Overview

We are the largest carrier-neutral data center service provider in China with a 21.9% revenue market share of the carrier-neutral market in 2019, according to iResearch. We focus on developing and operating high-performance data centers. Our facilities are strategically located in China's primary economic hubs where demand for high-performance data center services is concentrated. We also build-to-suit and operate data centers at other locations selected by our customers in order to fulfill their broader requirements. Our data centers are designed and configured as high-performance data centers with large net floor area and power capacity, high power density and efficiency, and multiple redundancy across all critical systems. We are carrier and cloud-neutral, which enables our customers to access all the major PRC telecommunications networks, as well as the largest PRC and global public clouds which we host in many of our facilities. We offer colocation and managed services, including direct private connection to leading public clouds, an innovative service platform for managing hybrid clouds and, where required, the resale of public cloud services. Our innovative and unique platform of interconnected data centers enables cloud service providers to expand in a flexible way in their key markets, and also enables enterprises to deploy their hybrid clouds in close proximity to the networked nodes of leading public clouds. We have a 19-year track record of service delivery, successfully fulfilling the requirements of some of the largest and most demanding customers for outsourced data center services in China. We have long-term contracts with our customers, which consist predominantly of hyperscale cloud service providers, large internet companies, financial institutions, telecommunications carriers and IT service providers, and large domestic private sector and multinational corporations. Many of our customers are leaders in their respective industries. As of June 30, 2020, we had an aggregate net floor area of 266,260 sqm in service, 94.1% of which was committed by customers, and an aggregate net floor area of 133,208 sqm under construction, 62.3% of which was pre-committed by customers, in each case excluding joint venture data centers. As of June 30, 2020, we had three joint venture data centers under construction with an aggregate net floor area of 11,665 sqm and three joint venture data centers in services with an aggregate net floor area of 11,665 sqm. As of June 30, 2020, the joint venture data centers were 100% committed or pre-committed.

We believe the market for high-performance data center services in China is experiencing strong growth. According to iResearch, the total size of China's data center services market in terms of revenue was RMB33.4 billion in 2019, of which the carrier-neutral market accounted for RMB18.8 billion, representing 56.3% of the total market. iResearch expects the carrier-neutral market to increase at a CAGR of 31.8% from 2019 to 2024. Demand is driven by rapid growth in the volume of data created, transmitted, processed and stored as a result of the accelerating trend of digital transformation and the rising adoption of new technologies such as cloud computing, 5G, artificial intelligence, big data, machine learning, blockchain, internet of things ("IoT"), augmented and virtual reality, e-payments and digital currency. Demand is also driven by PRC government policies which consistently and actively support technology-driven development and the growth of the digital economy. Recently, the PRC government has promoted the concept of "new infrastructure" which includes, among other things, largescale data centers, artificial intelligence and industrial internet. Public cloud

service providers aggregate demand from many users and, as result, have emerged as a rapidly growing customer segment for data center services with unprecedented capacity requirements. In 2019, China's public cloud market became the second largest globally in terms of revenue, after the United States. According to iResearch, China's cloud services market in terms of revenue is expected to grow from RMB149.0 billion in 2019 to RMB645.2 billion in 2024, representing a CAGR of 34.1%.

To satisfy such demand requires data centers which are largescale, both in terms of net floor area and power capacity, highly reliable in terms of uptime (which is referred to as "high availability"), and highly efficient in terms of power usage. With increasing scale, it has become increasingly challenging to source, develop and operate new facilities that meet the required standard, in particular to secure suitable land and buildings which can be developed or converted into data center facilities and to obtain the necessary regulatory approvals and power supply in China's primary economic hubs where demand is concentrated. As a result, we believe that there is a relative scarcity of high-performance data center capacity in these areas.

Our platform of interconnected data centers and secured expansion capacity is strategically located to address this growing demand. We develop and operate our data centers predominantly in and around Shanghai, Beijing, Shenzhen, Guangzhou, Hong Kong, Chengdu and Chongqing, the primary financial, commercial, industrial and communications hubs in each region of China. We refer to the areas in and around these hubs as Tier 1 markets. Our customers typically use our data centers in Tier 1 markets to house their mission-critical, latency-sensitive data and applications. Our data center locations provide convenient access for our customers and, furthermore, the extensive multi-carrier telecommunications networks in these markets enable our customers to enhance the performance and lower the cost of connectivity to our facilities. In the past, our data centers were mainly clustered in key urban districts within each Tier 1 market in accordance with customer preference. More recently, in order to keep pace with demand and overcome the challenge of creating new supply, we are developing more data centers at strategic locations on the outer edge of these markets, including on campuses where we can expand capacity in multiple phases. These outer edge developments, which we still consider Tier 1 markets, enable our hyperscale customers to fulfill their requirement for larger deployments of IT capacity on a single site and to upscale over time, while remaining within acceptable parameters for network latency. In addition to our presence in Tier 1 markets, we build-to-suit and operate our own data centers and joint venture data centers at other locations selected by our customers in order to house their offline and less critical data and applications in lower cost areas where, at times, renewable energy sources are also accessible.

From our inception, we have built up our own in-house data center design capability, which we believe is unparalleled in the industry. We were one of the first movers in developing high-performance data centers in China, anticipating the trend for IT to become increasingly mission-critical, and then in combining high availability with larger net floor area and power capacity to meet the unprecedented requirements of hyperscale cloud service providers and large internet companies under the wholesale model. Our data centers are largescale, highly reliable and highly efficient facilities that provide a flexible, modular and secure operating

environment in which our customers can house, power and cool the computer systems and networking equipment that support their mission-critical IT. We install high power density (which refers to the ratio of power capacity to net floor area) and optimize PUE, which enables our customers to deploy their IT systems more efficiently and reduce their operating and capital costs. As a result of our advanced data center design, high technical specifications and robust operating procedures, we are able to make service level commitments related to service availability and other key metrics that meet our customers' required standards. Within our data centers, we have also developed an innovative service platform to assist our enterprise customers to integrate and control every aspect of their hybrid cloud computing environment across their private servers and one or more public cloud service providers.

As of June 30, 2020, we operated 42 self-developed data centers with an aggregate net floor area of 256,750 sqm in service. We also operated capacity at approximately 19 third-party data centers with an aggregate net floor area of 9,510 sqm in service, which we lease on a wholesale basis and use to provide colocation and managed services to our customers. As of the same date, we had a further 17 new self-developed data centers with an aggregate net floor area of 133,208 sqm under construction. In addition, we also operated three joint venture data centers with a net floor area of approximately 11,665 sqm in service and had three joint venture data centers with an aggregate net floor area of approximately 11,665 sqm under construction. As of the same date, we had an estimated aggregate developable net floor area of approximately 323,014 sqm held for potential future development.

A summary of our self-developed data center portfolio by market as of June 30, 2020 is set forth below.

	In service	Under construction	Held for future development	Total	Market as % of total
	(Sqm, except for percentages)				
Greater Shanghai	77,073	48,270	122,082	**247,425**	**34.7%**
Greater Beijing	77,674	70,877	64,830	**213,381**	**29.9%**
Greater Bay Area-Mainland	69,023	7,000	74,156	**150,179**	**21.1%**
Greater Bay Area-Hong Kong Region	—	7,061	7,440	**14,501**	**2.0%**
Chengdu/Chongqing	14,512	—	54,506	**69,018**	**9.7%**
Other	18,468	—	—	**18,468**	**2.6%**
Total[(1)]	**256,750**	**133,208**	**323,014**	**712,972**	**100%**

Note:

(1) Excludes third-party data center capacity of 9,510 sqm in service, zero under construction and zero held for future development.

Our results of operations are largely determined by the degree to which our data center capacity is committed or pre-committed as well as its utilization. We had commitment rates for our area in service (excluding joint venture data centers) of 91.8%, 94.9%, 91.9% and 94.1% as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. We had utilization rates for our area in service (excluding joint venture data centers) of 60.9%, 67.6%, 69.0% and 72.5% as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The difference between commitment rate and utilization rate is primarily attributable to customers who have not yet fully utilized all of the revenue-generating services for which they have committed.

We have experienced significant growth in recent years. Our net revenue grew from RMB1,616.2 million in 2017 to RMB2,792.1 million in 2018, representing an increase of 72.8%, and increased to RMB4,122.4 million (US$583.5 million) in 2019, representing an increase of 47.6%, and grew from RMB1,877.0 million in the six months ended June 30, 2019 to RMB2,582.6 million (US$365.5 million) in the same period in 2020, representing an increase of 37.6%.

Our Strengths

We believe that the following key competitive strengths differentiate us from other data center service providers in China and position us well to capitalize on the rapid growth in demand for largescale and high-performance data center services.

We are a leader in one of the largest and fastest growing data center markets in the world

We were the largest carrier-neutral data center service provider in China in terms of revenue in 2019 with 21.9% market share, according to iResearch. China is one of the largest and fastest growing digital economies globally. China's rapid adoption of new technologies, such as cloud computing, 5G, artificial intelligence, big data, machine learning, blockchain, IoT, augmented and virtual reality, e-payments and digital currency is expected to increase exponentially the volume of data created, transmitted, processed and stored, much of which will take place within and between data centers. As a result, demand for carrier-neutral data center services is estimated to increase by a CAGR of 31.8% in the next five years, according to iResearch.

China's cloud market, the second largest in the world, is still at an early stage of development with strong multi-year growth potential as indicated by the lower market penetration compared to that in the United States. According to iResearch, the size of China's cloud market was RMB149.0 billion in 2019 and is expected to grow at a 34.1% CAGR to reach RMB645.2 billion in 2024. We are well-positioned to capture the large and growing market opportunities on the back of favorable industry tailwinds, government policies and a proven track record and reputation for operational excellence.

Well-established and rapidly expanding relationships with large, fast-growing and diverse customers

We focus on serving customers who require continuously expanding high-performance data center capacity in China's primary economic hubs. Our customers include hyperscale cloud service providers, large internet companies, financial institutions, telecommunications carriers and IT service providers, and large domestic private sector and multinational corporations.

Our data centers are well-suited for fulfilling the flexible expansion and unprecedented capacity requirements of hyperscale cloud service providers and large internet companies. Alibaba and Tencent, the top two cloud service providers and internet companies in China, are among our largest customers contributing about 55% of our total area committed as of June 30, 2020.

Our other large internet customers include some of China's leaders across various verticals including e-commerce, video streaming, local services, online gaming and mobility. We also serve some of China's largest private sector enterprises and prestigious multinational corporations.

Innovative and unique platform of interconnected data centers hosting all of the leading cloud service providers

We have created an innovative and unique new IT infrastructure platform. As of June 30, 2020, the Company had an interconnected platform of 59 self-developed data centers in service and under construction. Our facilities are clustered across all of China's Tier 1 markets and are accessible over all the major telecom networks, hosting all the major public cloud service providers, including AliCloud, Tencent Cloud, Amazon Web Services, Microsoft Azure, Huawei Cloud, Kingsoft Cloud, UCloud, QingCloud, JD Cloud and Baidu AI Cloud.

Our platform delivers a multitude of benefits to its customers, including direct and private access to the leading public cloud platforms, hybrid cloud solutions for large enterprise customers, connectivity across all telecommunications carriers and interconnection to other enterprise companies within and across facilities in China. We believe that there is no other carrier-neutral data center service provider in China which has a comparable platform of interconnected data centers across all of China's Tier 1 markets that host all of the major public clouds.

Largescale, high-performance data centers are strategically located in China's Tier 1 markets

Given the high proportion of data and applications which are mission-critical and latency-sensitive, we have located our facilities in key markets in close proximity to major existing and prospective customers. As of June 30, 2020, approximately 98% of our self-developed data center portfolio was located in Tier 1 markets such as Shanghai, Beijing,

Shenzhen, Guangzhou, Hong Kong, Chengdu and Chongqing, the primary financial, commercial, industrial and communications hubs in each region of China, where data center demand is highly concentrated. With increasing scale of data creation and usage, it has become extremely challenging for hyperscale cloud service providers, large internet companies, financial institutions and large enterprises in China to obtain data center capacity in these locations. As a result, we continue to be more competitive in serving customers in Tier 1 markets with our existing facilities.

Large secured expansion capacity and a proven ability to source and develop additional data centers

There are inherent challenges in China to successfully source and develop largescale high-performance data centers, including obtaining the necessary regulatory approvals, a scarcity of appropriate and sufficiently large sites, access to adequate redundant power supply and high-quality telecommunications connectivity, carbon emission quotas, and the knowledge and know-how associated with designing, building, fitting out and commissioning high-performance facilities.

To address these challenges, we have secured a large amount of land and buildings in Tier 1 markets which we are holding for potential future development. We have also successfully acquired and integrated a number of data centers and established partnerships with leading financial investors to supplement our supply of capacity. As a result, we have high certainty of being able to expand our capacity to meet demand which gives us a further competitive advantage in serving customers in these strategic locations.

We have a proven set of capabilities and processes that have allowed us to source and develop the data centers we need to grow our business. We have a substantial in-house team dedicated to sourcing, feasibility analysis, technical design, costing and project management. Our team works closely with local government authorities to obtain necessary permits and approvals, with electric utilities to obtain sufficient power infrastructure and supply, and with different telecommunications carriers to ensure multi-carrier connectivity to our data centers. We have extensive experience in developing greenfield purpose-built facilities to achieve a high level of performance. We also have the capability to convert existing industrial buildings into data centers without compromising on performance standards, and a proven track record of acquiring data centers to meet our customers' demand. Our diversified approach to sourcing and developing data centers gives us the necessary flexibility to ensure a strong pipeline of high-quality sites for future development.

Visionary and experienced management team supported by sophisticated strategic investors

Our management team consists of entrepreneurs and professionals, all of whom possess in-depth knowledge and expertise in the IT services industry. Our founder, chairman and chief executive officer, William Huang, is a visionary pioneer with 19 years of experience in China's data center industry. Our senior management team has significant experience from previous employment in leading multinational IT service providers.

We also benefit from having major shareholders who provide industry expertise, access to potential customer and supplier relationships, and solid corporate governance guidance. For example, STT GDC, is an experienced and strategic data center investor and service provider that, in addition to its longstanding investment in us, owns a portfolio of data centers in Singapore, Thailand, India and the United Kingdom, either directly or through investments in data center operating companies. Leveraging STT GDC's integrated data center platform, we have access to STT GDC's customer and supplier relationships. We also benefit from STT GDC's platform through knowledge sharing to enhance our technology, operational performance and customer service.

We believe that the support, relationships, industry expertise and corporate governance best practices that come from having sophisticated strategic investors provide us with competitive advantages in our industry.

Proven ability to develop and implement innovative new technologies to meet increasingly demanding customer requirements

Our self-developed data centers are designed to achieve high power efficiency, resulting in low PUE ratios. A low PUE ratio is of particular importance to hyperscale cloud service providers and large internet customers who have the most demanding performance targets. We are able to achieve much higher power efficiency due to our proprietary know-how in data center designs, construction and operations.

We take a modular approach to developing, commissioning, equipping and fitting out our data center facilities. The modular approach is an innovative construction technique designed to shorten the development timeline and lower costs. We are also adopting off-site pre-fabrication technology to shorten the lead time of the delivery of data centers to customers. These technologies allow us to cater to a range of customer requirements with regard to redundancy, power density, cooling, rack configuration and other technical specifications.

We have developed a proprietary Data Center Operation Management Platform, which provides real-time information on many aspects of data center operating performance and enables us to streamline our data center management processes. In addition, we also have self-developed additional operation enhancement tools and technologies, including robots, AI and smart buildings. This system was developed based on our proprietary know-how in customer service and data center operations.

Our Strategies

We intend to further grow our business and reinforce our leading market position by pursuing the following strategies.

Capitalize on the rising adoption of cloud computing and emerging technologies in China

We intend to capitalize on the growth of cloud computing in China by further solidifying our position as the preferred data center service provider for cloud service providers by enabling them to expand their data center capacity flexibly and continuously in key markets, while maintaining our operational excellence. In addition, we intend to leverage the operational benefits provided by our unique platform of interconnected data centers in Tier 1 markets hosting leading clouds to become the preferred provider of cloud-related managed services to our enterprise customers.

Expand our unique platform of strategically located, interconnected, high-performance data centers

We will continue to expand our unique platform of interconnected, high-performance data centers in China's Tier 1 markets. We will undertake build-to-suit projects in other locations in China selected by our customers where there is a feasible opportunity to fulfill their broader requirements. In the next few years, we may expand into overseas markets including Southeast Asia where there is both a desire to work with us and a critical mass of demand from our home market customers.

Strategic sourcing of data center resources to expand our data center platform across markets

Our resource strategy is multi-faceted. We were one of the first movers among carrier-neutral companies in developing largescale data centers to serve customers in Tier 1 markets and locations outside Tier 1 markets, according to iResearch. Despite the high entry barriers in Tier 1 markets to obtain suitable land, power, and regulatory approvals, among others, we continue to grow organically in these constrained markets by generating continuous supply both directly by ourselves and through creative approaches by working with various partners. We will also supplement our growth by acquiring data centers in Tier 1 markets where there is a strong strategic fit and we can generate acceptable financial returns.

Increase market share by leveraging customer relationships and attracting new customers

We intend to leverage our market insight and strong customer relationships to further increase our market share. We plan to attract new customers, increase customer spending by upselling more managed services, capture demand for largescale capacity from major customers, and create a network effect around the enterprises and cloud service providers which we host.

Continue to focus on operational excellence and capital efficiency

We will strive to remain at the forefront of the data center industry in China by continuing to set benchmarks for operational excellence. We will continue to maintain a high level of customer satisfaction by adopting and automating best-in-class business processes. We will continue to attract and nurture highly skilled employees to strengthen our resource acquisition and operations management capabilities to support our business growth.

In addition, we will continue to improve our PUE, employ energy conservation technology, and utilize renewable energy whenever it is available to further lower operating costs and reduce our carbon footprint.

Our Business Model

Our core business operations entail the planning and sourcing of new data centers, developing such facilities, securing customer commitments, providing our colocation and managed services to customers, and maintaining high levels of service and customer satisfaction to develop and maintain long-term relationships with our customers. We focus on developing and operating what we refer to as high-performance data centers. These are data centers that feature large net floor area and power capacity, high power density and efficiency, and multiple redundancy across all critical systems.

Sourcing

Our strong customer and industry relationships offer us insight into the size, timing, and location of future demand which is reflected in our data center capacity development plan. Based on this insight, we aim to secure land and buildings in Tier 1 markets for future development commensurate with anticipated demand for our services. Our in-house team begins sourcing potential sites a few years in advance of planned development. We source new data center capacity by: (i) acquiring or leasing property which we develop for use as data center facilities, whether through constructing on greenfield land, redeveloping brownfield sites, converting existing industrial buildings, or fitting out and equipping purpose-built building shells; (ii) leasing existing data center capacity from third-party wholesale providers; and (iii) acquiring high-performance data centers from other companies.

Regardless of the source of our data center capacity, we ensure that the facilities meet the high-performance standards required by our target customers.

Construction

After procuring greenfield or brownfield sites or existing industrial buildings or purpose-built building shells, we design and, through cooperation with developers, contractors, and suppliers, build out the facility to achieve our advanced design and high technical specifications.

We take a modular approach to developing, commissioning, equipping and fitting out of facilities, so that we can cater to a range of customer requirements with regard to redundancy, power density, cooling, rack configuration and other technical specifications. In addition, by taking a modular approach, we are able to phase our capital expenditures related to equipping and fitting out individual computer rooms in accordance with proven sales demand or contractual delivery commitments to customers.

Marketing

We usually commence marketing new data center facilities before we commence construction by seeking strong indications of interest from customers. We aim to convert such indications of interest into legally-binding pre-commitment agreements for a substantial part of the capacity under development as early as possible in the construction cycle. Such pre-commitments typically come from anchor customers who require largescale capacity, such as hyperscale cloud service providers and large internet companies. Through securing such pre-commitments, we are able to reduce investment risk and optimize resource planning. We had pre-commitment rates of 39.0%, 48.4%, 63.6%, 66.1% and 62.3% as of December 31, 2017, 2018 and 2019 and as of June 30, 2019 and 2020, respectively. Once construction is complete, and the data center enters service, we re-categorize area pre-committed as area committed. We aim to maintain high commitment rates for each of our data centers.

Due to the strength of customer demand, for certain sites, we deliberately do not seek pre-commitments, in order to reserve sufficient capacity for our financial institution and large enterprise customers who typically procure with a shorter lead time once data centers are in service. This also helps to ensure that we have sufficient capacity available to fulfill the anticipated expansion requirements of strategic customers who we are already serving in the same location. As a result of this sales approach, some of our data centers under construction and in service have lower pre-commitment and commitment rates, respectively.

Delivery

Once construction is complete, and the data center enters service, we re-categorize area under construction as area in service.

Anchor customers with largescale commitments typically move in over a period of 12 to 24 months, whereas financial institutions and large enterprise customers typically move in over a period of three to six months. Such move-in periods are common in our industry, according to iResearch. The longer move-in period for anchor customers is due to the larger scale of their deployments and operational models, under which they increase utilization of committed data center capacity in multiple phases and in-line with the increasing load on their IT systems. During such move-in periods, customers have the right to use part or all of the services for which they have committed. They are billed for the amount of services they actually use, subject to a minimum billable amount as stated in the sales agreements. Such minimum billable amount typically steps up over time. In practice, during the move-in period, most customers' actual usage and billing is higher than the minimum. Customers are not allowed to terminate

their sales agreements before the end of the move-in period. See "Our Business — Our Customers — Sales Agreements." The portion of area committed by customers which is revenue generating is referred to as area utilized. As a result of the flexibility granted to customers to use part or all of the services during the move-in period, some of our data centers have lower utilization rates.

Commitment and Utilization Rates

Our business model provides us with high levels of revenue visibility due to the long-term nature of our customer agreements and substantial backlog. Backlog is defined as area committed or pre-committed by customers but yet to be utilized (total area committed minus area utilized at the end of each period). As of December 31, 2017, 2018 and 2019 and June 30, 2020, we had backlog of 40,815 sqm, 75,417 sqm, 108,856 sqm and 140,299 sqm, respectively. The increase in backlog across these periods was primarily due to higher levels of customer commitments and pre-commitments. We endeavor to provide high levels of customer service, support, and satisfaction so as to maintain long-term customer relationships and high rates of agreement renewals for our services. We had a very low incidence of sales agreements that expired without renewal or terminated early, as evidenced by our average quarterly churn rate of 2.1%, 0.9%, 0.5% and 0.6% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

For our in-service data centers, we aim to maintain high levels of long-term commitment and utilization rates. We had commitment rates for our area in service (excluding joint venture data centers) of 91.8%, 94.9%, 91.9% and 94.1% as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. We had utilization rates for our area in service (excluding joint venture data centers) of 60.9%, 67.6%, 69.0% and 72.5% as of December 31, 2017, 2018 and 2019 and June 30, 2020, respectively. The difference between commitment rate and utilization rate is primarily attributable to customers who have not yet fully utilized all of the revenue-generating services for which they have committed. Until the end of the move-in period, the area committed is not fully categorized as area utilized.

Due to the typical time lag for move-in, our continual expansion of our data center capacity, and the high proportion of anchor customers with largescale commitments, we expect that our utilization rate will continue to lag behind our commitment rate. For data centers that have been in operation for a longer period of time, the commitment rate and utilization rate will tend to converge, as customers have fully moved in.

Our Data Centers

Our data centers are largescale, highly reliable and highly efficient facilities that provide a flexible, modular and secure operating environment in which our customers can house, power and cool the computer systems and networking equipment that support their mission-critical IT infrastructure. We install large power capacity, together with engineering technologies to optimize PUE, enabling our customers to deploy their IT infrastructure more efficiently and reduce their operating and capital costs.

We develop and operate our data centers predominantly in and around Shanghai, Beijing, Shenzhen, Guangzhou, Hong Kong, Chengdu and Chongqing, the primary financial, commercial, industrial and communications hubs in each region of China. We refer to the areas in and around these hubs as Tier 1 markets. Our customers typically use our data centers in Tier 1 markets to house their mission-critical, latency-sensitive data and applications. Our data center locations provide convenient access for our customers and, furthermore, the extensive multi-carrier telecommunications networks in these markets enable our customers to enhance the performance and lower the cost of connectivity to our facilities. We also build-to-suit and operate data centers at other locations selected by our customers in order to fulfill their broader requirements.

In the first half of 2020, we commenced construction of seven new self-developed data centers with a total net floor area 63,643 sqm. As of June 30, 2020, we had an aggregated net floor area under construction of 133,208 sqm, 62.3% of which was pre-committed. In the first half of 2020, we completed construction and brought into service four new self-developed data centers with a total net floor area of 21,128 sqm, acquired BJ10, BJ11 and BJ12 with a net floor area of 19,927 sqm which were in service when acquired. As of June 30, 2020, we had an aggregate net floor area of 266,260 sqm in service, 94.1% of which was committed and 72.5% of which was utilized. In addition to the above, in the first half of 2020, we also commenced construction of three joint venture data centers with a total net floor area of approximately 11,665 sqm under construction. As of June 30, 2020, we had three joint venture data centers under construction with an aggregate net floor area of 11,665 sqm and three joint venture data centers in services with an aggregate net floor area of 11,665 sqm. As of June 30, 2020, the joint venture data centers were 100% committed or pre-committed.

The following table presents certain information relating to our data center portfolio (excluding joint venture data centers) as of June 30, 2020:

(Sqm)	**Area in service[(1)]**	**Area under construction[(1)]**	**Area held for development**
***Location*[(2)]**			
Greater Shanghai	77,073	48,270	122,082
Greater Beijing	77,674	70,877	64,830
Greater Bay Area-Mainland	69,023	7,000	74,156

(Sqm)	Area in service[1]	Area under construction[1]	Area held for development
Greater Bay Area-Hong Kong region ...	—	7,061	7,440
Chengdu/Chongqing	14,512	—	54,506
Other	18,468	—	—
Total.....	**256,750**	**133,208**	**323,014**
Type			
Self-developed.....	256,750	133,208	323,014
Third-party	9,510	—	—
Total.....	**266,260**	**133,208**	**323,014**

Notes:

(1) Excludes approximately 11,665 sqm net floor area relating to three joint venture data centers in service, 100% of which were committed and approximately 11,665 sqm net floor area relating to three joint venture data centers under construction, 100% of which were pre-committed as of June 30, 2020.

(2) Greater Shanghai includes the area in and around Shanghai such as Kunshan and Changshu. Greater Beijing includes the area in and around Beijing such as Langfang. Greater Bay Area-Mainland includes Guangzhou, Shenzhen and Huizhou. Greater Bay Area-Hong Kong region includes Hong Kong and Macau.

As of June 30, 2020, our total area committed (excluding joint venture data centers) and pre-committed was 333,461 sqm, of which 250,467 sqm and 82,994 sqm related to data centers in service and under construction, respectively.

Self-Developed Data Centers

As of June 30, 2020, we operated 42 self-developed data centers with an aggregate net floor area of 256,750 sqm in service. As of the same date, we had another 17 new self-developed data centers with an aggregate net floor area of 133,208 sqm under construction. In addition, as of June 30, 2020, we had an estimated aggregate developable net floor area of approximately 323,014 sqm held for potential future development in Tier 1 markets and have secured a further estimated aggregate developable net floor area of approximately 30,000 sqm area held for potential future development in Tier 1 markets subsequent to June 30, 2020.

High-Performance Features. Our self-developed data centers generally feature:

- *High Availability*. Over 90% of our self-developed data center capacity in service and under construction is equipped with 2N redundant delivery paths for power, cooling and other critical systems. 2N redundancy entails significant additional

up-front investment and decreases the yield of net floor area in a building of a given size. By installing 2N redundancy and operating our facilities to the highest standards, we are able to satisfy the requirements of the most demanding customers for housing their mission-critical IT infrastructure.

- *High Power Density.* Our self-developed data center capacity in service and under construction has an average power density of approximately 2.2 kW/sqm, which we believe is far above the average for data centers in China. High power density must be incorporated into the data center design from inception and entails increased development cost per sqm of net floor area. By installing high power density, we enable our customers to deploy their IT infrastructure more efficiently and to optimize their IT infrastructure performance. This is of particular importance to hyperscale cloud service providers and large internet customers as it reduces their IT investment and operating costs.

- *High Power Efficiency*. Our self-developed data centers are designed to achieve high power efficiency, which is expressed conversely by a low PUE ratio. Our self-developed data centers had around 1.25-1.4 times PUE on average in stabilized operation, which we believe is significantly below the average for data centers in China. High power efficiency reduces operating costs, for the benefit of our customers and ourselves, and reduces our carbon footprint. A low PUE ratio is of particular importance to hyperscale cloud service providers and large internet customers who have the most demanding performance targets.

In addition to the high-performance features described above, our data centers provide flexible fit-out, sufficient floor load bearing strength and clear slab-to-slab height to support dense deployment of IT hardware, multiple layers of physical security, early fire detection monitoring and fire suppression systems, diverse connectivity, and other amenities.

We believe that this combination of high availability, high power density, high power efficiency and other features enables us to serve the most sophisticated and demanding users of data center services who seek cost efficient solutions for their requirements, without compromise on performance across multiple operating parameters.

Types of Data Centers. We have a diversified and flexible approach to developing our data center portfolio. We categorize our self-developed data centers into the following three types:

- *Purpose-Built*. Purpose-built data centers are facilities which are designed and constructed specifically for use as data centers. Our purpose-built facilities comprise those that we design ourselves and for which we directly oversee the construction and fit out, as well as certain of the facilities that we lease or have acquired from third parties. Purpose-built and build-to-suit facilities represent approximately 43.9% by aggregate net floor area of our self-developed data centers in service and under construction as of June 30, 2020.

- *Converted.* Conversion involves repurposing existing industrial buildings for use as data centers. We undertake conversions in order to fulfill demand where time-to-market and site opportunity do not allow us to purpose-build. We carefully select such buildings based on their suitability for use as data centers. We design and construct to the same high technical specifications as our purpose-built data centers, so as to ensure that the end product is of a comparable standard. Converted facilities represent approximately 56.1% by aggregate net floor area of our self-developed data centers in service and under construction as of June 30, 2020.

- *Build-To-Suit.* Build-to-suit data centers are facilities which are located in other locations to fulfill the broader requirements of our strategic customers. We develop and operate build-to-suit projects independently, as well as through the joint ventures which we are establishing with GIC. The projects are typically greenfield developments on the customer's own campus.

Data Center Tenure. We hold our self-developed data center buildings either through direct ownership or lease. In China, land cannot be owned outright, but is secured through land use rights. For data center buildings which we own, we have the right to use the underlying land for up to 50 years, which is the longest permissible period, except for our Guangzhou Land where the period of the land use right is 20 years, plus ownership of the buildings and other fixed assets comprising the data center. In Hong Kong, almost all the land is leasehold land leased from the Hong Kong government. The tenure of the relevant government leases for the two parcels of brownfield land where our HK1 and HK2 are located that were purchased by us in 2018 and 2019 respectively will expire in June 2047 and the residue of the term of years of the relevant government leases is approximately 27 years. For data centers that we lease, we enter into long-term leases with the owners of the building generally for periods of 15 to 20 years, which is the longest permitted lease period under PRC law. However, in the case of the build-to-suit projects which we have undertaken to date, where the owner of the building shell is our customer, the lease term is usually 10 years.

Stage of Development. We categorize our data centers, and the corresponding net floor area, according to the following stages of development:

- *In Service.* Data centers are categorized as in service once the construction of the building is complete, critical systems have been installed, the facility has passed rigorous integrated system testing, government approvals for operation are obtained, and one or more computer rooms have been fully equipped and fitted out ready for utilization by customers. Once this stage has been reached, we categorize the entire net floor area of the data center (or phase of a data center) as area in service, including the net floor area of computer rooms, if any, which may require additional capex for equipping and fitting out prior to utilization by customers.

- *Under Construction.* Data centers are categorized as under construction once we have secured control of the site, obtained the necessary construction and other permits, established the design, and building and engineering works are in progress. We also categorize data centers as under construction when the shell and core are being developed by the building landlord under certain circumstances. We usually construct our data centers in a single phase. However, in some cases, we construct data centers in several distinct phases for reasons such as optimal design, sales plan, and timing of activation of power supply. When we successfully secure pre-commitments from customers, we calculate pre-commitment rate based on the area under construction.

- *Held for Future Development.* Area held for future development consists of the estimated data center net floor area that we have secured for potential future development by different means, including greenfield and brownfield land which we have acquired or which we expect to acquire pursuant to binding framework agreements with local governments, building shells which we have purpose-built on land which we own, and existing buildings for which we have entered into agreements in connection with the acquisition or lease with the intention of converting or redeveloping into data centers, but which are not actively under construction. Our in-house team begins sourcing potential greenfield and brownfield land several years in advance of planned delivery. We begin construction of a facility from six months to over two years in advance of planned delivery, depending on the complexity of the project. The developable net floor area estimates are subject to a number of contingencies and uncertainties.

Self-Developed Data Centers in Service: The following table sets forth additional details concerning our portfolio of self-developed data centers in service as of June 30, 2020:

Market	Data center	Date ready for service (HHYY)	Type	Tenure	Area in service[4]	Area committed[4]	Commitment rate[1][4]	Area utilized	Utilization rate[2]
Greater Shanghai.....	SH1	2H11	Purpose-Built	Leased	6,432	6,300	98%	6,128	95%
	SH2	2H15	Purpose-Built	Leased	7,712	7,617	99%	7,412	96%
	SH3	2H16	Purpose-Built	Leased	7,950	7,943	100%	7,732	97%
	SH4	2H17	Purpose-Built	Leased	8,415	8,304	99%	7,811	93%
	SH5	1H18	Converted	Leased	2,062	1,540	75%	855	41%
	SH6	2H18	Purpose-Built	Leased	7,620	7,181	94%	3,052	40%
	SH7	2H19	Purpose-Built	Leased	6,352	2,110	33%	1,142	18%
	SH8	2H18	Converted	Leased	4,924	4,787	97%	4,447	90%
	SH9	1H19	Converted	Leased	3,330	3,330	100%	3,122	94%
	SH10	1H19	Converted	Leased	3,745	3,745	100%	1,609	43%
	SH11	1H18	Converted	Leased	4,214	4,214	100%	3,216	76%
	KS1	2H10	Purpose-Built	Owned	6,546	6,430	98%	6,161	94%
	KS2	1H20	Purpose-Built	Owned	7,771	7,771	100%	0	0%
Greater Beijing.....	BJ1	2H15	Converted	Leased	2,435	2,237	92%	2,189	90%
	BJ2	2H17	Converted	Leased	5,819	5,802	100%	5,432	93%
	BJ3	2H17	Converted	Leased	3,144	3,144	100%	3,028	96%
	BJ4	1H19	Converted	Leased	4,695	4,122	88%	1,561	33%
	BJ5	1H19	Converted	Leased	13,366	13,239	99%	11,344	85%
	BJ6	2H19	Converted	Leased	5,965	5,786	97%	2,943	49%
	BJ9	2H19	Converted	Leased	8,029	7,722	96%	7,598	95%
	BJ10	1H20	Converted	Leased	6,440	6,440	100%	6,120	95%
	BJ11	1H20	Converted	Leased	6,471	6,471	100%	6,066	94%
	BJ12	1H20	Converted	Leased	7,016	7,016	100%	2,802	40%
	LF1	2H19	Converted	Leased	4,949	4,949	100%	2,090	42%
	LF6	1H20	Converted	Leased	3,787	3,787	100%	2,060	54%
	LF7	1H20	Converted	Leased	5,558	5,558	100%	0	0%
Greater Bay Area-Mainland	SZ1	2H14	Converted	Leased	4,286	4,272	100%	4,264	99%
	SZ2	1H16	Converted	Leased	4,308	4,308	100%	4,308	100%
	SZ3	2H16	Converted	Leased	2,678	2,655	99%	2,565	96%
	SZ4 (Phase 1)[3]	2H17	Converted	Leased	4,678	4,678	100%	3,262	70%
	SZ5	2H19	Converted	Leased	20,583	20,583	100%	20,079	98%
	SZ6	2H19	Converted	Leased	2,133	17	1%	0	0%
	GZ1	1H16	Converted	Leased	6,548	6,531	100%	6,526	100%
	GZ2	2H17	Converted	Leased	6,131	6,131	100%	6,069	99%
	GZ3 (Phase 1)[3]	1H18	Purpose-Built	Leased	7,648	7,648	100%	7,518	98%
	GZ3 (Phase 2)[3]	2H19	Purpose-Built	Leased	3,423	3,423	100%	2,857	83%
	GZ6	2H19	Converted	Leased	6,608	1,477	22%	35	1%

Market	Data center	Date ready for service (HHYY)	Type	Tenure	Area in service[4]	Area committed[4]	Commitment rate[1][4]	Area utilized	Utilization rate[2]
Chengdu.....	CD1	1H17[5]	Purpose-Built	Owned	6,262	5,962	95%	4,615	74%
	CD2 (Phase 1)[3]	2H18	Purpose-Built	Owned	8,250	8,250	100%	1,602	19%
Other.....	ZB1	1H18	Build-To-Suit	Leased	5,132	5,132	100%	4,870	95%
	ZB2	2H18	Build-To-Suit	Leased	4,662	4,662	100%	4,353	93%
	ZB3	2H18	Build-To-Suit	Leased	4,662	4,662	100%	4,240	91%
	ZB4	1H20	Build-To-Suit	Leased	4,012	4,012	100%	3,219	80%

Notes:

(1) The ratio of area committed to area in service.

(2) The ratio of area utilized to area in service.

(3) We are developing our SZ4, GZ3 and CD2 data centers in phases. The categorization of data centers by stage of development is applied to each phase of the SZ4, GZ3 and CD2 projects.

(4) Excludes approximately 11,665 sqm net floor area relating to three joint venture data centers in service, 100% of which were committed as of June 30, 2020.

(5) We developed CD1 in phases, of which phase 1 was in service during the first half of 2011 while the whole data center was completed and in service during the first half of 2017.

As of June 30, 2020, 11.2% of our self-developed area in service was in data center buildings which we own and 88.8% was in data center buildings which we lease. Our self-developed area in service had an average power density of approximately 2.0 kW/sqm.

Apart from the current lease period for our SZ2 data center, which expires in May 2025, in the above table, no other self-developed data center that is leased has a remaining lease period of less than five years. The lease agreement for the SZ2 data center provides that, in the event that the lessee notifies the lessor of the lessee's request to renew the lease within three months prior to the expiration of the foregoing lease term, the lessor will be obligated to renew the lease on the same terms for another five years as long as the rental fee is not lower than the recent highest rental fee under the existing agreement, and not higher than the average rent of similar buildings in the area where the lease property is located. For self-developed data center buildings leased from third parties, we have entered into long-term leases with the owners of the buildings generally for periods of 15 to 20 years, which is the longest permitted lease period under PRC law. Accordingly, based on the current status of its leases, the directors believe that terminations and renewals of the Company's lease terms are not anticipated to have any material or adverse impact on our Company's operations or business in the near term.

Self-Developed Data Centers Under Construction. The following data table presents certain information relating to our self-developed data centers under construction as of June 30, 2020:

Market	Data center	Estimated date ready for service (HHYY)	Type	Tenure	Area under construction[2]	Area pre-committed	Pre-commitment rate[1][2]
Greater Shanghai	KS3	2H20	Purpose-Built	Owned	5,290	5,290	100%
	SH12	2H20	Purpose-Built	Leased	3,653	3,653	100%
	SH13	2H20	Converted	Leased	6,493	4,250	65%
	SH14	2H20	Converted	Owned	11,040	7,000	63%
	SH15	2H20	Converted	Leased	1,518	1,518	100%
	SH16	2H20	Converted	Owned	3,000	0	0%
	SH17 (Phase 1)[3]	1H21	Converted	Owned	6,188	6,188	100%
	CS1	2H21	Purpose-Built	Owned	11,088	6,060	55%
Greater Beijing	BJ7	2H20	Converted	Leased	11,116	3,857	35%
	BJ8	1H21	Converted	Leased	10,911	10,911	100%
	LF2	2H20	Converted	Leased	4,859	4,859	100%
	LF3	1H21	Purpose-Built	Owned	11,664	11,664	100%
	LF4	2H21	Purpose-Built	Owned	14,832	7,416	50%
	LF5	2H21	Purpose-Built	Owned	14,832	7,665	52%
	LF8	2H20	Converted	Leased	2,663	2,663	100%
Greater Bay Area-Mainland	GZ4	1H21	Converted	Leased	7,000	0	0%
Greater Bay Area-Hong Kong Region	HK1	2H22	Purpose-Built	Owned	7,061	0	0%

Notes:

(1) The ratio of area pre-committed divided by the area under construction.

(2) Excludes approximately 11,665 sqm net floor area relating to three joint venture build-to-suit data centers under construction, 100% of which were pre-committed as of June 30, 2020.

(3) We are developing our SH17 data center in phases. The categorization of data centers by stage of development is applied to each phase of SH17 project.

As of June 30, 2020, 63.8% of our self-developed area under construction was in data center buildings which we own and 36.2% was in data center buildings which we lease. Our self-developed area under construction had an average power density of approximately 2.6 kW/sqm.

Self-Developed Data Center Capacity Held for Future Development. We have also secured data center capacity that we classify as held for future development. We have acquired land and entered into binding framework agreements with local governments for further land acquisitions, and we have entered into agreements in connection with the acquisition and lease for buildings which could potentially be developed into data centers with an estimated aggregate developable net floor area of approximately 323,014 sqm in Tier 1 markets as of June 30, 2020.

Self-developed data center capacity held for future development in Tier 1 markets includes the following:

(i) SH17 Remaining Phases, which is the remaining capacity of an existing industrial building in Shanghai Pujiang Land we previously acquired;

(ii) Shanghai Pujiang site Remaining Phases, which we acquired together with SH16 and SH17, is held for future development;

(iii) Changshu Land Phase 1 (except for CS1), which is the remaining capacity of a site in Changshu for which we have acquired the land use right;

(iv) Changshu Land Remaining Phases, for which we have signed a binding framework agreement with the local government. Under the framework agreement the government commits to initiate the sales process for acquiring the land use right and provide assistance to us in obtaining necessary government approvals and resources for the construction and operation of the project and to allocate power capacity, and we commit to invest in developing the land for data center use and to generate taxable income. The land is reserved subject to the completion of land expropriation and relocation, satisfaction of other grant conditions and subsequently entering into a land use right grant contract through relevant tender, auction or listing-for-sale procedures;

(v) KS4, a site in Kunshan which we have leased and which is approximately 6 kilometers from our existing KS1, KS2 and KS3 data centers;

(vi) Langfang Land Site 1 Phase 3, for which we have signed a binding framework agreement with the local government. Under the framework agreement, the government commits to initiate the tender, auction or listing-for-sale process for the acquisition of the land use right and to provide assistance to us in obtaining the necessary government approvals and resources (including water supply, power supply, heating supply, among others) for the construction and operation of the project, and we commit to invest in developing the land for data center use and to generate taxable income. The major commitments of the government and us are subject to the completion of land expropriation and relocation, satisfaction of other grant conditions and subsequently entering into a land use right grant contract through relevant tender, auction or listing-for-sale procedures;

(vii) Langfang Land Site 2, adjacent to our Langfang Land Site 1, for which we have acquired land use rights;

(viii) LF9, a site in Langfang, located approximately 50 kilometers from Beijing, for which we acquired the project company in June 2020;

(ix) SZ4 (Phase 2), an existing building in Shenzhen which we have leased and which we are developing in two phases;

(x) a site in Guangzhou for which we have entered into a land use right grant contract;

(xi) GZ3 (Phase 3), which is an extension of an existing building in Guangzhou which we have leased and are developing in three phases;

(xii) HZ1, which is an existing building in Huizhou, Guangdong Province, China that we have leased;

(xiii) SZ7, which is a site in Shenzhen that we have leased;

(xiv) HK2, which is a brownfield site in Hong Kong nearby HK1 which we have acquired and intend to redevelop;

(xv) CD2 (Phase 2), which is an extension of an existing building shell in Chengdu which we own and are developing in two phases;

(xvi) CD3, which is a site in Chengdu adjacent to CD1 and CD2 for which we have secured land use rights; and

(xvii) a Chongqing site, for which we have acquired land use rights.

The following table presents certain information relating to our self-developed data centers held for future development in Tier 1 markets as of June 30, 2020:

Market	Data center	Tenure	Area held for future development (sqm)
Greater Shanghai	(i) SH17 Remaining Phases	Owned	13,468
	(ii) Shanghai Pujiang site Remaining Phases	Owned	50,500
	(iii) Changshu Land Phase 1 except for CS1	Owned	21,763
	(iv) Changshu Land Remaining Phases	Owned	32,851

Market	Data center	Tenure	Area held for future development (sqm)
	(v) KS4	Leased	3,500
Greater Beijing	(vi) Langfang Land Site 1 Phase 3	Owned	30,000
	(vii) Langfang Land Site 2	Owned	24,000
	(viii) LF9	Leased	10,830
Greater Bay Area-Mainland	(ix) SZ4 (Phase 2)[1]	Leased	5,268
	(x) Guangzhou Land	Owned	34,200
	(xi) GZ3 (Phase 3)[1]	Leased	3,441
	(xii) HZ1	Leased	12,533
	(xiii) SZ7	Leased	18,714
Greater Bay Area-Hong Kong Region...	(xiv) HK2	Owned	7,440
Chengdu/Chongqing	(xv) CD2 (Phase 2)[1]	Owned	11,286
	(xvi) CD3	Owned	10,220
	(xvii) Chongqing	Owned	33,000

Note:

(1) We are developing our SZ4, GZ3 and CD2 data centers in phases. The categorization of data centers by stage of development is applied to each phase of the SZ4, GZ3 and CD2 projects.

As of June 30, 2020, 83.2% of our Tier 1 market self-developed area held for future development was related to property which we own or expect to own pursuant to binding framework agreements and 16.8% was related to property which we lease or expect to lease pursuant to the relevant binding agreements.

The following table presents certain information relating to our self-developed data centers that have a further aggregate developable net floor area of approximately 30,000 sqm area held for future development in Tier 1 markets which we secured subsequent to June 30, 2020:

Market	Data center	Tenure	Area held for future development (sqm)
Greater Shanghai	KS5	Leased	6,400
	KS6	Leased	6,400
Greater Beijing.....	BJ13	Owned	18,000

Between August 2019 and June 2020, we have entered into several framework agreements or equivalent legal documents with relevant local governments and development agencies with a view to potentially acquiring the land use rights for certain parcels of land for the development of data centers in (i) Wulanchabu, located approximately 300 kilometers from Beijing, and (ii) Nantong, located approximately 100 kilometers from Shanghai. The acquisition of such land use rights is subject to execution of definitive agreements. We expect that the consummation of these acquisitions would provide us with additional developable net floor area of approximately 34,000 sqm in locations outside Tier 1 markets. The developable net floor area estimates are subject to a number of contingencies and uncertainties.

Third-Party Data Centers

In addition to operating and providing services in our self-developed data centers, we also provide data center services with respect to net floor area that we lease from third-party data center providers on a wholesale basis and use to provide colocation and managed services to our customers. For this kind of facility, we typically enter into leases for fixed terms of three to ten years. As of June 30, 2020, we operated capacity at approximately 19 third-party data centers with an aggregate net floor area of 9,510 sqm in service.

The third-party data centers where we lease capacity on a wholesale basis were not purpose-built or converted according to our design and technical specifications. However, on a selective basis, we may carry out improvement work at third-party data centers in order to attain the performance levels required to serve our customers. In particular, one of our third-party data centers is a facility in which we leased increasing amounts of space over time, so that we now lease the entire data center. As we accumulated leased data center capacity in the data center over time, and we never conducted any comprehensive conversion or repurposing of the facility, we continue to categorize that data center as a third-party data center.

Joint Venture Data Centers

In August 2019, we entered into a strategic cooperation framework agreement with GIC to develop and operate ten hyperscale build-to-suit data centers in locations outside Tier 1 markets in China for a leading internet and cloud service provider, which is a strategic customer of us. In parallel with the strategic cooperation framework agreement, we also signed a memorandum of understanding with the same strategic customer to develop seven build-to-suit data centers at several of its campuses serving different regions of China, including Nantong, Jiangsu Province, Heyuan, Guangdong Province and Wulanchabu, Inner Mongolia Autonomous Region. According to the strategic cooperation framework agreement, we will set up individual project companies to undertake the development of each data center and own 100% during the construction phase. Upon completion of each data center, subject to certain conditions, we will sell a 90% equity interest in the project company to GIC and accordingly the project company will become a joint venture. We will continue to hold the remaining 10% equity interest of the project company and provide management and operating services to the joint venture, and GIC will pay us management fees for our provision of management services. As of June 30, 2020, we had approximately 11,665 sqm net floor area relating to three joint venture data centers in service, 100% of which were committed, and approximately 11,665 sqm net floor area relating to three joint venture data centers under

construction, 100% of which were pre-committed. We still held 100% of the equity interests in the project companies holding such joint venture data centers as of June 30, 2020, as certain equity transfer conditions had not been met.

Lease Agreements Relating to Our Data Centers

We enter into leases in connection with our self-developed data centers. In addition, certain third-party data centers in which we lease capacity on a wholesale basis are subject to property lease agreements. Under relevant PRC laws and regulations, lease agreements are required to be registered or filed with the relevant housing authorities. Among the data centers that we lease, including those under construction, the majority of the lease agreements have not been filed with relevant authorities in accordance with the applicable PRC laws and regulations. The failure to register or file the lease will not affect the legal validity of the lease agreements but may subject us to fines. In order to address the situations where the relevant leases have not been registered by the lessors, we have communicated with the relevant lessors with regard to completing the registration of the relevant lease agreements to the extent practicable. However, there is no guarantee that the lessors will respond to our requests or take remedial action with regard to the lack of registration and filing, and we, or the third-party lessors, may be liable if timely rectifications are not made. A portion of any such losses will be recoverable from the lessors according to the terms of certain of the lease agreements. See "Risk Factors — Risks Relating to Our Business and Industry — Our failure to comply with regulations applicable to our leased data center buildings may materially and adversely affect our ability to use such data centers."

Our Services

We offer a broad range of services including colocation services and managed services, which includes managed hosting services and managed cloud services. We also provide certain other services, including consulting services. We primarily provide colocation services to cloud service providers while we provide both colocation services and managed services to all other customers.

The following table sets forth a breakdown of our net revenue by service for the periods indicated:

	Years ended December 31,			Six-month periods ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
Colocation services	1,219,086	2,104,259	3,261,745	1,532,192	2,069,387
Managed service and others	372,774	655,231	832,826	343,848	497,677

	Years ended December 31,			Six-month periods ended June 30,	
	2017	2018	2019	2019	2020
				(unaudited)	
Service revenue	1,591,860	2,759,490	4,094,571	1,876,040	2,567,064
IT equipment sales	24,306	32,587	27,834	990	15,559
Total	1,616,166	2,792,077	4,122,405	1,877,030	2,582,623

Colocation Services

We offer our customers a highly secure, reliable and fault-tolerant environment in which to house their servers and related IT equipment. Our core colocation services primarily comprise the provision of critical facilities space, customer-available power, racks and cooling. Our customers have several choices for hosting their servers, networking and storage equipment. They can place their equipment in a shared or private space that can be customized to their requirements. We offer a variety of power options to suit individual customer requirements, including high power density racks. In some instances, colocation customers will request that we provide IT equipment for their use in our data centers. In such cases, we will sell such IT equipment to the colocation customer.

Our data centers are high-performance, with high availability, high power density and high power efficiency, which combination is critical to satisfying the most demanding needs of hyperscale customers. Our IT infrastructure platform of interconnected data centers is located strategically in and around Tier 1 markets, enabling high performance while lowering connectivity costs. Our ecosystem has attracted all leading public cloud service providers to our platform and thereby offers value to enterprises that have hybrid clouds or need to connect to cloud service providers. For these reasons, we believe our colocation services are innovative.

Managed Services

Managed Hosting Services. Our managed hosting services comprise a broad range of value-added services, covering each layer of the data center IT value chain. Our suite of managed hosting services includes business continuity and disaster recovery, or BCDR, solutions, network management services, data storage services, system security services, operating system services, database services and server middleware services. Our managed hosting services are tailored to meet the specific objectives of individual customers. We help our customers reduce their costs, re-engineer existing processes, improve the quality of service delivery and realize a better return on their investment.

Our network management services help our customers to design and maintain their private network systems. Our data storage services provide storage architecture design and customization for specific requirements. Our system security services include identity and access control, firewall management, intrusion protection and vulnerability protection services. Our operating system services provide pro-active administration, management, monitoring and reporting across a wide range of operating systems. Our database services provide database customization and performance tuning operation, administration and monitoring services across a range of database platforms. Our server middleware services provide customization and performance tuning services across a range of platforms. We also offer consulting services for customers who request additional know-how and guidance relating to disaster recovery and other aspects of our managed hosting services. Our managed hosting services are provided on a continuous basis over the term of the agreement.

Managed Cloud Services. The adoption of cloud computing continues to rise and has become a key element of IT strategy for enterprises globally. We believe that our data centers are well-suited for the hosting of cloud platforms. As a result, we have succeeded in attracting most of the largest cloud service providers in China to colocate their public cloud platforms in our data centers.

The presence of major public cloud platforms in our data centers enables us to offer our enterprise customers direct private connection to high capacity cloud resources of their choosing across our network infrastructure. We are able to provide such services at minimal incremental cost, while enabling our customers to enjoy a number of critical operational benefits as a result, such as high reliability, high flexibility, and high efficiency. We also assist our enterprise customers to access cloud resources by providing and reselling public cloud services offered by major cloud service providers, including certain of our major customers. This has the added benefit of assisting our cloud service provider customers with their route to market.

Large enterprises are increasingly deploying a combination of multiple private, hosted, or public cloud services, a configuration known as hybrid cloud. While this configuration can provide enterprises with greater flexibility, scalability, security and cost efficiency, it also presents new challenges in integrating and operating multiple systems. Leveraging our long track record as a provider of IT managed services, we are developing an innovative service platform to assist our enterprise customers to integrate and control every aspect of their hybrid cloud computing environment across their private servers and one or more public cloud service providers. In addition, we offer consulting services for customers who request additional know-how and assistance concerning the implementation of cloud-based solutions, such as migration from physical to cloud-based hosting. As part of the offering, we also provide our customers with cloud resources.

Data Center Sourcing and Development

We believe that the size, location, and quality of our facilities are key to maintaining our competitiveness. We apply the same rigor to the process of sourcing, design and construction as we do to our operations. We have a substantial in-house team dedicated to sourcing, feasibility analysis, technical design, costing and project management. The process is comprised of the following steps:

- *Planning and Sourcing.* Our strong customer and industry relationships, combined with our data center presence in key markets in each region and direct sales force, afford us insight into the size, timing, and location of future demand. We incorporate this insight into a multi-year resource plan for our key markets. Our in-house team begins sourcing potential sites a few years in advance of planned delivery. We seek to secure sites both in close proximity to central business districts or to areas where there is a concentration of enterprise operations centers so as to satisfy the location preferences of our target customer segments. We consider both greenfield sites when available, and also existing industrial buildings suitable for conversion. We require security of tenure for a minimum of ten years. Our team works closely with local government authorities to obtain necessary permits and approvals, with electric utilities to obtain sufficient power infrastructure and supply, and with telecommunications carriers to ensure multi-carrier connectivity to our data centers. We generally seek to secure sites that can support a net floor area of at least 5,000 sqm per data center building and sufficient power capacity to fulfill the requirements of the customer segments which we expect to serve in the facility.

- *Design and Construction.* We undertake the technical design, specification and costing in-house as we believe that these are important to ensuring the data center meets our strategic requirements. This also enables us to achieve a high level of design standardization. We continuously study new engineering and technologies to maintain an advanced design. Our in-house team also takes responsibility for construction project management, which includes scheduling, vendor selection, procurement, budget control and cost analysis, and quality supervision and assurance. We believe that these elements are important to ensure the project is completed on time, within budget and to the required quality standard. We begin construction of a facility from six months to over two years in advance of planned delivery, depending on the complexity of the project.

- *Commissioning and Fit Out.* After the shell and core of a building are completed, we work with our contractors and suppliers to make the data center ready for service. This involves: (i) obtaining necessary operating permits and approvals; (ii) equipping and fitting out the critical facilities area for utilization by customers; and, (iii) pre-operational testing, also referred to as commissioning, to ensure that the facility is fully functioning and capable of providing the required service levels. We have a team dedicated to testing and commissioning before operations commence.

Operations

We have separate teams for data center operations and service delivery. Our data center operations team is responsible for directing, coordinating and monitoring the daily operation of our data center facilities. Our service delivery team is responsible for delivery of the services which we provide to customers on a 24/7 basis. Our teams are deployed in regional operations centers, as well as on site, in order to provide two layers of management and support. We outsource part of the above operations and service delivery, primarily on-site security, cleaning and greening service, part of the 24/7 on duty operations and IT and customer service delivery to reputable third-party service providers.

We undertake in-house all technical functions which impact data center performance, including floor planning, equipment lifecycle management, optimizing data center efficiency, surveillance of the critical facilities environment and network performance, incident response management and rectification. We also undertake in-house substantially all activities which have a direct bearing on customers, including support for setting up customer IT equipment, remote hands services, outsourced IT operations, incident and compliance reporting, and response to customer requests.

We have developed a proprietary Data Center Operation Management Platform which provides real-time information on many aspects of data center operating performance and enables us to streamline our data center management processes. We have also developed robust operating procedures, protocols and standards which enable us to meet or exceed the performance and quality levels specified in our service level agreements, or SLAs, with the most sophisticated customers. We have been certified ISO9001, ISO20000 and ISO27001 for more than ten years, and received certification for ISO 22301 in September 2016. As of June 30, 2020, we had 12 data centers awarded with "Management and Operations ("M&O") Approved Site" awards by the Uptime Institute, an unbiased advisory organization focused on improving the performance, efficiency, and reliability of business-critical infrastructure. In 2018, we signed a three-year framework contract with the Uptime Institute to support continuous verification of operation and maintenance capabilities of our data centers. At the same time, in order to verify the unified regional operation and management capability based on our Data Center Operation Management Platform, the Uptime Institute also awarded the regional "M&O Approved Site" to GDS. We believe that our standard of data center operations, which reflects our history and culture as an IT service provider, set us apart from many data center service providers in China.

Our Customers

We had one customer that generated 25.2% of our total net revenue in 2017 and two customers that generated 27.0% and 17.4% of our total net revenue, respectively, in 2018. We had three customers that generated 27.2%, 19.1% and 10.8% of our total net revenue, respectively, in 2019. We had two customers that generated 26.7% and 18.6% of our total net revenue, respectively, in the six months ended June 30, 2020. No other customer accounted for 10% or more of our total net revenue during those periods.

We consider our customers to be the end users of our services because: (i) we are selected as vendor by our end users; (ii) we negotiate and agree all aspects of the sales agreements with our end users, including scope of work, pricing and other commercial terms, design, specification, and customization of the parts of the facility which they will use, delivery schedule, and extensive service level parameters; (iii) we work directly with our end users on the delivery, installation, cabling, testing, operation, and monitoring of their IT systems; and (iv) we generally reconcile with our end users the amount of services (including net floor area and power) which they have used and the financial amount billable for each billing period. We may enter into sales agreements directly with our customers or, at the customer's request, provide services to our customers through agreements with intermediate contracting parties, such as the major PRC telecommunications carriers. We understand our customers may request us to provide services to them through the major PRC telecommunications carriers for commercial reasons, and it is a common practice in the industry, according to iResearch. When a PRC telecommunications carrier acts as an intermediate contracting party, we bill them and collect cash payment from them. We have long-standing relationships with all the major PRC telecommunications carriers who are both intermediate contracting parties for the sale of our services to our customers, as well as partners providing network services to our customers and, to a significantly lesser extent, end users of our services.

As of June 30, 2020, we served 673 customers, including hyperscale cloud service providers and large internet companies, a diverse community of PRC and foreign financial institutions as well as telecommunications carriers and IT service providers and large domestic private sector and multinational corporations, many of which are leaders in their respective industry verticals. We host the largest PRC and global public cloud platforms operating in China, some of which are present in multiple GDS data centers.

Our cloud service provider, large internet, financial institution and enterprise customers accounted for 71.8%, 17.0%, 6.1% and 5.1% of our total area committed (excluding joint venture data centers) as of June 30, 2020, respectively. Our two largest customers accounted for 33.4% and 21.6%, respectively, of our total area committed (excluding joint venture data centers) as of June 30, 2020. No other customer accounted for 10% or more of our total area committed as of that date.

The following table presents the total area committed (excluding joint venture data centers) of our top five customers, all of which are cloud service providers or large internet companies, as of June 30, 2020:

Customer	Total area committed (sqm)[1][2]	Total area committed (%)[2]
Customer 1	111,230	33.4%
Customer 2	71,988	21.6%
Customer 3	23,182	7.0%
Customer 4	19,370	5.8%
Customer 5	19,164	5.7%

Notes:

(1) Represents the sum of area committed and area pre-committed by each of these customers.

(2) Excludes joint venture data centers.

We endeavor to establish strategic relationships with key customers, particularly hyperscale cloud service providers and large internet companies who have large data center capacity requirements and who can help enhance the value of our data center ecosystem.

Sales Agreements

Contract Term

A substantial majority of our sales agreements are for multi-year service periods. Agreements with our cloud service provider and large internet customers typically have service periods of three to ten years, while agreements with our financial institution and enterprise customers typically have service periods of one to five years. The service period starts either on a date specified in the sales agreement, or within a specific time period when the data center is ready for the customer's use and the customer has accepted delivery in accordance with the provisions of the sales agreements.

Pricing Structure

We have two main pricing structures depending on the preferences of individual customers. Most of our sales agreements with our cloud service provider and large internet customers have unbundled pricing. Under such pricing structure, we charge our customers for the right to use a specific amount of net floor area, power capacity and other services. In addition to which, we also charge our customers based on the actual amount of power which they consume. Unbundled pricing is often expressed as a price per square meter or a price per kilowatt for the right of use and a price per kilowatt/hour for power consumed. Most of our sales agreements with our financial institution and large enterprise customers have bundled

pricing. Under such pricing structure, we charge our customers for the right to use a specific amount of net floor area, power capacity and other services, without any additional charge for power consumed as long as their actual power usage does not exceed a stated limit. Bundled pricing is often expressed as a price per rack or cabinet. Under both unbundled and bundled structures, the unit price which we charge per square meter, per kilowatt, per rack or cabinet is generally fixed over the term of the sales agreement, except for permitted adjustments when input power tariffs change. We do not charge any fee for reserving or committing capacity prior to the commencement of the service period.

Move-in Period

Commencing at the start of the service period our sales agreements typically provide for a flexible move-in period. During such period, customers have the right to use part or all of the services for which they have committed. They are billed for the amount of services they actually use, subject to a minimum billable amount as stated in such sales agreements. Such minimum billable amount typically steps up over time. In practice, during the move-in period, most customers' actual usage and billing is higher than the minimum. Our sales agreements with anchor customers with largescale commitments typically allow for a move-in period of 12 to 24 months, whereas our sales agreements with financial institutions and large enterprise customers typically allow for a move-in period of three to six months. Such move-in periods are common in our industry, according to iResearch.

Contract Renewal and Termination

Most of our sales agreements provide for automatic renewal at the end of the service period, subject to mutual agreement of renewal terms.

Many of our sales agreements give customers the option of early termination after the end of the move-in period, subject to a notice period of one to six months and payment by the customer of specified costs and penalties. In certain cases, we are entitled to a substantial amount of early termination damages equivalent to up to 12 months' service fee, in addition to payment for our services already provided before such early termination. Customers may also terminate the sales agreements if we fail to perform the contracted services. In this circumstance, customers are generally required to notify us of their intention to terminate and to allow us a period of time to rectify any service failure.

We had a very low incidence of sales agreements that expired without renewal or terminated early, as evidenced by our average quarterly churn rate of 2.1%, 0.9%, 0.5% and 0.6% for the years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020, respectively.

Billing

We generally bill customers on a monthly or quarterly basis in arrears. On a monthly basis, we recognize revenue as service is rendered in the period. As we are billing in arrears, this results in unbilled receivables between the time when we have the unconditional right to the consideration for the services we provided to our customers (i.e. billable revenue) and the time when we actually bill our customers. Once we issue the bill at the end of the monthly or quarterly billing period, it becomes a billed receivable and then we collect cash payment. This is a recurring cycle and it is common in businesses which provide services on a long-term contract basis, recognizing revenue as services are rendered and billing in arrears. We have a very low incidence of doubtful accounts and write-offs. See "Risk Factors – Risks Relating to Our Business and Industry – If we fail to manage effectively or collect our accounts receivable, our results of operations, financial condition and liquidity may be adversely affected." During the Track Record Period, we recorded nil, RMB241 thousand, RMB133 thousand, and RMB452 thousand of allowance for doubtful accounts in 2017, 2018, 2019 and the six months ended June 30, 2020, respectively and only recorded a write-off of RMB382 thousand in 2019.

Our Suppliers

Our five largest suppliers accounted for less than 60% of our purchases for each of the three years ended December 31, 2017, 2018 and 2019 and the six months ended June 30, 2020; and none of them individually accounted for more than 30% of our annual purchases over this same period.

Sales and Marketing

Sales. Our sales activities are mainly conducted through our direct sales force. We organize our direct sales force into four geographic regions, Northern China, Southern China, Eastern China and South-western China. We incentivize our sales force to meet their annual targets through performance-based bonuses. For new customers, our sales cycle typically begins with creating a sales plan for a particular region or industry and then identifying new customers in these regions or industries. We also receive referrals from our vendors and other relationships, and often our reputation attracts customers to our services without any directed sales efforts. For our existing customers, our sales team focuses on identifying upsell opportunities.

Many of our customer agreements are won through a competitive bidding process. For new customers, the bidding process begins with evaluation of the potential customer's requirements. We formulate a service proposal based on these requirements. Our team representing multiple departments prepares a proposal to meet the required service scope and level. We negotiate the agreement and service details.

Marketing. To support our sales effort and to actively promote our brand, we conduct wide-ranging marketing programs. Our marketing strategies include active public relations and ongoing customer communications programs. We participate in a variety of IT industry and

financial services industry conferences and workshops to raise awareness about the value of data center services. We also build our brand recognition by participating in industry and government workshops and industry standard-setting bodies, such as the China National Institute of Standardization Committee on Disaster Recovery for Information Systems.

Innovation, Technology and Intellectual Property

We employ a modular approach to developing, commissioning, equipping and fitting out our data center facilities. This approach allows us to cater to a range of customer requirements with regard to redundancy, power density, cooling, rack configuration and other technical specifications. The modular approach is an innovative construction technique designed to shorten the development timeline and lower costs, as advocated by leading industry participants. Additionally, we are adopting innovative pre-fabrication technology to further shorten the development period in order to meet the requirements for increasingly larger scale data centers. We were able to develop these innovative approaches as a result of having established and grown our own in-house data center design and construction project management capability, the experience gained through executing a hyperscale development program over multiple years, and by leveraging the know-how of certain of our international strategic partners.

We operate our data center facilities using a proprietary Data Center Operation Management Platform that was almost entirely developed in-house. It provides real-time monitoring of key operational metrics, allowing for greater efficiency of data center management processes. In addition, we have self-developed additional operational enhancement tools and technologies including robots, AI and smart buildings. This system was developed based on our proprietary know-how in customer service and the operation of data centers.

We rely on a combination of copyright, trademark, trade secrets and other intellectual property laws, nondisclosure agreements and other measures to protect our intellectual property, such as our proprietary storage and management system, for which we have registered a copyright. We also promote protection through contractual prohibitions, such as requiring our employees to enter into confidentiality and non-compete agreements which are applicable to selected employees.

As of the Latest Practicable Date, we had 111 registered computer software copyrights and 91 trademark registrations in China, and one pending trademark application outside China, including registered trademarks for "GDS" and  , our figure trademark. As of the Latest Practicable Date, we had 25 patents granted and 10 patent applications in China, and had registered 13 domain names, including "gds-services.com".

We derive most our revenues in China and use  , our figure trademark, in a majority of our services. We have registered the figure trademark in China in several categories that cover our service areas and we plan to register the figure trademark in China in certain additional categories. We have also registered the pure text of "GDS" as a trademark in several categories

that cover our services areas; however, a third party has also registered the pure text of "GDS" as a trademark in certain IT-related services. It is our belief, based on our industrial experience, that our business is different from the services for which the third party registered its trademark. Nevertheless, since the services for which the third party's trademark is registered are also IT-related and could be deemed as similar to ours to some extent, we cannot assure you that a government authority or court will hold the same view with us that such similarity will not cause confusion in the market. In such a case, if we are to use the pure text of GDS as our trademark, we may be required to explore the possibility of acquiring this trademark, or entering into an exclusive licensing agreement with the third party, which will cause us to incur additional cost. See "Risk Factors — Risks Relating to Our Business and Industry — We may be subject to third-party claims of intellectual property infringement."

Seasonality

Our business is not materially affected by seasonality.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We have in place insurance coverage up to a level which we consider to be reasonable and which covers the type of risks usually insured by companies on the same or similar types of business as ours in China. Our insurance broadly falls under the following nine categories: construction and installation, work interruption expense due to public health event, business interruption for lost profits, property and casualty, public liability, cyber security liability, directors and officers liability, employer liability and commercial employee insurance.

Competition

We offer a broad range of data center services and, as a result, we may compete with a wide range of data center service providers for some or all of the services we offer.

We compete on the basis of our data center quality, operating track record and differentiated managed service capabilities.

We primarily compete with other carrier-neutral data center service providers, including:

- *Domestic carrier-neutral data center service providers.* We compete with domestic carrier-neutral data center service providers with a presence in some of our markets, such as 21Vianet, Sinnet, Baosight and AtHub. We believe that we are well-positioned in terms of our operational track record and our ability to: deliver high-performance data center services in all key markets; maintain consistently high facility and service quality; continue capacity expansion in all key markets to accommodate growing demand; and provide differentiated managed service offerings with a unique value proposition.

- *International carrier-neutral data center service providers.* We compete to a lesser extent with foreign carrier-neutral data center service providers such as Equinix, KDDI and NTT Global Data Centers, each of which has a presence in Shanghai and/or Beijing and primarily serves international customers. We believe that we distinguish ourselves by our larger capacity and more extensive market presence across the key economics hubs in China, deep operating knowledge and long track record in the China market, and long-term relationships with the telecommunications carriers.

We also face competition from the state-owned telecommunications carriers, namely China Telecom, China Unicom and China Mobile. One of the main purposes for which these carriers develop data centers is in order to facilitate the sale of related telecommunications network services. In locations outside of the key economic hubs, these three carriers may sometimes be the only available provider of data center services. We distinguish ourselves from these carriers because we are carrier-neutral, enabling our customers to connect within our facilities with all three carriers based on their cost and/or network and application requirements. Although we compete with carriers for colocation customers, our customers also rely on the connectivity that carriers provide. We believe that we also have a mutually beneficial relationship with these carriers since our data center services often help carriers attract more customers for their telecommunications services.

Risk Management and Internal Control

We have established risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations.

Information Security Risk Management

We have established a system comprised of our policy, guidelines and management task force to ensure the security of our and our customers' information. See "— Environmental and Operational Sustainability Initiatives — Information security" for further details.

We have adopted and published a privacy policy on our website that explains how we collect, use, share and protect personal information. We sign confidentiality agreements with all our employees, customers and suppliers to prevent unauthorized disclosure of information. We also regularly conduct trainings and inspections under the supervision of our management to strengthen information security.

Anti-corruption Risk Management

We have anti-corruption compliance policies in place that clearly define requirements for our employees, vendors and suppliers to comply with applicable laws and regulations and act with integrity. See "— Environmental and Operational Sustainability Initiatives — Anti-corruption" for further details.

Business Continuity

We have established a plan and management system to ensure the continuity of our business. We conduct impact analyses of our business and our customer engagements to identify resources necessary for each line of our business and its potential risks.

As part of our business continuity plan, we have adopted an emergency operating procedure to and mitigate potential disruptions from power outages, fires or floods, typhoons, other natural disasters and public health events. We conduct an emergency drill on an annual basis and evaluate our performance during the drill to further improve our procedure. We also regularly conduct trainings with relevant personnel to ensure their preparedness to manage emergency situations and handle potential contingencies.

In order to ensure the availability of our power supplies, energy transmission as well as fire prevention and detection systems, we implement a monthly operating and inspection plan and annual maintenance plan for relevant equipment.

Environmental and Operational Sustainability Initiatives

As a leading developer and operator of high-performance data centers in China, we are dedicated to delivering cutting-edge, comprehensive data center solutions that offer high power efficiency, guaranteed uptime, a key market footprint, carrier neutrality, and rigorous operating standards. We are equally committed to delivering these solutions in a responsible, transparent manner that drives sustainability and enhances value creation for all our stakeholders.

Environmental sustainability. Managing our data centers' energy consumption and corresponding environmental impact is of great importance to us. We use energy conservation technology in our data centers, including recycling excess heat from the heating and ventilation system, and supply to our office area in the data centers or nearby offices. We also use high-efficiency transformers, modular high-efficiency uninterruptible power supplies, and high voltage direct current to reduce energy transmission and distribution loss. Moreover, we developed a customized energy efficiency assessment tool to more precisely manage our data centers' PUE. In 2019, our self-developed data centers achieved an average PUE of 1.25-1.4 times, compared to a global average for data centers of 1.67 times in 2019, according to iResearch.

We are also making progress in reducing our greenhouse gas emissions by utilizing renewable energy whenever it is available at the location of our data centers. We use hydroelectric energy for our two self-developed data centers in Chengdu and wind power for our four build-to-suit data centers at Zhangbei, Hebei Province. Several of the joint venture data centers in our development program will also use renewable energy. We are actively seeking ways to increase our use of renewable energy, including by potentially contracting directly with renewable energy suppliers.

As of June 30, 2020, seven of our self-developed data centers have been recognized and awarded sustainability related certifications by leading domestic and global organizations. Among the seven data centers, three have earned LEED certifications with two having been conferred with a gold award, two have been recognized as National Green Data Center by the MIIT and six have been honored as Green Data Center by Open Data Center Committee (ODCC) including one 5A Level data center, which is regarded as the highest standard of green data center in China. In addition, twelve of our facilities have obtained the Uptime Institute's Management & Operation Stamp of Approval, which is widely recognized as the global standard of excellence for data center reliability, sustainability and efficiency.

Information security. We are dedicated to offering our customers first class disaster recovery solutions and efficient high-availability hosting, network, and cloud services. We have established an information security management task force to be responsible for identifying, evaluating, and mitigating potential information security risks related to our business operations. We have formulated GDS cyber security management policy and information security management guidelines, based on the ISO27001 information security management standard, to provide a framework for the protection of information security and all valuable information, data and intellectual property within GDS. Our information security management system assigns detailed areas of responsibility across our Company to ensure the security of information stored in and transmitted through our data centers. We conduct internal and external information security audits on an annual basis. We also invite independent third-party auditors to conduct information security risk assessments on an ad hoc basis.

Anti-corruption. We have a zero-tolerance policy for corruption. We operate our business in China and Hong Kong and are thus subject to PRC and Hong Kong laws and regulations related to anti-corruption, which prohibit bribery to government agencies, state or government owned or controlled enterprises or entities, to government officials or officials that work for state or government owned enterprises or entities, as well as bribery to non-government entities or individuals. We are also subject to the FCPA, which generally prohibits companies and any individuals or entities acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business, along with various other anti-corruption laws.

We have compliance policies in place that clearly define the company's compliance requirements, including business ethics, vendor access and the acceptance and provision of travel and entertainment and gifts. We have also established an ethics committee under the oversight of the audit committee to supervise matters related to FCPA compliance. Our whistle blowing policy and the related reporting mechanism provide a confidential and protected channel for reporting suspected compliance violations. Regardless of position or location, we require all GDS employees to comply with our anti-corruption compliance policies and attend related trainings to embrace the highest standard on integrity.

We constantly make improvements to our procurement policies and processes from the compliance perspective, and have implemented measures including conducting supplier due diligence, requiring our suppliers to enter into non-disclosure agreements and make commitments to act with integrity.

Employment and talent development. We are committed to providing all of its employees with equal employment opportunities and a workplace culture of honesty, integrity, and mutual respect. We regularly update our employee handbook to address our talent recruitment principles and strongly oppose discrimination or harassment based on characteristics including race, religion, gender, age, and nationality. As of June 30, 2020, we had 1,220 full-time employees, of which, 18% were female. Female employees comprise 24% of our mid to senior level management staff and 18% of our board of directors are women.

We aim to provide our employees with a fair and transparent career development platform, with training opportunities available to all employees. We adopt "growth mindset" and use 3E (Experience, Exposure and Education) as our main development methodology to provide a wide range of orientation for new hires, on-job training, internal and external knowledge sharing, formal professional training, job related certification and others.

Employees

As of June 30, 2020, we had 1,220 full-time employees. We had 740, 893 and approximately 1,100 employees as of December 31, 2017, 2018 and 2019, respectively. The following table sets forth the number of our employees by function as of June 30, 2020:

	Number of employees	% of total
Colocation services	694	56.9%
Managed services	104	8.5%
Sales and marketing	86	7.1%
Management, finance and administration	336	27.5%
Total	1,220	100%

To maintain the highest level of service, employee training and certification is essential to ensure that our employees meet and exceed industry requirements. Many of our engineering employees have received training and certifications from globally recognized IT service organizations, such as IBM AS/400 certifications, CCIE Safety Certified qualifications, VMware VCP and CISP Certificates.

We pay most of our employees a base salary and performance-based bonuses and provide welfare and other benefits required by law. In addition, we provide some of our employees with share-based compensation to align their interests more closely with our shareholders. We believe that our compensation and benefits packages are competitive within our industry. We have not had any labor disputes that materially interfered with our operations and we believe that our employee relations are good.

We also outsource certain operations, primarily on-site security, cleaning and greening service, part of the 24/7 on duty operations and IT and customer service delivery to reputable third-party service providers.

Facilities

Our headquarters are located at F4/F5, Building C, Sunland International, No. 999 Zhouhai Road, Pudong, Shanghai 200137, and People's Republic of China. We also have six regional offices in Suzhou, Beijing, Chengdu, Shenzhen, Guangzhou and Hong Kong.

As of June 30, 2020, our offices are located on leased premises totaling approximately 8,100 sqm across China. We lease our office premises from third parties.

There is no single property interest of our Group that formed part of non-property activities had a carrying amount of 15% or more of our Group's total assets as of June 30, 2020. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirement of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all of our interests in land or buildings.

Legal Proceedings

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

On August 2, 2018, a securities class action lawsuit was filed against GDS Holdings Limited, our Chief Executive Officer Mr. Huang, and our Chief Financial Officer Mr. Daniel Newman (collectively, "Defendants") by Hamza Ramzan, a GDS shareholder in the United States District Court for the Eastern District of Texas. The complaint purports to assert claims on behalf of a class comprising purchasers of GDS's ADS shares during the proposed class period from March 29, 2018 to July 31, 2018. On October 26, 2018 the Court appointed GDS shareholder Yuanli He as the lead plaintiff in the lawsuit, and on December 24, 2018 plaintiffs filed a consolidated amended complaint. The amended complaint alleged, among other things, that GDS made material misstatements and omissions in its 2017 Form 20-F Annual Report with respect to the commitment rate and utilization rate at GDS's GZ1 data center, and inflated the purchase prices for its acquisitions of the GZ2, GZ3, and SZ5 data centers. The complaint

alleged violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b), and Rule 10b-5 promulgated thereunder by the SEC, against all Defendants and also alleged control person claims under Section 20(a) of the Exchange Act against our Chief Executive Officer Mr. Huang and our Chief Financial Officer Mr. Daniel Newman. The complaint sought, among other relief, class certification of the lawsuit, unspecified damages, prejudgment and postjudgment interest, costs and expenses. On February 22, 2019, Defendants filed a motion to dismiss the amended complaint in the United States District Court for the Eastern District of Texas and, alternatively, to transfer venue to the United States District Court for the Southern District of New York. On September 30, 2019, the court granted Defendants' motion to transfer the case to the United States District Court for the Southern District of New York. Defendants then moved to dismiss the action in the United States District Court for the Southern District of New York on December 6, 2019. On April 7, 2020, the court granted Defendants' motion and dismissed the action in its entirety against all Defendants. On May 6, 2020, plaintiffs filed a notice of appeal of that decision. On June 29, 2020, plaintiffs voluntarily withdrew their appeal, resulting in the dismissal of the case against all Defendants with prejudice. Other than as described above, we are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, could have a material adverse effect on our business, financial condition or results of operation.