term borrowings (including amounts of consolidated VIEs without recourse to the Company of RMB544,803 and RMB 977,069 as of December 31, 2023 and September 30, 2024, respectively)	10	723,325	1,317,343	187,720
Current portion of finance lease liabilities (including amounts of consolidated VIEs without recourse to the Company of RMB97,388 and RMB 86,861 as of December 31, 2023 and September 30, 2024, respectively)		115,806	107,785	15,359
Current portion of deferred government grants (including amounts of consolidated VIEs without recourse to the Company of RMB8,062 and RMB 8,538 as of December 31, 2023 and September 30, 2024, respectively)	13	8,062	8,538	1,217
Current portion of operating lease liabilities (including amounts of consolidated VIEs without recourse to the Company of RMB754,935 and RMB 858,491 as of December 31, 2023 and September 30, 2024, respectively)		780,164	874,957	124,680
Convertible promissory notes	12	4,208,495	—	—
Total current liabilities		<u>11,437,132</u>	<u>8,363,584</u>	<u>1,191,801</u>
Non-current liabilities:				
Long-term borrowings (including amounts of consolidated VIEs without recourse to the Company of RMB2,464,811 and RMB 3,075,078 as of December 31, 2023 and September 30, 2024, respectively)	10	5,113,521	7,082,026	1,009,181
Convertible promissory notes	12	1,769,946	1,793,894	255,628
Derivative liability	12	188,706	—	—
Non-current portion of finance lease liabilities (including amounts of consolidated VIEs without recourse to the Company of RMB720,954 and RMB 748,256 as of December 31, 2023 and September 30, 2024, respectively)		1,159,525	1,169,573	166,663
Unrecognized tax benefits (including amounts of consolidated VIEs without recourse to the Company of RMB98,082 and RMB98,082 as of December 31, 2023 and September 30, 2024, respectively)		98,457	98,457	14,030
Deferred tax liabilities (including amounts of consolidated VIEs without recourse to the Company of RMB139,174 and RMB 124,516 as of December 31, 2023 and September 30, 2024, respectively)		688,362	703,390	100,232
Deferred government grants (including amounts of consolidated VIEs without recourse to the Company of RMB11,862 and RMB 35,771 as of December 31, 2023 and September 30, 2024, respectively)	13	145,112	265,941	37,896
Non-current portion of operating lease liabilities (including amounts of consolidated VIEs without recourse to the Company of RMB3,230,506 and RMB 3,550,870 as of December 31, 2023 and September 30, 2024, respectively)		3,270,759	3,587,701	511,243
Total non-current liabilities		<u>12,434,388</u>	<u>14,700,982</u>	<u>2,094,873</u>
Total liabilities		<u>23,871,520</u>	<u>23,064,566</u>	<u>3,286,674</u>
Commitments and contingencies	20			

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VNET GROUP, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Amounts in thousands, except for share and per share data)

	Note	As of		
		December 31, 2023	September 30, 2024	
		RMB	RMB	US\$
Shareholders' equity:				
Class A ordinary shares (par value of US\$0.00001 per share; 2,698,935,000 shares authorized; 1,513,609,283 and 1,571,971,595 shares issued and outstanding as of December 31, 2023 and September 30, 2024, respectively)	18	103	105	15
Class B ordinary shares (par value of US\$0.00001 per share; 300,000,000 shares authorized; 30,721,723 shares issued and outstanding as of December 31, 2023 and September 30, 2024)		4	4	1
Class C ordinary Shares (par value of US\$0.00001 per share; 60,000 shares authorized; 60,000 shares issued and outstanding as of December 31, 2023 and September 30, 2024)		—	—	—
Additional paid-in capital		17,291,312	17,256,955	2,459,096
Accumulated other comprehensive loss		(14,343)	(16,088)	(2,293)
Statutory reserves		80,615	94,276	13,434
Accumulated deficit		(11,016,323)	(10,835,688)	(1,544,073)
Treasury stock		(326,953)	(163,073)	(23,238)
Total VNET Group, Inc. shareholders' equity		6,014,415	6,336,491	902,942
Noncontrolling interest		499,968	524,373	74,723
Total shareholders' equity		6,514,383	6,860,864	977,665
Total liabilities and shareholders' equity		30,385,903	29,925,430	4,264,339

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VNET GROUP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except for share and per share data)

	Note	For the nine months ended September 30,		
		2023 RMB	2024 RMB	2024 US\$
Net revenues				
Hosting and related services		5,514,450	6,012,680	856,800
Cost of revenues				
Hosting and related services		(4,512,843)	(4,685,381)	(667,661)
Gross profit		<u>1,001,607</u>	<u>1,327,299</u>	<u>189,139</u>
Operating income (expenses)				
Operating income		73,980	15,716	2,240
Sales and marketing expenses		(192,921)	(190,668)	(27,170)
Research and development expenses		(241,549)	(190,514)	(27,148)
General and administrative expenses		(393,395)	(466,076)	(66,415)
Allowance for doubtful debt		(7,034)	(63,309)	(9,021)
Total operating expenses		<u>(760,919)</u>	<u>(894,851)</u>	<u>(127,514)</u>
Operating profit		<u>240,688</u>	<u>432,448</u>	<u>61,625</u>
Interest income		28,606	21,796	3,106
Interest expense		(233,295)	(323,850)	(46,148)
Other income		22,892	50,873	7,249
Other expenses		(14,887)	(17,105)	(2,437)
Changes in the fair value of financial liabilities		21,718	(2,537)	(362)
Impairment of long-term investments		(11,115)	—	—
Gain on debt extinguishment		—	246,175	35,080
Foreign exchange loss, net		(168,391)	(17,915)	(2,553)
(Loss) income before income taxes and gain from equity method investments		<u>(113,784)</u>	<u>389,885</u>	<u>55,560</u>
Income tax expenses	15	(63,748)	(151,682)	(21,615)
Gain from equity method investments	8	3,651	6,770	965
Net (loss) income		<u>(173,881)</u>	<u>244,973</u>	<u>34,910</u>
Net income attributable to noncontrolling interest		(27,167)	(50,677)	(7,221)
Net (loss) income attributable to VNET Group, Inc.		<u>(201,048)</u>	<u>194,296</u>	<u>27,689</u>
(Loss) earning per share:				
Basic	17	(0.23)	0.11	0.02
Diluted	17	(0.24)	(0.02)	(0.00)
Shares used in (loss) earning per share computation:				
Basic	17	888,724,901	1,588,659,647	1,588,659,647
Diluted	17	899,884,241	1,730,216,309	1,730,216,309

The accompanying notes are an integral part of these unaudited condensed consolidated financial statement.

VNET GROUP, INC.**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
(Amounts in thousands)

	For the nine months ended September 30,		
	2023	2024	
	RMB	RMB	US\$
Net (loss) income	(173,881)	244,973	34,910
Other comprehensive (loss) income, net of tax of nil			
Foreign currency translation adjustments, net of tax of nil	(1,487)	5,336	760
Fair value due to instrument-specific credit changes	—	(7,109)	(1,013)
Unrealized gain for available-for-sale debt securities	—	28	4
Other comprehensive loss, net of tax of nil	(1,487)	(1,745)	(249)
Comprehensive (loss) income	(175,368)	243,228	34,661
Comprehensive income attributable to noncontrolling interest	27,167	50,677	7,221
Comprehensive (loss) income attributable to VNET Group, Inc.	(148,201)	293,905	41,882

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VNET GROUP, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	For the nine months ended September 30,		
	2023	2024	
	RMB	RMB	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash generated from operating activities	1,332,800	1,433,157	204,223
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(1,949,973)	(3,430,749)	(488,878)
Proceeds received from maturity of short-term investments	144,516	433,099	61,716
Proceeds from collection of the deposit associated with an acquisition	—	200,000	28,500
Payments for long-term investments	(511,299)	(52,665)	(7,505)
Payments for other investing activities	(186,418)	(164,233)	(23,401)
Net cash used in investing activities	(2,503,174)	(3,014,548)	(429,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repurchase of 2025 Convertible Notes	(529,175)	—	—
Repurchase of 2026 Convertible Notes (Note 12)	—	(4,262,340)	(607,379)
Proceeds from long-term bank borrowings	1,175,221	1,834,642	261,434
Proceeds from short-term bank borrowings	30,000	758,019	108,017
Repayment of short-term bank borrowings	—	(235,749)	(33,594)
Repayment of long-term bank borrowings	(206,985)	(478,909)	(68,244)
Repayments and deposits for other long-term borrowings	(182,969)	(507,437)	(72,309)
Proceeds from other long-term borrowings	810,593	1,664,191	237,145
Proceeds from loan from a related party	350,000	—	—
Payments for purchase of property and equityment through finance leases	(182,420)	(76,857)	(10,952)
Payments for other financing activities	(80,804)	(108,460)	(15,456)
Net cash generated from (used in) financing activities	1,183,461	(1,412,900)	(201,338)
Effect of foreign exchange rate changes on cash and cash equivalents and restricted cash	21,633	(22,729)	(3,239)
Net increase (decrease) in cash and cash equivalents and restricted cash	34,720	(3,017,020)	(429,922)
Cash and cash equivalents and restricted cash at beginning of period	2,989,494	5,098,987	726,600
Cash and cash equivalents and restricted cash at end of period	3,024,214	2,081,967	296,678
Reconciliation of cash and cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	2,702,523	1,524,819	217,285
Restricted cash-current	320,809	556,266	79,267
Restricted cash-non-current	882	882	126
Total cash and cash equivalents and restricted cash	3,024,214	2,081,967	296,678

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

VNET GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands, except for share data)

	Notes	Number of ordinary shares	Treasury stock	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive income (loss)	Statutory reserves	Accumulated deficit	Total VNET Group, Inc. shareholders' equity	Noncontrolling interest	Total shareholders' equity
Balance as of January 1, 2023		890,714,046	(349,523)	60	15,239,926	11,022	77,996	(8,369,868)	6,609,613	372,243	6,981,856
Consolidated net loss		—	—	—	—	—	—	(201,048)	(201,048)	27,167	(173,881)
Contribution by noncontrolling interest		—	—	—	—	—	—	—	—	116,996	116,996
Acquisition of noncontrolling interest		—	—	—	(27,200)	—	—	—	(27,200)	(30,472)	(57,672)
Share-based compensation	14	—	—	—	12,396	—	—	—	12,396	—	12,396
Reissuance of treasury stock for share option exercise and restricted share units vested		912,966	6,335	—	(6,335)	—	—	—	—	—	—
Restricted share units vested		2,397,543	—	—	—	—	—	—	—	—	—
Settlement of restricted share units by reissuance of treasury stock		(2,397,543)	—	—	—	—	—	—	—	—	—
Foreign exchange difference		—	—	—	—	(1,487)	—	—	(1,487)	—	(1,487)
Balance as of September 30, 2023		891,627,012	(343,188)	60	15,218,787	9,535	77,996	(8,570,916)	6,392,274	485,934	6,878,208
	Notes	Number of ordinary shares	Treasury stock	Ordinary shares	Additional paid-in capital	Accumulated other comprehensive income (loss)	Statutory reserves	Accumulated deficit	Total VNET Group, Inc. shareholders' equity	Noncontrolling interest	Total shareholders' equity
Balance as of January 1, 2024		1,544,391,006	(326,953)	107	17,291,312	(14,343)	80,615	(11,016,323)	6,014,415	499,968	6,514,383
Consolidated net loss		—	—	—	—	—	—	194,296	194,296	50,677	244,973
Issuance of ordinary shares, net of issuance cost	18	34,744,206	—	2	(2)	—	—	—	—	—	—
Acquisition of noncontrolling interest		—	—	—	1,152	—	—	—	1,152	—	1,152
Appropriation of dividend		—	—	—	—	—	—	—	—	(26,272)	(26,272)
Share-based compensation	14	—	—	—	105,104	—	—	—	105,104	—	105,104
Shares from bonus conversion	14	12,766,902	—	—	23,269	—	—	—	23,269	—	23,269
Appropriation of statutory reserves		—	—	—	—	—	13,661	(13,661)	—	—	—
Reissuance of treasury stock for share option exercise and restricted share units vested		23,618,106	163,880	—	(163,880)	—	—	—	—	—	—
Restricted share units vested		10,918,032	—	—	—	—	—	—	—	—	—
Settlement of restricted share units by reissuance of treasury stock		(23,684,934)	—	—	—	—	—	—	—	—	—
Fair value due to instrument-specific credit changes		—	—	—	—	(7,109)	—	—	(7,109)	—	(7,109)
Unrealized gain on available-for-sale debt securities		—	—	—	—	28	—	—	28	—	28
Foreign exchange difference		—	—	—	—	5,336	—	—	5,336	—	5,336
Balance as of September 30, 2024		1,602,753,318	(163,073)	109	17,256,955	(16,088)	94,276	(10,835,688)	6,336,491	524,373	6,860,864
Balance as of September 30, 2024 US\$		1,602,753,318	(23,238)	16	2,459,096	(2,293)	13,434	(1,544,073)	902,942	74,723	977,665

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

The accompanying unaudited condensed consolidated financial statements of VNET Group, Inc., its subsidiaries, consolidated variable interest entities (“VIEs”) and VIEs’ subsidiaries (collectively referred to as the “Company”) have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted as permitted by rules and regulations of the Securities and Exchange Commission (“SEC”). The consolidated balance sheet as of December 31, 2023 was derived from the audited consolidated financial statements of the Company. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements as of and for the year ended December 31, 2023.

The Company has incurred losses since its inception. As of September 30, 2024, the Company had an accumulated deficit of RMB10.8 billion and in a net current liability position in an amount of RMB1.4 billion. Absent any other action, the Company likely will require additional liquidity to continue its operations over the next 12 months.

With the Company’s unused loan facilities with banks and financial institutions, strategy to obtain financing from the issuance of equity shares, bonds and convertible notes, and control of operating expenses and capital expenditure where necessary, management has determined that the Company has the ability to manage the liquidity needs to enable continuation of operations for the foreseeable future.

In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements contain all normal recurring adjustments necessary to present fairly the financial position as of September 30, 2024, operating results and cash flows of the Company for each of the periods presented.

The preparation of the unaudited condensed 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 balance sheet date and the reported amounts of revenues and expenses during the periods. Significant accounting estimates include, but are not limited to, the valuation allowance for deferred tax assets, the fair value of convertible promissory notes and derivative liability, the estimated useful lives of property and equipment, and intangible assets, and incremental borrowing rate of leases. 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 unaudited condensed consolidated financial statements.

The Company regularly assesses the estimated useful lives of its property and equipment, and intangible assets. In January 2024, the Company, with the assistance of an external appraisal firm, completed an assessment of the useful lives of certain data center property and equipment and revised the estimated useful lives from a range of 2 to 10 years, to 3 to 15 years, based on an analysis of the property and equipment’s current use, historical age patterns, and industry trends and practices. This change in estimated useful lives is accounted for as a change in accounting estimate, prospectively beginning in fiscal year 2024. Based on the carrying amounts of relevant data center property and equipment as of December 31, 2023, the effect of the change was a reduction in depreciation expense of RMB279.2 million and an increase in net income of RMB208.7 million for the nine months ended September 30, 2024. The effect of change in basic and diluted earning per share was increase of RMB0.13 per share and RMB0.12 per share, respectively, for the nine months ended September 30, 2024.

(b) Convenience translation

Translations of the unaudited condensed consolidated financial statements from RMB to US\$ as of and for the nine months ended September 30, 2024 are solely for the convenience of the readers and were calculated at the noon buying rate of US\$1.00 to RMB7.0176 on September 30, 2024, representing the noon buying rate set forth in the H.10 statistical release of the U.S. Federal Reserve Board. No representation is made that the RMB amounts could have been, or could be converted, realized or settled into US\$ at such rate or at any other rate.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Summary of the Company's VIEs' financial information in the unaudited condensed consolidated financial statements

The following tables represent the unaudited financial information of the consolidated VIEs as of December 31, 2023 and September 30, 2024 and for the nine months ended September 30, 2023 and 2024 before eliminating the intercompany balances and transactions between the consolidated VIEs and other entities within the Company:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
ASSETS		
Current assets:		
Cash and cash equivalents	923,692	887,756
Restricted cash	434,421	336,835
Accounts receivable	1,412,456	1,643,749
Prepaid expenses and other current assets	2,081,948	2,338,063
Amounts due from related parties	58,823	59,167
Total current assets	<u>4,911,340</u>	<u>5,265,570</u>
Non-current assets:		
Property and equipment, net	7,398,768	7,335,083
Intangible assets, net	453,606	448,077
Land use rights, net	56,971	55,796
Operating lease right-of-use assets, net	3,948,272	4,361,070
Restricted cash	382	382
Deferred tax assets, net	208,266	257,352
Other non-current assets	148,383	186,563
Long-term investments, net	168,377	160,101
Total non-current assets	<u>12,383,025</u>	<u>12,804,424</u>
Total assets	<u>17,294,365</u>	<u>18,069,994</u>
Current liabilities:		
Short-term bank borrowings	30,000	552,270
Accounts and notes payable	493,837	603,469
Accrued expenses and other payables	1,616,423	1,116,332
Advances from customers	1,605,247	1,752,935
Deferred revenue	83,546	81,087
Income taxes payable	13,531	14,038
Amounts due to inter-companies, net *	4,736,035	3,618,592
Amounts due to related parties	356,080	354,902
Current portion of finance lease liabilities	97,388	86,861
Current portion of long-term borrowings	544,803	977,069
Current portion of deferred government grants	8,062	8,538
Current portion of operating lease liabilities	754,935	858,491
Total current liabilities	<u>10,339,887</u>	<u>10,024,584</u>
Non-current liabilities:		
Amounts due to inter-companies, net*	1,020,972	1,020,972
Long-term borrowings	2,464,811	3,075,078
Non-current portion of finance lease liabilities	720,954	748,256
Unrecognized tax benefits	98,082	98,082
Deferred tax liabilities	139,174	124,516
Deferred government grants	11,862	35,771
Non-current portion of operating lease liabilities	3,230,506	3,550,870
Total non-current liabilities	<u>7,686,361</u>	<u>8,653,545</u>
Total liabilities	<u>18,026,248</u>	<u>18,678,129</u>

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Summary of the Company's VIEs' financial information in the unaudited condensed consolidated financial statements (continued)

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
Net revenues	4,797,734	5,346,385
Net income	42,318	142,932

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
Net cash generated from operating activities	1,022,231	1,380,727
Net cash used in investing activities	(1,053,087)	(1,003,813)
Net cash used in financing activities	(181,814)	(510,436)
Net decrease in cash and cash equivalents and restricted cash	(212,670)	(133,522)

* Amounts due to inter-companies consist of intercompany payables to the other companies within the Company for the purchase of telecommunication resources and property and equipment on behalf of the consolidated VIEs.

(d) Contract balances

As of January 1, 2023 and 2024, the Company has deferred revenues in an amount of RMB95,078 and RMB95,477, respectively, which were recognized as revenue for the nine months ended September 30, 2023 and 2024 in an amount of RMB82,126 and RMB77,970, respectively.

The Company does not disclose the value of unsatisfied performance obligations as the Company's revenue contracts are (i) contracts with an original expected length of one year or less or (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

2. CONCENTRATION OF RISKS

(a) Credit risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable, other receivables and amounts due from related parties. As of December 31, 2023 and September 30, 2024, the aggregate amount of cash and cash equivalents and restricted cash short-term investments of RMB2,431,089 and RMB1,971,126, respectively, were held at major financial institutions located in the PRC, and US\$426,022 and US\$18,058, respectively, were deposited with major financial institutions located outside the PRC. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

(b) Business, supplier, customer, and economic risk

The Company participates in a relatively dynamic and competitive industry that is heavily reliant operation excellence of the services. The Company believes that changes in any of the following areas could have a material adverse effect on the Company's future financial position, result of operations or cash flows:

(i) Business risk—Third parties may develop technological or business model innovations that address data center and network requirements in a manner that is, or is perceived to be, equivalent or superior to the Company's services. If competitors introduce services that compete with, or surpass the quality, price or performance of the Company's services, the Company may be unable to renew its agreements with existing customers or attract new customers at the prices and levels that allow the Company to generate reasonable rates of return on its investment.

2. CONCENTRATION OF RISKS (CONTINUED)

(b) Business, supplier, customer, and economic risk (continued)

(ii) Supplier risk—A significant portion of the Company’s total bandwidth and cabinet resources are purchased from its five largest suppliers, who collectively accounted for 43% and 43% of the Company’s total bandwidth and cabinet resources for the nine months ended September 30, 2023 and 2024, respectively.

(iii) Customer Risk—The Company has a diversified base of customers covering its services and only a single entity customer generated more than 10% but less than 20% of the Company’s total net revenues for the nine months periods ended September 30, 2023 and 2024, respectively. Certain customers are local subsidiaries of a telecommunication carrier in China, which the Company views as separate customers as it negotiates with, maintain and support each of these entities given that each of them has the separate decision-making authority and services procurement budget. None of these customers on a stand-alone basis contributed more than 1% of the Company’s revenues in any given year but in the aggregate, they contributed approximately 6% and 5% of the Company’s total revenues for the nine months periods ended September 30, 2023 and 2024, respectively.

(iv) Political, economic and social uncertainties—The Company’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.

(v) Regulatory restrictions—The applicable PRC laws, rules and regulations currently prohibit foreign ownership of companies that provide internet related services, including hosting and related services. Accordingly, the Company’s subsidiary, VNET China, is currently ineligible to apply for the required licenses for providing IDC services in China. As a result, the Company operates its IDC services in the PRC through its Consolidated VIEs which holds the licenses and permits required to provide IDC services in the PRC. The PRC Government may also choose at anytime to block access to certain website operators which could also materially impact the Company’s ability to generate revenue.

(c) Currency convertibility risk

The Company transacts substantially all its business 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 (the “PBOC”). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US\$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers’ invoices, shipping documents and signed contracts.

(d) Foreign currency exchange rate risk

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 1.7% and (1.1%) as of December 31, 2023 and September 30, 2024, respectively.

(e) Interest rate risk

The Company is exposed to interest rate risk on its interest-bearing assets and liabilities. As part of its asset and liability risk management, the Company reviews and takes appropriate steps to manage its interest rate exposures on its interest-bearing assets and liabilities. The Company has not been exposed to material risks due to changes in market interest rates, and not used any derivative financial instruments to manage the interest risk exposure during the periods presented.

3. ACCOUNTS AND NOTES RECEIVABLE, NET

Accounts and notes receivable and the allowance for doubtful debt consisted of the following:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Accounts receivable	1,903,458	2,105,154
Notes receivable	873	166
Allowance for doubtful debt	(188,356)	(243,492)
	<u>1,715,975</u>	<u>1,861,828</u>

An analysis of the allowance for doubtful debt was as follows:

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
Balance at beginning of the period	134,569	188,356
(Reversal of) additional provision charged to expense	(9,666)	61,937
Write-off of accounts receivable	(133)	(6,801)
Balance at the end of the period	<u>124,770</u>	<u>243,492</u>

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Prepaid expenses*	1,344,525	1,528,068
Tax recoverable	907,629	963,880
Deposits	33,941	44,267
Loans to third parties	5,787	40,904
Staff advances	2,518	4,042
Interest receivables	532	529
Others	80,409	84,234
	<u>2,375,341</u>	<u>2,665,924</u>

* Prepaid expenses mainly represented the unamortized portion of prepayments made to Microsoft for the cloud services, the prepayments to telecommunication operators for bandwidth, data centers or cabinets and the prepayments for office expense.

An analysis of the allowance for doubtful debt in relation to other receivables was as follows:

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
Balance at beginning of the period	131,624	445,669
Addition	16,700	1,372
Write-off	—	(467)
Foreign exchange difference	94	(33)
Balance at the end of the periods	<u>148,418</u>	<u>446,541</u>

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, including those held under finance leases, consisted of the following:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
At cost:		
Property	2,672,822	3,772,847
Leasehold improvements	5,821,394	5,996,383
Computer and network equipment	8,437,075	10,008,760
Optical fibers	142,723	142,723
Office equipment	93,543	100,243
Motor vehicles	3,937	3,937
	17,171,494	20,024,893
Less: Accumulated depreciation	(6,987,542)	(7,713,091)
	10,183,952	12,311,802
Construction-in-progress	3,444,237	3,444,905
Impairment	(603,796)	(603,454)
Property and equipment, net	13,024,393	15,153,253

Depreciation expense was RMB1,214,168 and RMB1,066,483 for the nine months ended September 30, 2023 and 2024, respectively, and were included in the following captions:

	For the nine months periods ended September 30,	
	2023	2024
	RMB	RMB
Cost of revenues	1,147,638	1,021,616
Sales and marketing expenses	1,377	937
General and administrative expenses	28,189	23,680
Research and development expenses	36,964	20,250
	1,214,168	1,066,483

5. PROPERTY AND EQUIPMENT, NET (CONTINUED)

The carrying amounts of the Company's property and equipment held under finance leases at respective balance sheet dates were as follows:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Property	993,158	1,018,459
Computer and network equipment	648,989	941,513
Optical fibers	137,924	137,924
	<u>1,780,071</u>	<u>2,097,896</u>
Less: Accumulated depreciation	(709,209)	(821,390)
	<u>1,070,862</u>	<u>1,276,506</u>
Construction-in-progress	219,283	—
Impairment	(19,361)	(19,136)
	<u>1,270,784</u>	<u>1,257,370</u>

Depreciation of property, computer and network equipment and optical fibers under finance leases was RMB149,395 and RMB112,181 for the nine months periods ended September 30, 2023 and 2024, respectively.

The carrying amounts of property and equipment pledged by the Company to secure borrowings (Note 10) granted to the Company at the respective balance sheet dates were as follows:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Property	155,239	370,759
Leasehold improvements	246,662	224,669
Computer and network equipment	442,167	399,180
Office equipment	1,829	1,429

6. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	<u>Purchased software</u> <u>RMB</u>	<u>Radio spectrum license</u> <u>RMB</u>	<u>Operating permits</u> <u>RMB</u>	<u>Technology platform</u> <u>RMB</u>	<u>Customer relationships</u> <u>RMB</u>	<u>Licenses</u> <u>RMB</u>	<u>Supplier relationships</u> <u>RMB</u>	<u>Trade names</u> <u>RMB</u>	<u>Customer contract</u> <u>RMB</u>	<u>Non-Complete agreement</u> <u>RMB</u>	<u>Internal use software</u> <u>RMB</u>	<u>Total</u> <u>RMB</u>
Intangible assets, cost												
December 31, 2023	233,513	136,825	1,199,210	38,050	257,183	5,772	39,053	116,266	190,141	1,800	90,419	2,308,232
Accumulated amortization	(157,081)	(87,145)	(89,226)	(23,739)	(256,888)	(3,812)	(37,299)	(54,742)	(89,002)	(1,800)	(67,020)	(867,754)
Impairment	(802)	(41,959)	—	(14,311)	—	—	—	—	—	—	—	(57,072)
Intangible assets, net												
December 31, 2023	<u>75,630</u>	<u>7,721</u>	<u>1,109,984</u>	<u>—</u>	<u>295</u>	<u>1,960</u>	<u>1,754</u>	<u>61,524</u>	<u>101,139</u>	<u>—</u>	<u>23,399</u>	<u>1,383,406</u>
Intangible assets, cost												
September 30, 2024	269,880	135,370	1,199,210	38,050	257,183	5,772	39,053	116,266	190,141	1,800	100,341	2,353,066
Accumulated amortization	(175,739)	(88,028)	(117,647)	(23,739)	(257,183)	(4,101)	(39,053)	(59,102)	(104,287)	(1,800)	(78,010)	(948,689)
Impairment	(802)	(41,513)	—	(14,311)	—	—	—	—	—	—	—	(56,626)
Intangible assets, net												
September 30, 2024	<u>93,339</u>	<u>5,829</u>	<u>1,081,563</u>	<u>—</u>	<u>—</u>	<u>1,671</u>	<u>—</u>	<u>57,164</u>	<u>85,854</u>	<u>—</u>	<u>22,331</u>	<u>1,347,751</u>

Amortization expenses were approximately RMB82,127 and RMB79,377 for the nine months ended September 30, 2023 and 2024, respectively.

7. LAND USE RIGHTS, NET

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Cost	664,272	664,272
Accumulated amortization	(61,769)	(75,426)
Land use rights, net	602,503	588,846

The carrying amounts of land use rights pledged by the Company to secure borrowings (Note 10) granted to the Company at the respective balance sheet dates were as follows:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Land use rights	196,195	217,975

Amortization expenses were approximately RMB29,977 and RMB13,657 for the nine months ended September 30, 2023 and 2024, respectively.

8. LONG-TERM INVESTMENTS, NET

The Company's long-term investments, net consisted of the following:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Equity investments without readily determinable fair values	19,821	29,821
Equity method investments	738,128	726,128
Available-for-sale debt investments	—	42,689
	757,949	798,638

Equity investments without readily determinable fair values

The investment income comprised of dividend income of RMB3,255 and RMB691 for the nine months ended September 30, 2023 and 2024, respectively.

The Company recorded an impairment loss of long-term investments amounting to RMB9,285 and nil for the nine months ended September 30, 2023 and 2024, respectively.

Investment in Hebei Yiyun Yuanjing Big Data Technology Co., Ltd ("Hebei Yiyun")

In May 2024, the Company through its subsidiary entered into an agreement with Puyun Network Technology Group Co., Ltd to acquire 10% equity interest of Hebei Yiyun for a total cash consideration of RMB49,500 with two instalments. The first instalment of RMB10,000 has been paid in 2024 and the second instalment of the remaining cash consideration would be paid upon both parties' consent. The investment was classified as equity securities without readily determinable fair values. There is no orderly transaction for an identical or a similar investment in Hebei Yiyun for the nine months ended September 30, 2024. As of September 30, 2024, the carrying amount of investment in Hebei Yiyun was RMB10,000. No impairment on the investment was recognized for the nine months ended September 30, 2024.

8. LONG-TERM INVESTMENTS, NET (CONTINUED)

Equity method investments

For the nine months ended September 30, 2023 and 2024, the Company recognized its share of gain from equity method investments in the amount of RMB3,651 and RMB6,770, respectively.

In September 2024, one of the equity method investee, Zhuhai VNET Private Equity Fund Management Co., Ltd., was in the process of dissolution and the Company received the returned capital of RMB20,075 in September 2024. On October 17, 2024, the dissolution was completed and the disposal loss was RMB1,842, which was recognized in October 2024.

Available-for-sale debt investments

The Company recorded an impairment loss of long-term investments amounting to RMB1,830 and nil for the nine months ended September 30, 2023 and 2024, respectively.

Investment in Matrix Intelligence Limited (“Matrix”)

In May 2024, the Company through its subsidiary entered into an investment agreement with Matrix to acquire 988,116 Series Pre-A Preferred Shares, which represented 4.76% equity interest of Matrix on an as-converted and fully-diluted basis, for a cash consideration of US\$6,000 (equivalent to RMB42,661). The investment was classified as available-for-sale debt investments because the investment contains substantive liquidation preference and redemption provision and is redeemable at the option of the investor. The Company recorded the investment at fair value. Unrealized gain of RMB28, net of nil income taxes were recorded in other comprehensive income for the nine months ended September 30, 2024.

9. OTHER NON-CURRENT ASSETS

As of December 31, 2023 and September 30, 2024, other non-current assets primarily included prepayment for acquisition of datacenters, purchase of property and equipment, and deposits.

10. BORROWINGS

Borrowings were as follows as of the respective balance sheet dates:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Short term bank borrowings	30,000	552,270
Long-term bank borrowings, current portion	334,511	521,643
Other long-term borrowings, current portion	388,814	795,700
	753,325	1,869,613
Long-term bank borrowings, non-current portion	4,170,981	5,339,582
Other long-term borrowings, non-current portion	942,540	1,742,444
Total borrowings	5,866,846	8,951,639

The short-term bank borrowings outstanding as of September 30, 2024 bore a weighted average interest rate of 4.36% per annum.

The long-term borrowings (including current portion) outstanding as of September 30, 2024 bore a weighted average interest rate of 4.09% per annum, respectively, and was denominated in RMB. These loans were obtained from financial institutions located in the PRC.

As of December 31, 2023 and September 30, 2024, unused loan facilities for bank and other borrowings amounted to RMB2,811,123 and RMB1,490,957, respectively.

10. BORROWINGS (CONTINUED)

Borrowings as of September 30, 2024 were secured by the following:

<u>Short-term borrowings</u> (RMB)	<u>Secured by</u>
552,270	Unsecured borrowing.
<u>Long-term borrowings (including current portion)</u> (RMB)	<u>Secured by</u>
2,380,854	Secured by its own stock and receivables.
4,366,968	Secured by property and equipment and land-use right with net book value of RMB996,037 and RMB217,975, respectively (Note 5/Note 7), and a subsidiary's share.
1,651,547	Unsecured borrowing.
<u>8,399,369</u>	

The following table summarizes the aggregate required repayments of the principal amounts of the Company's long-term borrowings, including bank and other borrowings in the succeeding period and years and thereafter:

	<u>RMB</u>
Year ending December 31	
For the three months ended December 31, 2024	418,786
2025	1,977,643
2026	1,445,646
2027	1,105,216
2028	1,030,975
2029 and thereafter	3,243,150

11. ACCRUED EXPENSES AND OTHER PAYABLES

The components of accrued expenses and other payables were as follows:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Payables for purchase of property, equipment and software	1,431,547	1,427,727
Payroll and welfare payables	477,367	440,160
Consideration due to the original shareholders of BJ TenxCloud ⁽¹⁾	229,323	229,323
Liability classified share-based payments ⁽¹⁾	149,612	149,612
Accrued service fees	126,001	73,564
Payables for office supplies and utilities	105,871	88,634
Payables for acquisitions and long-term investments	99,340	47,805
Value-added tax and other taxes payable	35,391	28,634
Interest payables	77,168	23,792
Others	51,482	18,333
	2,783,102	2,527,584

(1) On July 15, 2021, the Company acquired 100% of the equity interests in BJ TenxCloud from third party selling shareholders. The balance of consideration due to original shareholders represented the amounts the selling shareholders claimed according to the acquisition agreement.

In addition, the Company is obligated to issue various numbers of the shares of the Company or its subsidiary to certain selling shareholders who will remain as the employees of BJ TenxCloud, determinable based on achievements of the financial and operational targets by BJ TenxCloud during various post-acquisition periods. As such share-base payments will be forfeited if these employees cease their employments with the Company, the Company recognized these payments as compensation costs over the requisite service periods. The Company classified the share-based payments as liability classified share-based payments.

12. CONVERTIBLE PROMISSORY NOTES***2026 Convertible Notes***

In January 2021, the Company issued US\$600,000 principal amount 0.00% convertible senior notes including US\$75,000 sold upon the exercise of the over-allotment option (the “2026 Convertible Notes”). The 2026 Convertible Notes will mature on February 1, 2026 unless redeemed, repurchased or converted prior to such date.

Holders may convert their 2026 Convertible Notes at their option prior to the close of business on the business day immediately preceding August 1, 2025 only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of ADSs¹, each representing six Class A ordinary shares of the Company, par value US\$0.00001 per share, for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (2) during the five business day period after any ten consecutive trading day period in which the trading price per 1,000 US dollars principal amount of the 2026 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the ADSs and the conversion rate on each such trading day; (3) if the Company calls the 2026 Convertible Notes for a tax or optional redemption; or (4) upon the occurrence of specified corporate events. On or after August 1, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert their 2026 Convertible Notes at any time. Upon conversion, the Company will pay or deliver, as the case may be, cash, ADSs, or a combination of cash and ADSs, at its election. If the Company satisfies its conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and ADSs, the amount of cash and ADSs, if any, due upon conversion will be based on a daily conversion value calculated on a proportionate basis for each trading day in a 40 trading day observation period.

12. CONVERTIBLE PROMISSORY NOTES (CONTINUED)

2026 Convertible Notes (continued)

The initial conversion rate of the 2026 Convertible Notes is 18.3574 of the Company's ADS per 1,000 US dollars principal amount of the 2026 Convertible Notes (which is equivalent to an initial conversion price of approximately US\$54.47 per ADS). The conversion rate will be subject to adjustment in some events. In addition, following certain corporate events that occur prior to the maturity date, if a make-whole fundamental change occurs prior to the maturity date of the 2026 Convertible Notes, or under certain circumstances upon a tax redemption or the Company's optional redemption, the Company will, in certain circumstances, increase the conversion rate for a holder who elects to convert its 2026 Convertible Notes in connection with such corporate event, such make-whole fundamental change or such notice of tax redemption or notice of optional redemption, as the case may be. Upon conversion, the Company will pay or deliver, as the case may be, cash, ADSs (plus cash in lieu of a fractional ADS) or a combination of cash and ADSs, at its election. The conversion option may be settled in cash, ADSs, or a combination of cash and ADSs at the Company's option.

The Company may not redeem the 2026 Convertible Notes prior to February 6, 2024 unless certain tax-related events occur. From February 6, 2024 to the 40th scheduled trading day immediately before the maturity date, the Company may redeem for cash all or part of the 2026 Convertible Notes, at its option, if the last reported sale price of the Company's ADSs has been at least 130% of the conversion price then in effect on (i) each of at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period ending on, and including, the trading day immediately prior to the date the Company provides notice of redemption; and (ii) the trading day immediately preceding the date the Company sends such notice. Holders of the notes have the right to require the Company to repurchase for cash all of the 2026 Convertible Notes, or any portion of the principal thereof, on February 1, 2024 or in the event of certain fundamental changes. The redemption price will equal 100% of the principal amount of the 2026 Convertible Notes to be redeemed, plus any accrued and unpaid special interest, if any, to, but not including, the redemption date.

The 2026 Convertible Notes was accounted for as one unit of liability account using amortized cost method under ASU 2020-06, with no embedded derivative features being bifurcated.

The gross proceeds from issuance of the 2026 Convertible Notes were US\$600,000. Debt issuance costs including underwriting commissions and offering expenses were approximately US\$13,841, which were presented as deduction from liability and amortized into interest expense over the remaining period of 5 years. For the nine months ended September 30, 2023 and 2024, no coupon interest expense was recognized. The amortization of issuance costs was RMB14,550 for the nine months ended September 30, 2023. The effective interest rate was 0.47% for the nine months ended September 30, 2023.

In January 2024, the Company received notices from the holders of the 2026 Convertible Notes, requiring the Company to redeem the 2026 Convertible Notes at 100% of the principal amount. The Company repurchased all of the outstanding 2026 Convertible Notes with principal amount of US\$600,000 in February 2024. The extinguishment loss of RMB41,261 was recorded in interest expenses for the nine months ended September 30, 2024.

2027 Convertible Notes

On January 28, 2022, the Company entered into an investment agreement with funds managed by Blackstone Tactical Opportunities (each fund as an "Investor Party") to issue the Company's convertible promissory note (the "2027 Convertible Notes") with principal amount of US\$250,000. The 2027 Convertible Notes will mature in five years unless redeemed or converted prior to maturity date. For any holder that is an Investor Party as of the maturity date, the maturity date shall be extended to the 31st day after the maturity date (the "Investor Maturity Date") and unless the 2027 Convertible Notes held by such holder have been duly redeemed or converted prior to the Investor Maturity Date, the Company's repayment obligation to such holder will be satisfied by issuance and delivery of an aggregate number of Series A-1 perpetual convertible preferred shares equal to (1) the remaining portion of the principal amount, divided by (2) 1,000 US dollars, in repayment of the 2027 Convertible Notes. 2027 Convertible Notes bear interest at the rate of 2% per annum and paid in cash semi-annually unless prior written notice is provided to the holders by the Company.

12. CONVERTIBLE PROMISSORY NOTES (CONTINUED)

2027 Convertible Notes (continued)

Conversion

2027 Convertible Notes are convertible at any time on and after the original issuance date, at the option of holders, into Class A ordinary shares of the Company at a conversion price of US\$1.8333 per Class A ordinary share, or into ADSs at a conversion price of US\$11.00 per ADS. The conversion prices are subject to adjustment under the terms of the 2027 Convertible Notes. The Company may effect a mandatory conversion at its election at any time on or after the third anniversary of the original issuance date, if its ADSs achieve a price threshold of 200% of the conversion price for a specified period.

Redemption

The holders have the right to require the Company to redeem the 2027 Convertible Notes during the Redemption Period as defined below in an amount equal to the sum of: (a) the principal amount of the 2027 Convertible Notes; plus (b) the total amount of the accrued interest, and any stub period interest that has accrued until, but excluding, the date the redemption price is paid in full; plus (c) the incremental amount in case a fundamental change specified in the investment agreement has occurred. Incremental amount is equal to (a) 50% of the principal amount, minus (b) the interest that has already been paid in cash, minus (c) the fair market value of a dividend or distribution paid to the holder in any form other than cash or as Class A Ordinary Shares, minus (d) the accrued interest and minus (e) the stub period interest accrued. Any portion of the redemption price not paid by the Company on the redemption date shall accrue interest at a rate of 10% per annum annually from the redemption date to the date when the redemption price is paid in full.

“Redemption Period” means: (a) in the case of any holder that is the Investor Party, (i) the period commencing on the date of a fundamental adverse regulatory change, a fundamental change or an event of default as defined in the investment agreement and ending on the fifth anniversary of the original issuance date, and (ii) the thirty-day period beginning on the fifth anniversary of the original issuance date; and (b) in the case of any holder that is not Investor Party, the period commencing on the date of a fundamental adverse regulatory change or an event of default and ending on the fifth anniversary of the original issuance date. Fundamental change represents events defined in the investment agreement, including that a “person” or “group” (within the meaning of Section 13(d)(3) of the Exchange Act), other than the Company or any of its wholly-owned subsidiaries, has become or files any report with the SEC indicating that such person or group has become the direct or indirect “beneficial owner” of the Company’s equity securities representing more than fifty percent (50%) of the voting power of all of the Company’s then-outstanding equity securities.

In December 2023, the Company issued 455,296,932 Class A ordinary shares to Success Flow International Investment Limited (“Success Flow”) and 195,127,260 Class A ordinary shares to Choice Faith Group Holdings Limited (“Choice Faith”), for an aggregate cash consideration of RMB2,122,123. Both entities were controlled by Shandong Hi-Speed Holdings Group Limited (“SDHG”). The issuance costs for Class A ordinary shares were RMB37,720. In connection with the financing transaction, in November 2023, Mr. Sheng Chen, the Founder and Executive Chairman of the Board of Directors, and his affiliated investment vehicles (together with Mr. Sheng Chen, the “Founder Parties”) entered into a voting and consortium agreement (the “Voting and Consortium Agreement”) with Success Flow and Choice Faith. Pursuant to the Voting and Consortium Agreement, Success Flow shall vote in accordance with any voting instructions provided by the Founder Parties during the period beginning on the earlier of February 29, 2024 or sixty calendar days after the closing date of the investment and ending upon the third anniversary of the closing date of the investment. In December 2023, the Founder Parties entered into a supplemental agreement with the investors, pursuant to which, the period of the Voting and Consortium Agreement was amended to commence upon the later of (i) the expiration or termination of Interim Period and (ii) the occurrence of the Triggering Event. “Interim Period” means the period commencing on the date of closing, being December 28, 2023, and ending on the earlier of (x) February 29, 2024 and (y) termination of the Investment Agreement in accordance the terms thereunder. “Triggering Event” means the entry by the Company of a framework agreement with a third party, pursuant to which the parties agree to enter into a long-term strategic partnership for not less than two years in relation to the low carbon strategy of the Company and/or the expansion of the operations of the Company in Hong Kong, Taiwan and/or other territories outside mainland China.

12. CONVERTIBLE PROMISSORY NOTES (CONTINUED)

2027 Convertible Notes (continued)

On August 20, 2024, the holders entered into an agreement with the Company to consent the cancellation of the redemption right solely due to any fundamental change caused by the SDHG investment. And the Company shall pay the consent fee of an aggregate amount equal to US\$37.5 million to the holders on the earlier of January 6, 2027 and the date on which the principal amount of the 2027 Convertible Notes become due and payable in accordance with the terms and conditions of the 2027 Convertible Notes.

Immediately prior to the above amendments, the net carrying amount of the 2027 Convertible Notes was RMB1,782,521, the related interest payables was RMB90,671 and the fair value of the bifurcated redemption feature, which was recorded as a derivative liability, was RMB57,060.

The coupon interest expense was RMB26,233 and RMB22,594 for the nine months ended September 30, 2023 and 2024 (prior to the amendments), respectively. The effective interest rate was both 2.02% for the nine months ended September 30, 2023 and 2024 (prior to the amendment). The changes in fair value of derivative liability was recognized in the changes in the fair value of financial liabilities of RMB21,718 and RMB132,538 in the unaudited condensed consolidated statement of operations for the nine months ended September 30, 2023 and 2024 (prior to the amendment), respectively.

The Company assessed the above amendments to the terms of the 2027 Convertible Notes as an extinguishment of debt based on a qualitative and quantitative evaluation of the amendment.

Upon the extinguishment, the 2027 Convertible Notes, the related interest payables and the derivative liability were derecognized and a gain on debt extinguishment of RMB246,175 was recognized in the unaudited condensed consolidated statement of operations for the nine months ended September 30, 2024. The Company elected to account for the 2027 Convertible Notes at fair value as a whole subsequently to improve transparency of the financial statements.

As of September 30, 2024, the fair value of the 2027 Convertible Notes was RMB1,793,894. The fair value change was RMB142,184, including changes in the fair value loss of RMB135,075 recorded in the changes in the fair value of financial liabilities and fair value due to instrument-specific credit loss of RMB7,109 in the other comprehensive loss.

13. DEFERRED GOVERNMENT GRANTS

During the nine months periods ended September 30, 2023 and 2024, the Company received RMB100,083 and RMB132,101 government grants respectively from the relevant PRC government authorities for the use in construction of property and equipment. These grants are initially deferred and subsequently recognized in the consolidated statements of operations when the Company has complied with the conditions or performance obligations attached to the related government grants, such as completion of the construction of relevant property and equipment, and the grants are no longer refundable. Grants that subsidize the construction cost of property and equipment are amortized over the life of the related assets as a reduction of the associated depreciation expense.

Movements of deferred government grants were as follows:

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
Balance at beginning of the period	6,318	153,174
Additions	100,083	132,101
Recognized as a reduction of depreciation expense	(5,966)	(10,796)
Balance at end of the period	<u>100,435</u>	<u>274,479</u>

14. SHARE-BASED COMPENSATION

Shares granted to management and employees

In February 2024, the Company granted 5,790,701 RSUs to Mr. Sheng Chen, the Founder and Executive Chairman of the Board of Directors, and 1,367,596 RSUs to certain employees and management, under 2020 Share Incentive Plan of the Company, which were immediately vested on the grant date.

During the nine months ended September 30, 2024, the Company also granted 2,371,885 RSUs by several tranches to certain employees and management with one to four year service conditions.

The Company recognized the share-based compensation expenses in an amount of RMB25,817 and RMB105,662 for the nine months ended September 30, 2023 and 2024 in the unaudited condensed consolidated financial statements.

Bonus conversion

In February 2024, the Board of Directors approved to convert the accrued cash bonus to certain employees for certain RSUs at the price of US\$0.43 per share calculated by the 90 days average share price before the conversion. The RSUs were vested immediately.

The Company had recorded cumulative compensation cost and an accrued liability of RMB23,269 related to the original cash bonus immediately prior to the conversion. Such accrued liability was reclassified to additional paid-in capital for the nine months ended September 30, 2024.

15. INCOME TAX

The statutory income tax rate for the Company's PRC subsidiaries, VIEs and VIEs' subsidiaries is 25% for the nine months ended September 30, 2023 and 2024. The effective income tax rate for the nine months ended September 30, 2023 and 2024 was (57.9%) and 38.2%, respectively. The effective income tax rate for the nine months ended September 30, 2023 and 2024 differs from the PRC statutory income tax rate of 25% primarily due to the effect of changes in valuation allowance.

16. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere, the Company had the following significant related party transactions for the nine months ended September 30, 2023 and 2024:

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
Services provided to:		
-SH Edge Interchange	938	40
-Changzhou Gaoxin	—	755
Services provided by:		
-CYSO	31,119	—
-Sanhe Mingtai	17,366	20,102
-Others	2,224	—
Loan to:		
-Shanghai Puding	80,263	40,038
-SH Edge Interchange	1,000	—
-Sanhe Mingtai	33,785	11,959
Receipt of loan to:		
-SH Shibe	9,800	—
-Sanhe Mingtai	—	28,313
Loan by:		
-Changzhou Gaoxin*	350,000	—
Interest income from loan to:		
-SH Shibe	(1,321)	—
-SH Edge Interchange	32	19
Interest expense by loan to:		
-Changzhou Gaoxin	13,183	14,850
Lease payment paid to:		
-Sanhe Mingtai	10,801	38,513

* In May 2023, the Company obtained a loan in the amount of RMB350,000 from Changzhou Gaoxin at an interest rate of 6.0% per annum. The interest rate was modified to 3.85% since July 31, 2024. The maturity date of the loan was March 31, 2024, which was subsequently extended to January 31, 2025.

16. RELATED PARTY TRANSACTIONS (CONTINUED)

The Company had the following related party balances as of December 31, 2023 and September 30, 2024:

	As of	
	December 31, 2023	September 30, 2024
	RMB	RMB
Amounts due from related parties:		
-Shanghai Puping	218,405	258,443
-Sanhe Mingtai	56,833	58,721
-Others	1,999	455
	<u>277,237</u>	<u>317,619</u>
Amounts due to related parties:		
-Changzhou Gaoxin	356,067	354,880
-Others	13	23
	<u>356,080</u>	<u>354,903</u>

17. (LOSS) EARNING PER SHARE

Basic and diluted (loss) earning per share for nine months ended September 30, 2023 and 2024 were calculated as follows:

	For the nine months ended September 30,	
	2023	2024
	RMB	RMB
<i>Numerator:</i>		
Net (loss) income	(173,881)	244,973
Net income attributable to noncontrolling interest	(27,167)	(50,677)
Less: Net income attributable to convertible note holders based on their participating rights	—	(16,001)
Adjusted net (loss) income attributable to ordinary shareholders - Basic	<u>(201,048)</u>	<u>178,295</u>
Reversal of net income attributable to convertible promissory notes	—	16,001
Adjust for changes in the fair value of financial liabilities	(21,718)	2,537
Adjust for gain on debt extinguishment	—	(246,175)
Adjust for interest for convertible promissory notes	2,370	22,723
Adjusted net loss attributable to ordinary shareholders -Diluted	<u>(220,396)</u>	<u>(26,619)</u>
<i>Denominator:</i>		
Weighted average number of shares outstanding—basic	888,724,901	1,588,659,647
Weighted average number of shares outstanding—diluted	899,884,241	1,730,216,309
(Loss) earning per share—basic	(0.23)	0.11
(Loss) earning per share—diluted	<u>(0.24)</u>	<u>(0.02)</u>

For the nine months ended September 30, 2023 and 2024, 262,939 and 196,604 share options, 1,971,314 and 4,080,987 RSUs, and 66,086,640 and 7,235,764 potential common shares resulting from the assumed conversion of 2026 Convertible Notes, and 139,849,315 and nil potential common shares resulting from the assumed conversion of 2027 Convertible Notes on a weighted average basis were excluded from the calculation of diluted earning per share, respectively, as including them would have had an antidilutive effect.

18. SHARE CAPITAL

In February 2024, 34,744,206 Class A ordinary shares were issued to settle the RSUs vested for Mr. Sheng Chen, the Founder and Co-chairperson of the Board of Directors.

19. FAIR VALUE MEASUREMENTS

The fair value of these financial instruments are summarized below:

	Fair value measurement using:			Fair value at September 30, 2023 RMB
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	
	RMB	RMB	RMB	
Convertible Notes				
- 2026 Convertible Notes	3,381,686	—	—	3,381,686
- 2027 Convertible Notes	—	—	1,421,600	1,421,600
Liabilities	3,381,686	—	1,421,600	4,803,286

	Fair value measurement using:			Fair value at September 30, 2024 RMB
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Unobservable inputs (Level 3)	
	RMB	RMB	RMB	
Short-term investments:				
- Wealth management product	—	15,879	—	15,879
Available-for-sale debt securities	—	—	42,689	42,689
Assets	—	15,879	42,689	58,568
Convertible Notes				
- 2027 Convertible Notes	—	—	1,793,894	1,793,894
Liabilities	—	—	1,793,894	1,793,894

The 2026 Convertible Notes are classified within Level 1 because they are valued by using quoted market prices.

Short-term investments are valued based on price per unit quoted by financial institution and are classified within Level 2 of the fair value hierarchy.

The 2027 Convertible Notes and long-term investments are classified within Level 3. The fair value of 2027 Convertible Notes is measured using binomial tree pricing model that involves several parameters including the Company's stock price, stock price volatility determined from the Company's historical stock prices, the remaining maturity term and the discount rate. The fair values of 2027 Convertible Notes as of September 30, 2023 and 2024 were estimated with the following key assumptions:

	As of September 30 2023	As of September 30 2024
Volatility	90.48 %	80.00 %
Discount rate	15.78 %	13.34 %
Risk-free interest rate	4.70 %	3.63 %

The assumptions are inherently uncertain and subjective. Changes in any unobservable inputs may have a significant impact on the fair value of derivative liability.

19. FAIR VALUE MEASUREMENTS (CONTINUED)

The Company measures equity investments elected to use the measurement alternative at fair value on a nonrecurring basis, in the cases of an impairment charge is recognized, fair value of an investment is remeasured in an acquisition/a disposal, and an orderly transaction for identical or similar investments of the same issuer was identified.

The following tables presented a reconciliation of all liabilities measured at fair value on a recurring basis using significant unobservable inputs (level 3):

	<u>2027 Convertible Notes</u>
	<u>RMB</u>
Fair value at August 20, 2024	1,683,270
Changes in fair value through the earnings	135,075
Due to instrument-specific credit changes in other comprehensive income	7,109
Foreign currency translation adjustment	(31,560)
Fair value at September 30, 2024	<u>1,793,894</u>
	<u>Derivative liability</u>
	<u>RMB</u>
Fair value at December 31, 2023	188,706
Changes in fair value	(132,538)
Foreign currency translation adjustment	892
Fair value immediately prior to the extinguishment	<u>57,060</u>

20. COMMITMENTS AND CONTINGENCIES

Capital commitments

As of September 30, 2024, the Company has the following commitments to purchase certain computer and network equipment and construction-in-progress:

	<u>RMB</u>
Year ending December 31,	
Three months ended December 31, 2024	2,987,961
2025	606,492
2026	9,514
2027	8,173
2028	27,865
2029 and thereafter	—
	<u>3,640,005</u>

Bandwidth and cabinet capacity purchase commitments

As of September 30, 2024, the Company has outstanding purchase commitments in relation to bandwidth and cabinet capacity consisting of the following:

	<u>RMB</u>
Year ending December 31,	
Three months ended December 31, 2024	272,487
2025	469,944
2026	249,421
2027	160,558
2028	127,824
2029 and thereafter	2,912
	<u>1,283,146</u>

20. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Income Taxes

As of September 30, 2024, the Company has recognized an accrual of RMB98,457 for unrecognized tax benefits and its interest. The final outcome of the tax uncertainty is dependent upon various matters including tax examinations, interpretation of tax laws or expiration of status of limitation. However, due to the uncertainties associated with the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties.

Securities Litigation

In January 2024, the Company and certain of its current and former executive officers were named as defendants in a putative securities class action lawsuit filed in the United States District Court for the Southern District of New York. The complaint alleges that the Company made materially false and/or misleading statements and/or failed to disclose certain material information concerning the founder and co-chairperson, Mr. Sheng Chen's financing activities and the related impact on the Company's business operations in violation of the U.S. securities laws. At the date of issue of the unaudited condensed consolidated financial statements, the Company is unable to predict the outcome of the lawsuit, or reasonably estimate a range of possible losses, if any, given the early stage of this lawsuit. Therefore, no contingent liability has been recorded by the Company as of September 30, 2024.

Operating Litigation

In the ordinary course of business, the Company may from time to time be involved in legal proceedings and litigations. As of September 30, 2024, the Company did not consider an unfavorable outcome in any material respects in the outstanding legal proceedings and litigations to be probable.

21. SUBSEQUENT EVENT

In December 2024, the Company entered into an agreement with a third party, which is also the Company's customer, to dispose the long-lived assets in one of the Company's data center. A disposal gain of RMB87,688 was recognized upon the disposal.