

# RESPONSES TO A SHORT SELLER'S ALLEGATIONS

21Vianet Group, Inc.

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*All information provided in this report is as of the date of the report, unless otherwise provided, and 21Vianet undertakes no duty to update such information, except as required under applicable law.*

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## Executive Summary

21Vianet Group, Inc. (Nasdaq:VNET) ("21Vianet" or the "Company") is the largest carrier-neutral Internet data center services provider in China.

On September 10, 2014, Trinity Research Group ("Trinity"), a short seller that was allegedly formed in 2014, issued a report that made irresponsible and false accusations about 21Vianet.

As further explained in details below, the allegations Trinity made contain numerous errors and unsupported speculation:

- Trinity accused 21Vianet of running a "Ponzi scheme." The truth is that 21Vianet has been running a market-leading internet infrastructure business for almost 15 years, and this real business has tangible assets, important industry leading customers and contracts that provide stable monthly recurring revenues. 21Vianet's monthly recurring revenue per cabinet is in excess of RMB10,000 and this has been so for the past nine fiscal quarters.
- Trinity wrongly accused that 21Vianet materially overstates the numbers of its data center, cabinets and utilization rates. The truth is that the data provided by the Trinity Report contains many incorrect details and data regarding 21Vianet's datacenter locations, number of cabinets, number of billable cabinets and utilization rates. As of June 30, 2014, the Company had 82 datacenters including 15 self-built and 67 partnered. The self-built datacenters had 11,482 cabinets, and partnered had 5,462 cabinets. 21Vianet has provided a breakdown of its top five self-built and partnered datacenters that contained major discrepancies from the Trinity report.
- Trinity alleged that 21Vianet's data center utilization rates should drop significantly with 21Vianet's increasing cabinet count. The truth is that Trinity failed to understand the Company business model and has used the wrong methodology. The correct methodology to calculate utilization rate should be using the weighted average billable cabinets and weighted average total capacity to calculate quarterly utilization rates. Cabinets that are deployed or billed earlier in the quarter receive a larger weighting because they are utilized for a longer period of time than cabinets that are deployed or billed later in the quarter. 21Vianet has provided the correct calculation.
- Trinity claimed that China has a "massive" IDC oversupply, citing Circular 225

issued by the Ministry of Industry and Information Technology (MIIT). The truth is Trinity confused production rates with utilization rates. Production rates measure the status of facilities already built, as compared to the designed plan, while utilization rates measure the status of facilities sold, as compared to the actual capacity.

- Trinity claimed that because the Company has a significant increase in its A/R Balance and DSOs, this must be caused by overstated IDC revenue. The truth is that a major cause of the high A/R balance and prolonged DSO is the transformation from Business Tax ("BT") to Value-Added Tax ("VAT"). From early 2012, China started a reform of its indirect tax system to phase in a VAT system to eventually replace the BT system. However, the telecommunication services sector was one of the last services sectors to be eligible for VAT inclusion and as of June 30, 2014, 21Vianet was only granted 1,000 VAT invoice forms. A significant portion of 21Vianet's clients had intended to wait until 21Vianet could issue valid VAT invoices for them to claim the relevant tax credits, which contributed significantly to the high A/R balance. In the past few months, 21Vianet has been granted extra VAT invoices, which has begun to provide significant improvement in collections. As of September 5, 2014, the subsequent collections in aggregate amounted to approximately RMB277 million, representing approximately 33% of the total accounts receivables balance as of June 30, 2014. In the two full weeks after it had obtained the extra 1,000 VAT invoices, the average weekly collections amounted to approximately RMB40 million, representing about 63% increase as compared to the average weekly collections in the eight weeks before it.
- Trinity presented its own analysis of 21Vianet's free cash flow showing that the Company has a significant liquidity issue. However, Trinity's projection is misleading due to its lack of knowledge and understanding of the data center industry. Data center companies require upfront capital investments for the land, building and equipment required for the data center infrastructure, which will be paid back at a high IRR in the subsequent years with increasing utilization. In addition, the Company has a very solid cash position and expect to maintain it.

As of September 5, 2014, 21Vianet had cash and cash equivalents of approximately RMB2.70 billion. In addition, the Company anticipates that cash flow from operations will continue to improve in the following quarters as the current bottlenecks in the invoicing system are further reduced. This is expected to further strengthening our cash balance.

- Trinity alleged that 21Vianet has an unhealthy balance sheet with "an enormous 2.7 billion RMB swing in net debt." This allegation was misleading first because 21Vianet's actual and pro forma (taking into account acquisitions) net debt as of June 30, 2014 was RMB653 million and RMB1.712 billion, respectively. These figures represent 1.1 of the current adjusted EBITDA (for the actual June 30, 2014 net debt), or 2.8 of the current adjusted EBITDA (for the pro Forma figure), without taking into

account the contribution of the newly acquired entities in 2015 and beyond. In addition, based on publicly available information, 21Vianet actually has one of the strongest balance sheets among its global peers in the industry as determined by standard measures of financial leverage such as Net Debt to Adjusted EBITDA ratios and one of the highest growth rates based on FY2014 revenue street consensus.

- Trinity alleged that 21Vianet would breach its bonds covenants resulting in possible defaults. Regarding our RMB denominated bonds, other than dividend payment restrictions, the only financial covenant 21Vianet has in its 2014 RMB bonds is the ratio of its adjusted EBITDA to our consolidated interest expenses. This financial ratio is tested on a semi-annual basis using information from our consolidated audited annual and unaudited semi-annual financials. Based on such financial information, it has met the required ratio of adjusted EBITDA over consolidated interest expense required under our existing RMB bonds. Its existing RMB bonds include customary events of default, including payment default, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy and failure to discharge certain judgments. Events such as allegations made by short-sellers, including the allegations made in the Trinity report, a fluctuation in the trading price of its shares or the trading price of the RMB bonds will not give rise to an event of default under the RMB bonds.
- Trinity asserted that 21Vianet made 24 non-strategic, non-core business acquisitions at inflated prices. The fact is we have completed six material acquisitions since we became a public company (not 24.) Each of these transactions was strategic to our Company, completed with care and agreed upon by our board because they believed these acquisitions were in the best interests of the Company. 21Vianet acquisition strategy, since the beginning, has been to acquire companies that enable it to help move China's telecommunication network in a direction that resembles the more advanced networks in developed countries. 21Vianet acquisitions of Fastweb and iJoy allowed us to become a nation-wide major CDN services provider; the investment in AIPU gave it direct access to regional last-mile access network; the Dermott acquisition, once completed, will enable it to become a VPN market leader immediately. Each of these deals was an arm's length transaction, executed with the necessary legal, financial and operational due diligence. One of the most troubling facts in Trinity's report is that, according to an analyst that is not related to us, "some exhibits and evidence used in [Trinity] research paper are indisputably misrepresented. These misrepresentations put into question the merits of the research group's work." As an example, the revenues figures of MNS entities Trinity alleged as being obtained for SAIC are significantly inconsistent with the official records obtained directly from the respective SAIC bureaus in charge of record keeping.

## Section 1. Internet Datacenter Growth and Utilization

### Issue 1.1: Datacenters and Cabinets

#### Claim by Trinity Report - Page 23

Our investigation concluded that VNET has overstated the number of cabinets in its IDC network by at least 2,460 (14.5% of reported) and overstated their utilization by at least 11.1 points.

*Exhibit 13: Summary of Investigation of key IDC metrics (as of 2Q '14)*

	Reported	Actual	Variance		Reported	Actual	
			Count	%			Reported
Partnered Cabinets	5,462	3,950	(1,512)	(27.7%)	Utilized Cabinets	12,522	9,090
Self-built Cabinets	11,482	10,534	(948)	(8.3%)	Utilization Rate	73.9%	62.8%
<b>Total</b>	<b>16,944</b>	<b>14,484</b>	<b>(2,460)</b>	<b>(14.5%)</b>			

Appendix A lists the results of our investigation of all 72 VNET data centers, both partnered and self-built, by location.

#### **Quickly Losing Partners**

Of the 72 data centers that VNET lists in their IDC network, only 12 are self-built. 60 are partnered, meaning VNET leases cabinets from other companies who own the data centers and related fixed assets. As you can see from our investigation results in Appendix A, 31 of the 60

#### Our Response:

As of June 30, 2014, the Company had 82 datacenters including 15 self-built and 67 partnered. The self-built datacenters had 11,482 cabinets, and partnered had 5,462 cabinets. Attached is a breakdown of the top five self-built and partnered datacenters that contained major discrepancies from the Trinity report including the name of datacenters, type of data centers, cabinet numbers, billable cabinets and utilization rates.

From the breakdowns, you will see that the data provided by the Trinity Report contains many incorrect details and data regarding 21Vianet's datacenter locations, number of cabinets, number of billable cabinets and utilization rates. The source of Trinity's information is suspicious and the related allegations made by them are misleading. We summarize the difference on following table:

	Capacity			Utilization rate		
	Trinity Report	VNET	Diff	Trinity Report	VNET	Diff
Self built	10,534	11,482	-948	62.0%	71.5%	-9.5%
Partner	3,950	5,462	-1,512	64.8%	78.2%	-13.4%
<b>Total</b>	<b>14,484</b>	<b>16,944</b>	<b>-2,460</b>	<b>62.8%</b>	<b>73.9%</b>	<b>-11.1%</b>

Trinity uses incorrect data and information to project our IDC Revenue and EBITDA.

Self - built datacenters

Data Centers – 21Vianet				
Item	Data Centers	2014-June Capacity	2014-June Billable	2014-June Utilization rate
1	陕西西安经开数据中心	1,982	1,598	80.6%
2	北京 B28 数据中心	1,961	1,880	95.9%
3	北京亦庄同济中路数据中心	995	920	92.5%
4	广东深圳花园城数据中心	455	168	36.9%
5	北京 M6 数据中心	1,469	820	80.8%

Utilization rate = weighted average billable cabinets / weighted average cabinets capacity.

Example:

1. Shannxi DC(#1 above) utilization rate is  $80.6\% = 1,598/1,982$

2. Beijing M6 DC (#4 above) utilization rate is  $80.8\% = 820/(1469-470+470/30)$ . As we deployed 470 cabinets on June 30, 2014, 470 cabinets only counted 1 day in the utilization rate calculation.

Data Centers – Alleged by Trinity				
Item	Data Centers	Capacity	Billable	Utilization rate
1	山西省西安市经开数据中心	1,200	950	79.2%
2	北京 B28 数据中心	1,400	1,350	96.4%
3	北京亦庄同济中路数据中心	900	700	77.8%
4				
5	北京 M6 数据中心	1,682	1,200	71.3%

DIFFERENCE				
Data Centers	Capacity	Billable	Utilization rate	Remark
陕西西安经开数据中心	782	648	1.5%	
北京 B28 数据中心	561	530	-0.6%	
北京亦庄同济中路数据中心	95	220	14.7%	
广东深圳花园城数据中心	455	168	36.9%	As Partner DC in Trinity
北京 M6 数据中心	-213	-380	9.5%	

### Partnered Datacenters

Datacenters – Alleged by 21Vianet				
Item	Date Centers	2014-June Capacity	2014-June Billable	2014-June Utilization rate
1	广东广州亚太信息引擎数据中心	541	520	96.1%
2	天津塘沽数据中心	539	408	75.7%
3	北京移动酒仙桥数据中心	431	409	94.9%
4	天津华苑二期数据中心	294	285	96.9%
5	北京南苑数据中心	189	189	100.0%

Data Centers - Trinity				
Item	Data Centers	Capacity	Billable	Utilization rate
1	广东省广州亚太信息引擎数据中 心	200	130	65.0%
2	天津联通塘沽滨海数据中心	200	150	75.0%
3	北京移动酒仙桥数据中心	100	90	90.0%
4	天津华苑二期数据中心	100	50	50.0%
5	北京联通南苑数据中心	450	350	77.8%

DIFFERENCE				
<u>Data Centers</u>	<u>Capacity</u>	<u>Billable</u>	<u>Utilization rate</u>	<u>Remark</u>
广东广州亚太信息引擎数据中心	341	390	31.1%	
天津塘沽数据中心	339	258	0.7%	
北京移动酒仙桥数据中心	331	319	4.9%	
天津华苑二期数据中心	194	235	46.9%	
北京南苑数据中心	-261	-161	22.2%	

## Issue 1.2: Utilization Rates

Claim by Trinity Report - Page 19

Based on 21Vianet's increasing cabinet count, utilization should drop significantly more than projected

*Exhibit 11: Historical versus projected impact of aggressive cabinet expansion*

	FY2012				FY2013				FY2014				FY2015
	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014P	4Q2014P	
Cabinets	8,027	10,394	11,647	11,917	11,963	12,226	13,307	14,041	15,074	16,944	19,944	23,944	33,944
Increase (cabinets)	211	2,367	1,253	270	46	263	1,081	734	1,033	1,870	3,000	4,000	10,000
Increase (%)	2.7%	29.5%	12.1%	2.3%	0.4%	2.2%	8.8%	5.5%	7.4%	12.4%	17.7%	20.1%	41.8%
Utilization	82.4%	81.2%	67.7%	66.3%	68.1%	70.2%	73.7%	71.2%	73.8%	73.9%	70.5%	69.5%	

Our Response:

Trinity failed to understand the Company business model and used the wrong methodology. The correct methodology to calculate quarterly utilization rates is to use the weighted average billable cabinets and weighted average total capacity. Cabinets that are deployed or billed earlier in the quarter receive a larger weighting because they are utilized for a longer period of time than cabinets that are deployed or billed later in the quarter. The IDC revenue was generated by billable cabinets. Although our utilization rate fluctuated between quarters due to the deployment schedule, our billable cabinets steadily increased quarter to quarter, leading to stable, growing, monthly IDC revenues. Please refer to the table below for our quarterly average billable cabinets numbers.

Exhibit: Historical versus project impact of aggressive cabinet expansion

	FY2012				FY2013				FY2014				FY2015
	1Q2012	2Q2012	3Q2012	4Q2012	1Q2013	2Q2013	3Q2013	4Q2013	1Q2014	2Q2014	3Q2014	4Q2014	
Cabinets	8,027	10,394	11,647	11,917	11,963	12,226	13,307	14,041	15,074	16,944	19,944	23,944	33,944
Increase (cabinets)	211	2,367	1,253	270	46	263	1,081	734	1,033	1,870	3,000	4,000	10,000
Increase (%)	2.7%	29.5%	12.1%	2.3%	0.4%	2.2%	8.8%	5.5%	7.4%	12.4%	17.7%	20.1%	41.8%
Utilization	82.4%	81.2%	67.7%	66.3%	68.1%	70.2%	73.7%	71.2%	73.8%	73.9%			
Quarterly average billable cabinets	6,406	6,756	7,191	7,671	8,163	8,540	8,961	9,620	10,610	11,262			
Quarterly average capacity	7,777	8,322	10,630	11,573	11,983	12,165	12,161	13,506	14,384	15,245			

In addition, of the approximately 7,000 cabinets set to deploy in the 2nd half of 2014, about half will be deployed in the Beijing area where pre-sale trends and utilization rates are the highest. Therefore, our projected 2H14 utilization rates will not decrease as much as Trinity report has suggested. In the table above, we have provided historical values of weighted average billable cabinets and weighted average total capacity so that investors can independently verify our historical utilization rates previously provided.

## Issue 1.3: Definition of Utilization Rates Used in Industry Data

### Claim by Trinity Report - Page 20 China's Massive IDC Oversupply

On July 30 of this year, the Ministry of Industry and Information Technology (MIIT), the regulatory body that oversees the technology sector, issued a report on the state of the data center market<sup>5</sup>, Circular No.225(2014), "Report on Planning and Construction Schedule of China Data Centers since 2011". Among the various industry facts disclosed, we highlight these to put VNET's insane capacity expansion plans through the smell test:

- From 2011 through the first half of 2013, 255 data centers have been built and 177 of them have been put to use. About a third of all construction has yet to be commercialized
- The 255 data centers break out as follows: 23 are super data centers (over 10,000 cabinet capacity), 42 are mid-sized data centers (3,000 – 10,000 cabinet capacity) and 190 are small data centers (under 3,000 cabinet capacity)
- The industry hugely overestimated demand, since demand was estimated at 7.28 million servers but only came in at 0.57 million, less than 8% of estimates!
- Here is the kicker: Utilization rates for super, mid-sized, and small data centers are 1.8% (1 point 8%, not a typo), 21.5% and 40%, respectively

VNET's IDC network contains mainly small and mid-sized data centers (some partnered cabinets might be hosted in larger ones), so the benchmark for their purported industry-leading 73.9% utilization is between 21.5% and 40%.

#### Our Response:

According to the original statement in Circular No. 225 (2014):

(二) 在投产方面。255个数据中心的总设计服务器规模约728万台，实际投产服务器数约57万台，占设计规模的7.8%，超大型、大型、中小型数据中心的投产率分别为1.8%、21.5%和40%。

The 1.8%, 21.5% and 40% represented the production rates, which should be calculated as:

*Production rates= actual production status/designed production plan.*

However, the utilization rates represent the weighted average sales status of cabinets, which should be calculated as:

*Utilization rates= weighted average billable cabinets/weighted average cabinets capacity*

Trinity misinterpreted the definition of production rate as datacenter utilization rate to mislead investors. The total production rate defined by the circular is entirely unrelated to utilization rate.



## 工业和信息化部关于2011年以来我国数据中心规划建设情况的通报

【发布时间：2014年07月04日】 【来源：通信发展司】 【字体：大 中 小】

工信部通函〔2014〕225号

各省、自治区、直辖市通信管理局，各省、自治区、直辖市及计划单列市、新疆生产建设兵团工业和信息化主管部门，各有关单位：

数据中心是互联网、云计算和大数据等产业的重要基础设施之一。为进一步推动《关于数据中心建设布局的指导意见》（工信部联通〔2013〕13号，以下简称《指导意见》）的落实，促进我国数据中心合理布局、健康发展，现将我部组织调研的2011年到2013年上半年全国数据中心规划建设情况通报如下：

### 一、近两年我国数据中心规划建设基本情况

近几年来，随着我国互联网、云计算和大数据产业的加速发展，数据中心产业也进入了大规模的规划建设阶段。2011年到2013年上半年全国共规划建设数据中心255个，已投入使用173个，总用地约713.2万平方米，总机房面积约400万平方米。

（一）在规模方面。在规划建设的255个数据中心中，超大型数据中心（规模在1万个标准机架以上，功率2.5千瓦为一个标准机架）有23个，大型数据中心（规模在3千到1万个标准机架之间）有42个，中小型数据中心（规模在3千个标准机架以下）有190个。

（二）在投产方面。255个数据中心的总设计服务器规模约720万台，实际投产服务器数约57万台，占设计规模的7.8%，超大型、大型、中小型数据中心的投产率分别为1.8%、21.5%和40%。

（三）在布局方面。255个数据中心分布在26个省、自治区、直辖市。65个超大型、大型数据中心中，一半以上位于或靠近能源充足、气候严寒的地区，12个是以灾备为主要应用。

（四）在能效方面。255个数据中心中近90%的设计PUE（Power Usage Effectiveness, 能源效率指标）低于2.0，平均PUE为1.73。超大型、大型数据中心设计PUE平均为1.48，中小型数据中心设计PUE平均为1.80。另外，一些老旧数据中心通过采用先进制冷节能技术改造，PUE也降到2.0以下。

（五）在政策支持方面。65个超大型和大型数据中心中，70%以上获得了大工业用电或直供电的支持政策。255个数据中心用电的平均价格为0.87元/度，超大型和大型数据中心用电的平均价格为0.66元/度和0.78元/度，超大型数据中心最低的电价达到0.3元/度。

（六）在应用引领方面。已经出现了一些政府采购云服务的成功实践案例。如浙江省水利厅将台风路径实时发布系统项目外包给阿里云；甘肃省、新疆维吾尔自治区部分电子政务系统已迁移到第三方的云服务上；贵州省新农合项目使用中国移动提供的云服务，成为卫生部医疗信息化建设的标杆之一。

(七)在标准评测方面,出台了《互联网数据中心技术及分级分类标准》、《互联网数据中心资源占用、能效排放技术要求和评测方法》等行业标准。第三方机构对百度、腾讯、阿里、电信、移动、联通等企业的6个数据中心进行了绿色分级评测,其中测试最好的数据中心年平均PUE达到1.36,在我国属于较先进水平。

## 二、存在的问题

目前我国数据中心产业虽然已经开始呈现出向规模化、集中化、绿色化、布局合理化发展的趋势,政府采购云服务也涌现出一些成功的案例。但总体来看,目前全国数据中心产业仍存在一些问题。一是目前全国数据中心整体布局尚不够理想,重建轻用的现象仍然存在。二是《指导意见》的配套政策尚未完全落实到位,部分满足条件的数据中心未得到电价优惠政策,一些地区的数据中心企业电力引入成本过高。三是仍有一半以上的数据中心设计PUE没有达到1.5的规划要求,特别是中小型数据中心在绿色节能方面差距较大,同时数量庞大的老旧数据中心改造任务也颇为艰巨。四是政府部门不自建数据中心转而采购云服务的探索刚刚开始,引领作用尚未充分显现,同时对云服务安全的意识也尚需提升。五是数据中心标准体系仍不够完善,标准工作尚不能满足产业界对数据中心绿色节能、服务质量、评估评测、数据安全等方面的需求。

## 三、下一步工作要求

请各地结合全国和当地的实际情况,认真落实《指导意见》,推动解决本地数据中心建设发展中存在的问题,指导本地数据中心产业科学发展。

一是以需求为导向,合理规划布局。进一步提高对数据中心绿色健康可持续发展的认识,坚持科学发展,从市场需求出发,结合全国数据中心规划建设情况和当地的区域比较优势,兼顾用地保障、产业环境、人才支撑等多方要素,合理规划布局当地数据中心。

二是坚持资源环境优先,推动绿色安全发展。按照《指导意见》的要求,务实推动配套政策落地;在落实好安全要求的同时,指导当地数据中心积极采用绿色节能技术,切实提高数据中心能效水平。

三是以应用为引领,鼓励政府带头使用云服务。在确保安全的前提下,鼓励行政机关带头使用专业机构提供的云服务,逐步减少政府自建数据中心的数量,并引导企事业单位逐步将相关应用向专业机构提供的云服务上迁移。

四是以市场健康发展为目标,推进标准体系建设,加快数据中心相关能源效率、服务质量、评估评测认证、安全管理规范等标准的立项和制定工作,同时加大已发布标准的宣传贯彻力度,充分发挥标准的引导作用。

特此通报。

## Issue 1.4: Revenue per sales and marketing employee

Claim by Trinity Report - Page 21  
Inconsistent Sales Force Productivity

*Exhibit 12: Sales Force Productivity Inconsistent with Utilization*

	2011	2012	2013
IDC Hosting Revenue (RMB '000)	614,612.0	866,882.0	1,259,303.0
Number of S&M employees	241	323	252
Revenue per S&M employee	2,550.3	2,683.8	4,997.2
Growth		5.2%	186.2%
Full-year utilization	80.6%	66.3%	70.3%

Our Response:

The numbers of sales and marketing ("S&M") employees quoted in Trinity's report above are the total number of S&M employees, including hosting, MNS, and other services. In the table below, we show the number of S&M employees dedicated to hosting only, and the hosting revenue per S&M employees. The revenue per S&M employee has been steadily increasing during the last three years and is mainly due to operational and productivity efficiency. The Trinity claim is misleading.

	2011	2012	2013
IDC Hosting Revenue (RMB '000)	614,612	866,882	1,259,260
IDC Hosting Specific S&M Employees	149	196	173
Revenue per S&M employees (RMB '000)	4,125	4,423	7,279

## Section 2. Account Receivables Balances & Days Sales Outstanding

Claim by Trinity Report - page 25-27

Noting that 21Vianet's A/R balance and DSOs increased, Trinity alleged that the increase was due to overstated IDC revenue.

Our Response:

First of all, as mentioned earlier, there is no overstatement of IDC revenue.

A major cause of the high A/R balance and prolonged DSO is the transformation from Business Tax ("BT") to Value-Added Tax ("VAT"), in addition to the extension of credit terms to be more accommodative due to increasing competition and maintaining good client relationships and the increase of revenues.

From early 2012 and onward, China started a reform of its indirect tax system to phase in a VAT system to eventually replace the BT system. Effective August 1, 2013, the tax reform was expanded to cover more service industries, including Internet services and other information technology services for which a majority of 21Vianet's clients are in. However, the telecommunication services sector was one of the last services sectors to be eligible for VAT inclusion which occurred on June 1, 2014. Thus, 21Vianet had to wait until then to begin issuing VAT invoices.

Since August 1, 2013, approximately two-thirds of our clients had shifted from BT to VAT. In order to minimize their own net VAT liabilities and with the understanding that 21Vianet would also shift to VAT soon after August 2013, some of these clients had intended to wait until we also shifted to VAT and could issue valid VAT invoices for them to claim the relevant tax credits.

In reality, it took time for the tax bureaus at local levels to make adjustments and to become familiar with the transformation at an operational level adding to the complexity of the transition and further delaying timely issuance of VAT invoices. As of June 30, 2014, we were only granted 1,000 VAT invoice forms, each with a maximum invoice-able amount of RMB100,000. This meant that we could only invoice a maximum total of RMB100 million VAT-related collections per month. As a result, numerous customers have been reluctant to pay without receiving VAT invoices. As a result of the limited number of VAT invoices being granted to us, we were unable to issue VAT invoices for our services provided to clients. Due to this situation, it was difficult for clients who received services from us to pay without obtaining the valid VAT invoices from us.

In the past few months, we have been diligently following up with the relevant tax bureaus

and trying our best to persuade them to remove the limit on the number of VAT invoices granted to us each month. This limit is gradually improving, as shown in late August when we were granted extra 1,000 VAT invoices. This extra number of invoices has already begun to provide significant improvement in collections as demonstrated in early September.

As of September 5, 2014, the subsequent collections in aggregate amounted to approximately RMB277 million, representing approximately 33% of the total accounts receivables balance as of June 30, 2014. In the two full weeks right after we had obtained the extra 1,000 VAT invoices (i.e., 8/24-9/5/2014), the average weekly collections amounted to approximately RMB40 million, representing about 63% increase as compared to the average weekly collections of about RMB24.6 million in the 8 weeks before it (i.e., 6/29-8/23/2014).

Furthermore, as the VAT invoice issue began to ease in late August, the A/R concentration of large customers has also started to improve. At the same time, the overall DSO has also decreased from 107 days at the end of 2Q14 to 101 days as of September 5, 2014. Overall, the A/R situation is expected to further improve as we settle into the new VAT process over the coming quarters. As previously stated, our long term target for DSO remains in the 80 to 90 range.

RMB (millions)	3/31/2013	6/30/2013	9/30/2013	12/31/2013	3/31/2014	6/30/2014	9/5/2014
Total AR Balance	387.7	442.2	550.1	610.4	724.0	844.6	817.4
Top 5	148.7	188.3	262.1	260.0	330.6	404.8	364.9
Composition %	38%	43%	48%	43%	46%	48%	45%
Top 10	193.2	235.7	322.6	357.1	448.9	538.3	476.2
Composition %	50%	53%	59%	59%	62%	64%	58%
Top 20	243.5	291.8	378.5	427.5	528.7	611.7	559.5
Composition %	63%	66%	69%	70%	73%	72%	68%
DSO	70	79	87	96	103	107	101

## Section 3. Liquidity and Debt Levels

### Issue 3.1: Cash Flow

Claim by Trinity Report - Page 27

Hemorrhaging Cash: Trinity presented its own analysis of Vianet's free cash flow over the years to show that we are "hemorrhaging cash" when cabinets went from 5,750 in 2010 to 14,041 in 2013 while utilization went from mid-80s to 60s and low-70s.

Our Response:

The report's argument on cash flow issues demonstrates the author's lack of knowledge and understanding of the data center industry. The calculations and estimation in Trinity's report are wrong.

Data center companies require upfront capital investments for the land, building and equipment required for the data center infrastructure, which will be paid back at a high IRR in the subsequent years with increasing utilization. Essentially, when you find attractive projects in high growth markets that return 20%+ IRR when your cost of capital is around 10%, those are value-creating projects. Looking at the example of Equinix, a successful peer data center company, we see that it has not generated significant free cash flow as a public company, but they have become a market leader that benefited from a rapid expansion strategy which resulted in exponential returns to shareholders.

Furthermore, we have a very solid cash position and expect to maintain it.

Our cash and cash equivalent balance-to-date as of September 5, 2014 is approximately RMB2.70 billion, of which approximately RMB1.17 billion is in our offshore bank accounts and approximately RMB1.53 billion is in our onshore bank accounts.

Our estimated capex and expenses for acquisitions will be approximately RMB880 million through year end 2014, including the additional payment of approximately RMB500 million for the acquisition of Dermot to be paid mainly offshore.

Not taking into account cash inflow from operations, cash and cash equivalents balance at year end 2014 will be approximately RMB1.82 billion.

Additionally, the claimed cash flow issue can be explained and attributed to the following two major factors which continue to improve and reflect the structural nature of our business:

*Cash flow from operations - Increase in Account Receivables and DSOs*

As discussed above, the major cause of the VAT invoice issue was a result of delayed transition from BT structure to a VAT structure and the situation has started to improve since late August. As of September 5, 2014, collections in aggregate amounted to approximately RMB277 million, representing approximately 33% of the total accounts receivables balance as of June 30, 2014. We anticipate that cash flow from operations will continue to improve in the following quarters as we are reducing the current bottlenecks in the invoicing system and further strengthening our cash balance.

*Cash flow in investments – Capex & M&A*

Our cash flow from investments mainly include capital expenditures to build self-built data centers, as well as the purchase of equipment such as network equipment and strategic acquisitions.

If you take a look at a comparison between Equinix in 2005 and 2006 number of cabinets and 21Vianet in 2012 and 2013, you will see that the revenues of both companies in the respective years are comparable. From the comparison below, you will see as for the total capex and M&A cash outflows relative to revenues, 21Vianet was actually better than Equinix. This helps compare our strategic acquisition strategy and execution to that of a similar US peer at a similar point in time.

Equinix	2005	2006
Revenue in USD'000 *	221,057	286,915
Annual average exchange rate USD/CNY **	8.1936	7.9723
Pro-forma revenue in RMB'000	1,811,253	2,287,372
Capex cash outflow (USD'000) *	32,416	154,729
Capex cash outflow % of revenue	15%	54%
M&A cash outflow (USD'000)*	88,507	236
M&A cash outflow % of revenue	40%	0%
Capex and M&A cash outflow % of revenue	55%	54%
VNET	2012	2013
Revenue (RMB'000)	1,524,158	1,966,717
Capex cash outflow (RMB'000)	580,405	480,066

Capex cash outflow % of revenue	38%	24%
M&A cash outflow (RMB'000)	79,952	61,793
M&A cash outflow % of revenue	5%	3%
Capex and M&A cash outflow % of revenue	43%	28%
* Equinix financial figures obtained from Equinix SEC filing 2006 Form 10-K: <a href="http://www.sec.gov/Archives/edgar/data/1101239/000119312507042470/d10k.htm">http://www.sec.gov/Archives/edgar/data/1101239/000119312507042470/d10k.htm</a>		
** Average based on: <a href="http://www.federalreserve.gov/releases/h10/Hist/dat00_ch.htm">http://www.federalreserve.gov/releases/h10/Hist/dat00_ch.htm</a>		

### Issue 3.2: Change in Net Debt

Claim by Trinity Report - Page 28

"Since VNET's April 2011 IPO left the company in the enviable position of having RMB1.1 billion of net cash, there has been an enormous 2.7 billion RMB swing in net debt."

Our Response:

First, we want to correct the major errors in the calculation of net debt in the Trinity report. After the correction, the net debt as of June 30, 2014 for the actual and pro-forma was RMB653 million and RMB1.712 billion, respectively.

Using current adjusted EBITDA, our actual and pro-forma net debt as of June 30, 2014 is 1.1 times and 2.8 times of our adjusted EDITDA, even if we do not consider the contribution of the newly acquired entities. We believe this is reasonable since the bond will become due in 2017.

The correct calculation of net debt is as following,

	FY 2010	FY 2011	FY 2012	FY 2013	First half of 2014	First half of 2014 Pro Forma
	(in thousands of RMB)					
Short-term bank borrowings	35,000	100,000	176,961	173,726	296,736	296,736
Current portion of long-term bank borrowings	-	-	167,879	197,000	64,779	68,679
Current portion of capital lease obligations	15,824	26,012	36,719	14,600	18,076	21,226
Long-term bank borrowings	-	-	63,000	965,740	924,166	926,389
Non-current portion of capital lease obligations <sup>1</sup>	58,190	73,896	52,352	337,139	355,578	356,884

<sup>1</sup> The changes in H1 2014 Pro-forma was due to the acquisition of Dermot.

Responses to a Short Seller's Allegations  
September 15, 2014

Redeemable preferred stock/non-controlling interests	991,110	-	-	100,000	100,000	100,000
Bonds payable	-	-	-	998,505	2,263,977	2,263,977
Less:						
Cash and cash equivalents <sup>2</sup>	83,256	410,389	432,254	1,458,856	2,138,589	2,240,584
Short-term investments		894,540	222,701	1,101,826	1,103,634	1,103,634
Restricted cash used as pledge for bank borrowings		-	290,766	292,099	128,087	128,087
Less:						
Cash consideration for AIPU <sup>3</sup>						-550,000
Cash consideration for Dermot						-600,000
Net Debt	1,016,868	-1,105,021	-448,810	-66,071	653,002	1,711,586
Adjusted EBITDA <sup>4</sup>					615,000	615,000
Years taken to payback the net debt					1.1	2.8

In addition, based on public available information, 21Vianet actually has one of the strongest balance sheets among its global peers in the industry as determined by standard measures of financial leverage such as Net Debt to Adjusted EBITDA ratios and one of the highest growth rates based on FY2014 revenue consensus. We note that our net leverage ratio conservatively reflects the recently announced AIPU and Dermott transactions, the contributions of which are expected to further de-lever our balance sheet in 2015.

Please refer to the table below for details:

	Net Debt/Adj. EBITDA	Revenue growth % y/y (Consensus FY14E vs. FY13A)
CyrusOne	3.5x	24.0%
Digital Realty Trust	5.5x	8.8%
DuPont Fabros	3.6x	10.2%
Equinix	3.5x	13.0%
Interxion	2.3x	7.4%
Telecity Group	2.0x	14.8%
Peer average	3.4x	13.0%
21Vianet*	2.8x	51.5%

<sup>2</sup> The changes in H1 2014 Pro-forma was due to both of the acquisition of Dermot and the current improving DSO.

<sup>3</sup> It changes in H1 2014 Pro-forma due to the error made by Trinity.

<sup>4</sup> It is the average amount of our forecast adjusted EBITDA represented in the second quarter of 2014.

*\*Pro forma for AIPU and Dermott transactions*

### Issue 3.3: Compliance with Bonds Covenants

Claim by Trinity Report - Page 14

The Trinity report alleged that we may be overleveraged and technically insolvent, resulting in possible defaults under our existing debt covenants.

Our response:

We have met all the requirements under our existing debt covenants, including financial and other covenants under our outstanding RMB denominated bonds. In addition, no event of default has occurred under the existing RMB denominated bonds, whether arising out of or in connection with the financial covenants under such bonds or otherwise.

Regarding our RMB denominated bonds, other than dividend payment restrictions, the only financial covenant we have in our 2014 RMB bonds is the ratio of our adjusted EBITDA to our consolidated interest expenses. This financial ratio is tested on a semi-annual basis using information from our consolidated audited annual and unaudited semi-annual financials. We have met the required ratio of adjusted EBITDA over consolidated interest expense required under our existing RMB bonds.

In addition, our financial covenant under our RMB denominated bonds is calculated based on adjusted EBITDA, which measures the performance of 21Vianet based on results of operations and do not take into account any changes to the price of our shares. As such, day-to-day fluctuations in our share price are not indicative of whether we have met the financial covenants under our existing RMB bonds.

Our existing RMB bonds include customary events of default, including payment default, breaches of affirmative or negative covenants, cross defaults to other material indebtedness, bankruptcy and failure to discharge major final judgments. Events such as allegations made by short-sellers, including the allegations made in the Trinity report, a fluctuation in the trading price of our shares or the trading price of the RMB bonds will not give rise to an event of default under the RMB bonds.

## Section 4. Historical Acquisitions

Claim by Trinity Report - page 30-39

The report asserted that the Company has made non-strategic, non-core business acquisitions at inflated prices in order to juice revenue growth and pad softness in IDC growth.

Our Response:

It has always been one of 21Vianet's key growth strategies to pursue strategic acquisitions, investments and alliances since its IPO. In general, 21Vianet's acquisition strategy, since the beginning, has been to acquire companies that enable 21Vianet to help move China's telecommunication network in a direction that resembles the more advanced networks in developed countries. The Company has completed six material acquisitions since we became a public company (not 24 as alleged by the report.)

Our acquisitions of Fastweb and iJoy allowed us to become a nation-wide major CDN services provider; the investment in AIPU gave us direct access to regional last-mile access network; the Dermott acquisition, once completed, will enable us to become a VPN market leader immediately. Each of these deals was an arm's length transaction, executed with the necessary legal, financial and operational due diligence. Each of these transactions was completed with care and because our board believed they were in the best interests of the Company.

For all our material acquisitions, we have provided the transaction size, nature of the business and approximate valuation metrics, either on the quarterly earnings release or earnings calls. Additionally, we have provided detailed financial information for the acquisitions in our annual report on Form 20-Fs filed with the SEC. Below, we simply summarize the details of these major transactions based on information we have previously provided:

Acquisitions	Valuation of Total Equity	Valuation Mechanism	Payment Terms	Earn-out Periods
7 MNS Entities	RMB285 million	5.5 x 2011 net profit	50% in cash 50% in stock options	2011-2013
Gehua	RMB77 million	6 x net profit during period of 9/2011 to 8/2012	50% in cash 50% in stock options	9/2011-8/2014
FastWeb	RMB102 million	7.35 x average of Fastweb's 2012 & 2013 EBITDA & capped at RMB 125mn	30% in cash 70% in stock	2012-2013
TWYL	RMB45.6 million	6 x 2013 VPN net profit plus 4 x 2013 MNS net profit	50% in cash 50% in stock	2013-2014
iJoy	USD22 million	2 x average of EBITDA for the year of 2013, 2014 & 2015 plus strategic value	USD8 mn in cash USD14 mn in stock	2013-2015
AIPU	RMB1,400-1,600 million	13.3~ 15.2 x 2013 net profit (implied)	50% equity acquisition - RMB700 mn in cash	2014-2016

## Section 5. The iJoy Acquisition

### Issue 5.1: The office address and the number of employees

Claim by Trinity Report - Page 42 - 44

It is alleged that iJoy's registered addresses are occupied by another company and total number of employees is less than 10.

*Trinity Report - Exhibit 34: List of all registered addresses for iJoy and results of our in-person investigation*

Name of Company	Registered Address	Note
Beijing iJoy (北京阅联信息技术有限公司)	北京市西城区德胜门外大街83号楼4层408室 Room 408, 4 <sup>th</sup> Floor, Building No.83, Deshengmenwai Avenue, Xicheng District, Beijing	Ghost address. The room is occupied by another company.
Beijing iJoy (北京阅联信息技术有限公司)	北京市海淀区西土城10号北京邮电大学科研大厦202室 Room 202, 2 <sup>nd</sup> Floor, Science Research Building, Beijing University of Posts and Telecommunications	Real office address with less than 10 people.

Our Response:

Both addresses are correct. The address labeled as a "ghost address" is still under an iJoy lease and has been subleased since we consolidated our team at the second address in the Science Research Building. iJoy's daily operating office is at the second address. In addition, had the investigator walked around the floor, the Science Research Building, they would have realized that iJoy occupies not only Room 202, but also 201, 204, 206, 208 and 210.

As for the number of employees, there are more than 70 employees working at iJoy as of June 30, 2014.

## Issue 5.2: The purpose of increase in registered capital

Claim by Trinity Report - Page 45

It alleged that the increase in registered capital from RMB5 million to 10 million was very strange because it happened a month before the acquisition date.

Our Response:

The increase in registered capital from RMB5 million to 10 million was necessary for iJoy to apply for an ISP license. The minimum requirement for registered capital for a company holding an ISP license is RMB10 million. Please refer to the requirement in the website [http://www.gov.cn/flfg/2009-03/11/content\\_1256595.htm](http://www.gov.cn/flfg/2009-03/11/content_1256595.htm)



The screenshot shows the official website of the Central People's Government of the People's Republic of China. The header includes the national emblem and the text '中华人民共和国中央人民政府' (The Central People's Government of the People's Republic of China). Below the header is a navigation menu with links such as '网站首页', '今日中国', '中国概况', '法律法规', '公文公报', '政务互动', '政府建设', '工作动态', '人事任免', and '新闻发布'. The main content area displays a document titled '中华人民共和国工业和信息化部令' (Order of the Ministry of Industry and Information Technology of the People's Republic of China), specifically '第 5 号' (No. 5). The document text states that the 'Regulations on the Administration of Telecommunications Business Operation Licenses' were approved on February 4, 2009, and will take effect from April 10, 2009. It also mentions the simultaneous abolition of the previous regulations issued by the Information Industry Department in December 2001. The document is signed by the Minister, Li Yezhong, on March 1, 2009. The title of the regulation, '电信业务经营许可证管理办法' (Regulations on the Administration of Telecommunications Business Operation Licenses), is displayed at the bottom of the document content.

**第六条** 申请经营增值电信业务的，应当符合下列条件：

- （一）经营者为依法设立的公司。
- （二）有与开展经营活动相适应的资金和专业人员。
- （三）有为用户提供长期服务的信誉或者能力。

（四）在省、自治区、直辖市范围内经营的，注册资本最低限额为100万元人民币；在全国或者跨省、自治区、直辖市范围经营的，注册资本最低限额为1000万元人民币。

### **Issue 5.3: The loan 21Vianet made to the seller of iJoy**

Claim by Trinity Report - Page 48

Right around the time of this increase in registered capital, 21Vianet issued a loan of RMB12.885 million (\$2.1 million) to Peng Yang. No more than three or four months later 21Vianet acquired 100% of iJoy. The timing and size of the loan relative to the company's registered capital made us wonder for what purpose 21Vianet would issue a loan to the seller of a company it was weeks away from acquiring."

Our Response:

The loan amount was US\$2 million paid by 21Vianet to the seller of iJoy as a security deposit for the iJoy acquisition to be returned to 21Vianet in the event the acquisition was not completed. The amount was automatically deducted from the purchase consideration payment on April 30, 2013, the closing date of the acquisition.

## Issue 5.4: The Transaction with Suzhou Aizhuoyi

### Claim by Trinity Report - Page 49

"It makes little sense that large publicly listed 21Vianet bought servers from little Suzhou Aizhuoyi when all logic would point to that transaction going the other way. 21Vianet is obviously the much larger and more financially capable company with much more scale economies to exploit in the pedestrian act of buying servers. Interestingly, that was the only time 21Vianet has ever "bought servers" from an acquired company that we could find."

### Our Response:

Suzhou Aizhuoyi, is a gold partner of Huawei, a leading global ICT solution provider. By being a gold partner of Huawei, it can enjoy favorable purchase price. The related information about Suzhou Aizhuoyi's certification can be found on Huawei's website as follow:



21Vianet bought Huawei's network equipment from Suzhou Aizhuoyi with favorable pricing terms.

## Issue 5.5: The gross margin of iJoy

Claim by Trinity Report - Page 51

"iJoy's gross margin in 2013 and Q1 2014 was 92% and 86% respectively, much higher than that of the two dominant Chinese CDN players ChinaCache and ChinaNetCenter and even higher than the number one global CDN service provider Akamai Technologies'."

Our Response:

Since April 2013, 21Vianet has run a CDN business through joint operations of both Fastweb and iJoy. iJoy acts as the sales arm and backend administration and Fastweb is the front-end and technical support team. iJoy also enjoyed tax free treatment in 2013 as a Software Enterprise.

As previously discussed, we view our CDN operation as a whole with the combined financial performance of the two companies. Our CDN gross margin is around 37% with revenue amounting to RMB158 million in 2013. The table below illustrates our CDN service performance in 2013 including the revenue through iJoy and Fastweb independently:

	FY 2013		
	Fastweb	iJoy	Total CDN
CDN net revenues	107,290	51,073	158,363
CDN cost	(93,552)	(6,967)	(100,519)
CDN gross profit	13,738	44,106	57,844
CDN gross margin	13%	86%	37%

## Issue 5.6: The products of iJoy

Claim by Trinity Report - Page 53

"Confused by the product descriptions and failing to understand how CDN or cloud computing could be sold as packaged software, which is purportedly what iJoy does, we tapped our expert network and conducted dozens of interviews for several weeks."

Trinity Report - Exhibit 45 below:

Exhibit 45: Product offerings on [www.unionread.com](http://www.unionread.com)'s (iJoy's corporate website)

Products	Descriptions
UR-Market 3G Fueling Content Delivery Platform	Helps customers deliver wireless content to end users throughout iJoy's nationwide promotion and distribution channels
UR-CDN	Basic CDN software
UR-Cloud	Basic cloud computing software

Our Response:

We cannot find such product in English descriptions as "Basic CDN software" or "Basic cloud computing software" in iJoy's website. In fact, the description should be CDN and Cloud plus terminal solution. The products in iJoy's website in Chinese are as follows for reference:

In addition, since cloud services are delivered over the public internet, which is constantly congested in China, CDN services are a solution to solve that problem and add significant value to customers. That is exactly the rationale behind our packaged offerings that include both cloud and CDN services.

UR-Market 3G 加油站:

**业务介绍**      **3G加油站** ▶  
UR-Market

- ▶ **3G加油站**
- ▶ **内容分发网络**
- ▶ **云-端解决方案**

3G加油站内容分发平台:该平台任何人都可以方便快捷的借助互联网公司覆盖全国的合作伙伴渠道,将无线互联网内容直接展现并传播给最终用户。将OTT内容方便快捷的分发到最终用户手中,同时后台能提供精准的数据统计。3G加油站内容分发平台通过深厚的业务经验积累,致力于为OTT内容提供商提供最开放的市场平台、最有效的内容分发渠道。

UR-CDN:

## 业务介绍

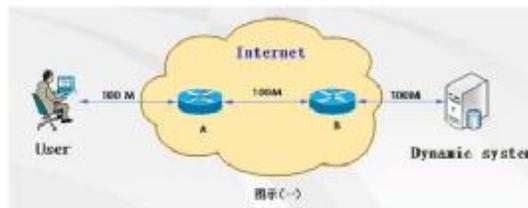
## 内容分发网络

UR-CDN



- ▶ 3G加油站
- ▶ 内容分发网络
- ▶ 云-端解决方案

CDN的全称是Content Delivery Network, 即内容分发网络。其基本思想是尽可能避开互联网上有可能发生拥塞的传输速度和稳定性的瓶颈和环节, 使内容传输的更快、更稳定。通过在网络各处设置节点服务器所构成的在现有的互联网基础之上的一层智能虚拟网络, UR-CDN系统能够实时地根据网络流量和各个节点的连接、负载状况以及到用户的距离和响应时间等综合信息将用户的请求重新导向离用户最近的服务节点上。使用户可就近取得所需内容, 解决Internet网络拥挤的状况, 提高用户访问网站的响应速度。



UR-Cloud:

## 业务介绍

## 云-端解决方案

UR-Cloud



- ▶ 3G加油站
- ▶ 内容分发网络
- ▶ 云-端解决方案

UR-Cloud是互联网为用户提供的云端一体化解决方案, 该方案采用先进的应用程序虚拟化技术, 集搜索、下载、使用、管理、备份等多功能于一体, 专为OTT内容提供商量身打造的开放基础运营平台。



## Issue 5.7: The products of iJoy after August 2012

Claim by Trinity Report - Page 56

"August 2012 was an inflection point. By then, Peng had become sole owner of iJoy and was well on his way to finalizing the corporate structure that would allow VNET to eventually acquire his company. As he was busy preparing his company for sale, Peng ditched any prior focus on mobile software and began registering CDN software with the copyright authority."

Our Response:

In fact, iJoy jointly operates the CDN services with Fastweb after April 2013. In addition, the mobile software is only one part of iJoy's current product portfolio. The products of iJoy also include 3G 加油站 (mobile content distribution), CDN and Cloud services, as discussed above in Issue 5.6.

### Issue 5.8: Trinity's "Bogus Exhibits"

#### Claim by Trinity Report - Page 57

Trinity alleged that "We were able to obtain evidence that iJoy has in fact successfully sold CDN software before, but not to anyone investors might expect. After months of due diligence, the only iJoy customer we were able to verify was none other than state-owned enterprise China Base Ningbo Group Company ("CBNB"), one of China's largest iron ore importers."

Trinity Report - Exhibit 48 below:

北京增值税专用发票 No. [REDACTED]  
开票日期: 2013年07月30日

货物或应税劳务名称	规格型号	单位	数量	单价	金额	税率	税额
云联(CDN系统)		套	1	84615.38	84615.38	17%	14394.62
合计					¥ 84615.38		¥ 14394.62
价税合计(大写)					¥ 99000.00 (小写)		

北京网联信息技术有限公司  
纳税人识别号: 11010269964  
地址: 北京市西城区德胜门外大街11号4层408室  
开票人: [REDACTED]

#### Our Response:

CBNB, mentioned in Trinity's report, is not iJoy's customer. iJoy has no record indicating that it has ever issued such an invoice. In fact, 21Vianet believes that the invoice is fake as the company chop (stamp) in the invoice is different from iJoy's company chop. In addition, the address in the invoice is not iJoy's registered address to the tax bureau for invoicing. The Company is investigating the matter and has passed the invoice to the tax bureau and police bureau for further investigation. We cannot rule out the possibility that Trinity fabricated the invoice in order to mislead investors similar to other images contained in the Trinity report.

## Section 6. The MNS Acquisition

### Issue 6.1: P/E Multiples in Acquiring CSYD and ZBXT

Claim by Trinity Report - page 60 - 61:

#### *MNS Entities After VNET Acquisition*

On September 2010, before the 2011 IPO, VNET came to the rescue like Snow White's charming prince. VNET offered to buy 51% of both CSYD and ZBXT from Cheng Ran for the fantastic total price of RMB 172.4 million plus a call option to buy 100% of both for the total price of RMB 270.5 million. Giving the MNS Entities full credit for their run rate FY2010 financials from Exhibit 51 that works out to a P/E of 104x. For Cheng Ran, it was like being kissed by the proverbial prince and the deal was done.

*Exhibit 50: Consolidated Summary Financials for Managed Network Entities Post VNET Acquisition*

Figures in thousand RMB

	CYSD + ZBXT: Pre-Acquisition			CYSD + ZBXT: Post-Acquisition	
	FY2009	Q1-Q3 FY2010	FY2010 run rate as of end of Q3	Q4 FY2010	FY2011
Net revenues	111,242.0	125,427.0	167,236.0	60,175.0	270,000.0
Cost of sale	(105,492.0)	(118,442.0)	(157,922.7)	(33,096.3)	(162,000.0)
Gross profit	5,750.0	6,985.0	9,313.3	27,078.8	108,000.0
<i>Gross margin %</i>	5.2%	5.6%	5.6%	45.0%	40.0%
Operating expenses	(4,795.0)	(5,794.0)	(7,725.3)	(14,586.4)	(55,350.0)
Changes in the fair value of contingent purchase consideration payable	-	-	-	-	-
Operating income(loss) (EBIT)	955.0	1,191.0	1,588.0	12,492.3	52,650.0
Other income(expense)	-	(757.0)	(1,009.3)	-	-
Interest income(expense)	5.0	7.0	9.3	-	-
Income(loss) before income tax	960.0	441.0	588.0	12,492.3	52,650.0
Income tax benefit (expense)	(3,614.0)	2,000.0	2,666.7	(624.6)	(2,632.5)
Net income(loss)	(2,654.0)	2,441.0	3,254.7	11,867.7	50,017.5
Adjusted Net income	(2,654.0)	2,441.0	3,254.7	11,867.7	50,017.5
<i>Adjusted net income margin %</i>	(2.4%)	1.9%	1.9%	19.7%	18.5%
Adjusted EBITDA	2,989.0	5,876.0	7,834.7	14,054.0	61,290.0
<i>Adjusted EBITDA margin %</i>	2.7%	4.7%	4.7%	23.4%	22.7%

Our Response:

The total consideration paid for the MNS acquisition was based on a forward looking P/E multiple for 2011 net income, as adjusted by a three-year earn-out arrangement if the company achieved its targeted 2011, 2012 and 2013 net income goals. Net income was required to be audited by the Company's independent auditor, Ernst & Young. The post-acquisition revenues, profit margins and other financial metrics (as shown in the table below) reflected a more accurate representation of the financial state of business utilizing standard accounting practices with a gross profit margin of the underlying business at approximately 36%, which is more standard for the industry rather than 5% as reported pre-acquisition.

Thus, based on the post-acquisition 2011 audited net income, the P/E multiple was approximately 5.5x for the purchase price of MNS, not the misleading multiple of 104x trailing P/E as stipulated in the Trinity report.

After reviewing our audited data, we noted differences between the numbers claimed in Trinity's Report and those reviewed or audited by Ernst & Young for period Q4 2010 and year of 2011 respectively. Details are as follows. Again, the source of data used in Trinity report appears questionable.

	Q4 FY 2010			FY 2011		
	Trinity Report	Reviewed data by Independent Auditors	Difference	Trinity Report	Audited data	Difference
Net revenue	60,175	60,175	-	270,000	270,890	-890
Cost of sales	-33,096	-43,295	10,199	-162,000	-172,588	10,588
Gross Profit	27,079	16,880	10,199	108,000	98,302	9,698
Gross Margin %	45%	28%	17%	40%	36%	4%
Operating expenses	-14,586	-2,058	-12,528	-55,350	-28,585	-26,765
Operating Income (EBIT)	12,492	14,822	-2,330	52,650	69,717	-17,067
Other income(expenses)		-5	5		571	
interest income (expense)		7	-7		86	-86
Income before income tax	12,492	14,824	-2,332	52,650	70,374	-17,724
Income tax benefit (expense)	-625	-2,955	2,330	-2,633	-18,538	15,906
Net income	11,868	11,869	-1	50,018	51,836	-1,818
Adjusted Net income	11,868	11,869	-1	50,018	51,836	-1,818
Adjusted Net income Margin %	20%	20%	0%	19%	19%	-1%

## Issue 6.2: SAIC Numbers vs. SEC Numbers

Claim by Trinity Report - page 63

Below are the revenue figures reported to the SAIC by the MNS Entities. Note that for the full fiscal year 2010, which is the same as calendar year for the MNS entities, the MNS Entities (i.e. CYSD and ZBXT plus their five subsidiaries) reported RMB122.89 million.

*Trinity Report Exhibit 54: Revenue Reported to SAIC by MNS Entities*

Figures in thousand RMB		FY 2010	FY 2011	FY 2012
CYSD		62,200	82,800	102,300
subsidiaries	ZYTL	2,500	2,800	3,900
ZBXT		29,000	40,000	44,200
subsidiaries	BKHT	8,100	11,400	2,600
	XYHT	7,100	7,100	8,200
	BZRH	7,500	10,500	14,900
	YJH	6,500	11,600	15,100
Total (7 MNS Entities)		122,900	166,200	191,200

"VNET acquired the MNS Entities on 9/30/2010 and consolidated them for the full fourth quarter of 2010....

...To state the very obvious, VNET claims that the MNS Entities did more revenue in the first nine months of 2010 than the MNS Entities told the SAIC they did for the entire year. And then, they have the audacity to claim that Q4 was by far the best quarter, generating a big increase of RMB60.18 million on top of the overstated RMB125.43 million, bringing the total to RMB185.61 million, or over 51% more than the MNS Entities actually did."

**Our Response:**

There are multiple erroneous numbers in Exhibit 54 which do not seem to have been obtained from SAIC as they claimed are. This resulted in Trinity's highly inaccurate analysis and incorrect deduction of the MNS businesses.

After reviewing our forms from the SAIC's annual inspections as well as SAIC records obtained directly from the respective SAIC bureaus in charge of record keeping, we realized these revenue numbers used in Trinity's report seemed to be largely incorrect and changed from the actual numbers. We cannot exclude the possibility that Trinity has purposely fabricated SAIC records to misguide the readers. Fabricating official records is a serious crime in China. The actual numbers of each entity reported to SAIC were in line with those included in our report to SEC. We highlighted the major differences between the SAIC numbers claimed in Trinity's Report and those with the respective SAIC bureaus. Details are as follows along with the respective SAIC documentation:

RMB '000	FY 2010			FY 2011			FY 2012		
	Trinity Report	Actual in SAIC	Reference to images below	Trinity Report	Actual in SAIC	Reference to images below	Trinity Report	Actual in SAIC	Reference to images below
CYSD	62,200	62,198	1-1	82,800	82,862	2-1	102,300	88,811	3-1
CYSD-ZYTL	2,500	14,263	1-2	2,800	82,291	2-2	3,900	102,579	*
ZBXY	29,000	57,254	1-3	40,000	68,044	2-3	44,200	50,860	3-3
ZBXY-BKHT	8,100	8,114	1-4	11,400	11,429	2-4	2,600	26,306	3-4
ZBXY-XYHT	7,100	7,082	1-5	7,100	7,013	2-5	8,200	17,044	3-5
ZBXY-BZRH	7,500	51,832	1-6	10,500	78,345	2-6	14,900	65,882	3-6
ZBXY-YJH	6,500	39,107	*	11,600	44,550	*	15,100	29,452	*

Total 122,900 239,851 166,200 374,534 191,200 380,934

The detailed SAIC files for these entities of MNS are as follows:

1-1: CYSD FY2010

H 627986 [非CA申报] [2011-03-16 10:54:51.0] [Y]

✓

内资企业法人年检报告书

(2010 年度)



注册号: 110106006279868

企业名称: 北京诚亿时代网络工程技术有限公司

(盖章)



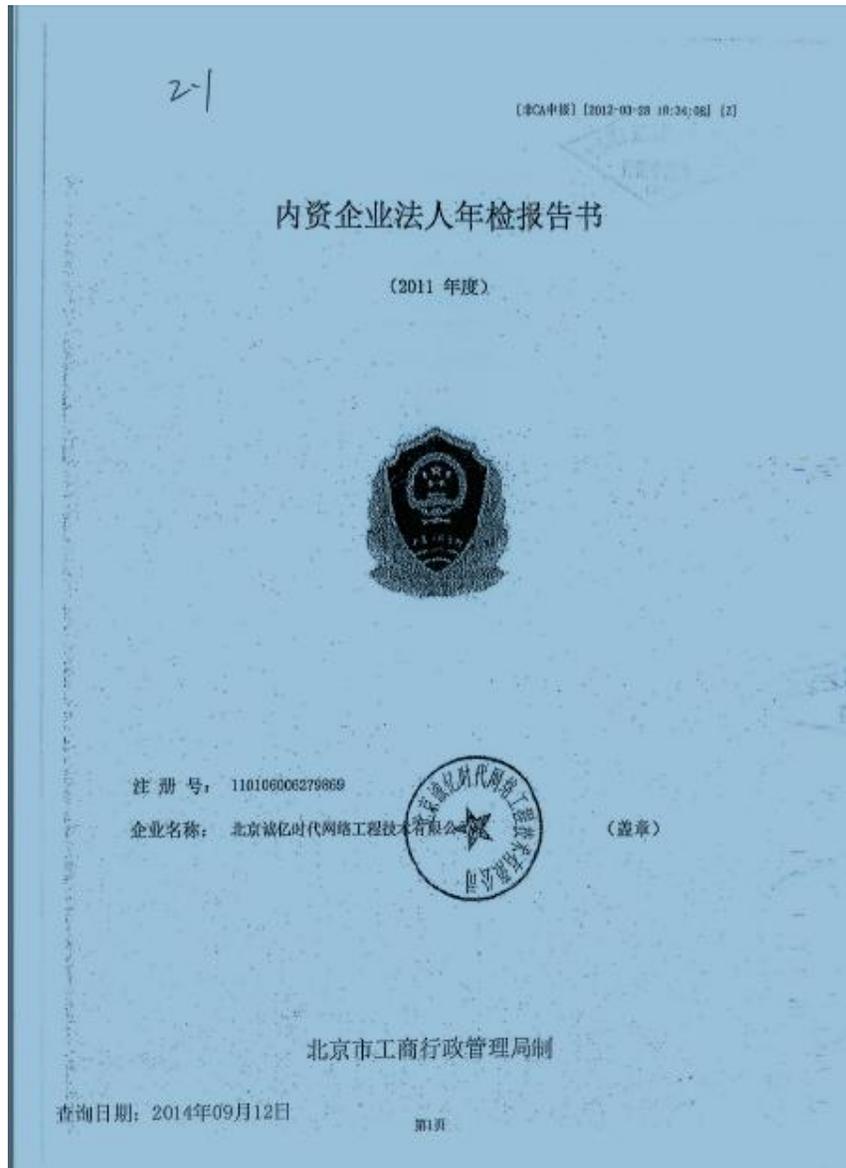

 内资企业法人2010年度年检报告书 注册号: 110106006279869

### 经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	62198243元	其中: 服务营业收入	
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数		安置本市城镇失业 人员数	
注册资本下期出资时间			
变更登记事项是否办理变更登记			
各案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或 办公		经营或 办公时限	实际经营或 办公所在区县
实际经营或办公地址			

2-1:CYSD FY2011





内资企业法人2011年度年检报告书

注册号: 110106006279869

**经营情况**  
(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	82862275元	其中:	服务营业收入 社会消费品零售额
从业人员总数		其中:	城镇居民人数
外埠人员总数		其中:	城镇居民人数
安置本市大学生数		安置本市城镇失业人员数	
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或办公		经营或办公时间	实际经营或办公所在区县

3-1: CYSD FY2012

3-1 2A5/ [中CA申报] [2013-04-01 13:56:46] [2] 复1

内资企业法人年检报告书

(2012 年度)



注册号: 110106000210003  
企业名称: 北京世纪时代网络工程技术有限公司 (盖章)



北京市工商行政管理局制

第1页

查询日期: 2014年09月12日



内资企业法人2012年度年检报告书

注册号: 110106006279869

经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	88811479元	其中:	服务营业收入 社会消费品零售 总额
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数		安置本市城镇失业 人员数	
注册资本下期出资时间			
改变登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或 办公		经营或 办公时限	实际经营或 办公所在区县

1-2: CYSD-ZYTL FY2010

2-1

222°

# 公司年检报告书

(2010 年度)

公司名称: 九江中亚通网络科技有限公司  
联系电话: 13910032015  
注册号: 360402110000785  
登记机关: 九江市庐山区工商行政管理局



1

刘德林  
2012.3.12

四、经营情况

企业名称	九江中亚通网络科技有限公司	注册号	360402110000785
营运状况	<input type="checkbox"/> 筹建 <input type="checkbox"/> 停业 <input type="checkbox"/> 清算		
全年销售（营业）收入	14264083 元	其中：服务营业收入	
全年利润总额		全年净利润	
全年纳税总额			
全年亏损额			
年末资产总额		其中：长期投资	
年末负债总额		其中：长期负债	

注：本表内容应根据资产负债表和损益表填写，并附在资产负债表之前。

本人确认公司提交的年检报告书所填内容属实。

2-2: CYSD-ZYTL FY2011

11  
2-2

公司年检报告书  
(2011 年度)

公司名称: 九江中亚通联网络科技有限公司 (盖章)  
联系电话: 18907926518  
注册号: 360402110000785  
登记机关: 九江市庐山区工商行政管理局



四、经营情况

企业名称	九江中亚通网络科技有限公司	注册号	360402110000785
营运状况	<input type="checkbox"/> 筹建 <input type="checkbox"/> 停业 <input type="checkbox"/> 清算		
全年销售（营业）收入	82291021 元	其中：服务营业收入	
全年利润总额		全年净利润	
全年纳税总额			
全年亏损额			
年末资产总额		其中：长期投资	
年末负债总额		其中：长期负债	

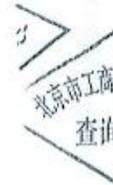
注：本表内容应根据资产负债表和损益表填写，并附在资产负债表之前。

1-3: ZBXT FY2010

[非CA申报] [2011-03-14 13:40:30.0] [Y]

# 内资企业法人年检报告书

(2010 年度)



： 110108010353010

： 智博信通 (北京) 网络技术有限公司



(盖章)

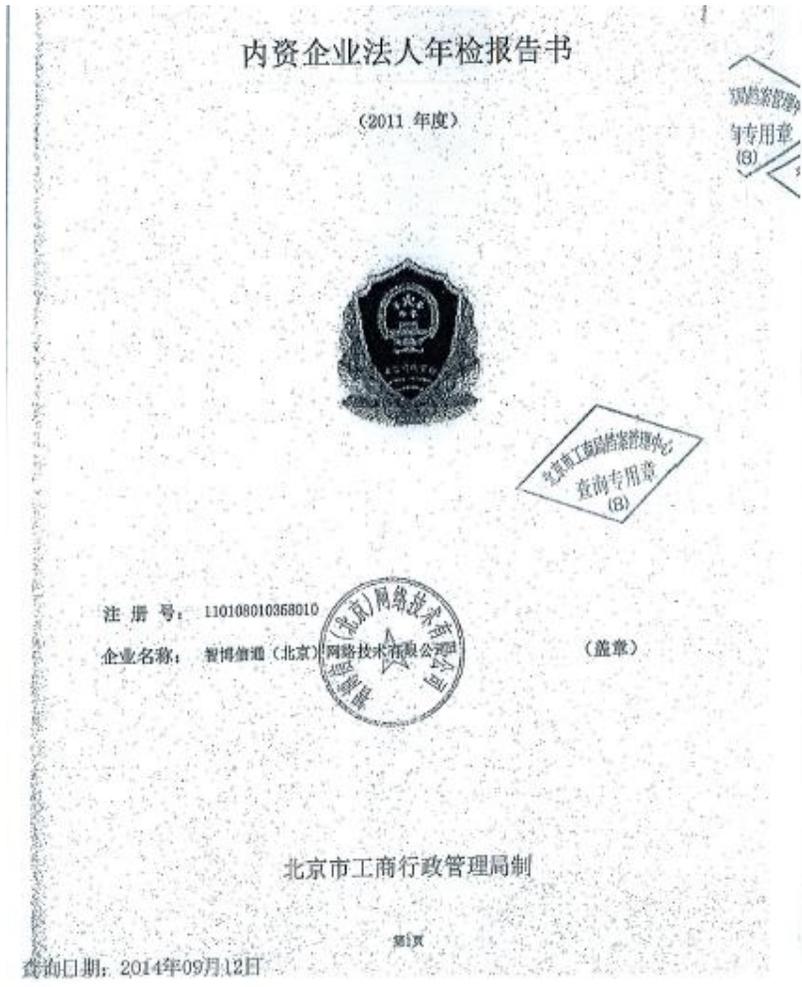
内资企业法人2010年度年检报告书 注册号: 110108010358010

经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	0元
利润总额		净利润	
实收资本		纳税额	
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	57254365元	其中: 服务营业收入	
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数	0人	安置本市城镇失业 人员数	0人
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类

2-3: ZBXT FY2011



内资企业法人2011年度年检报告书 注册号: 110108010358010

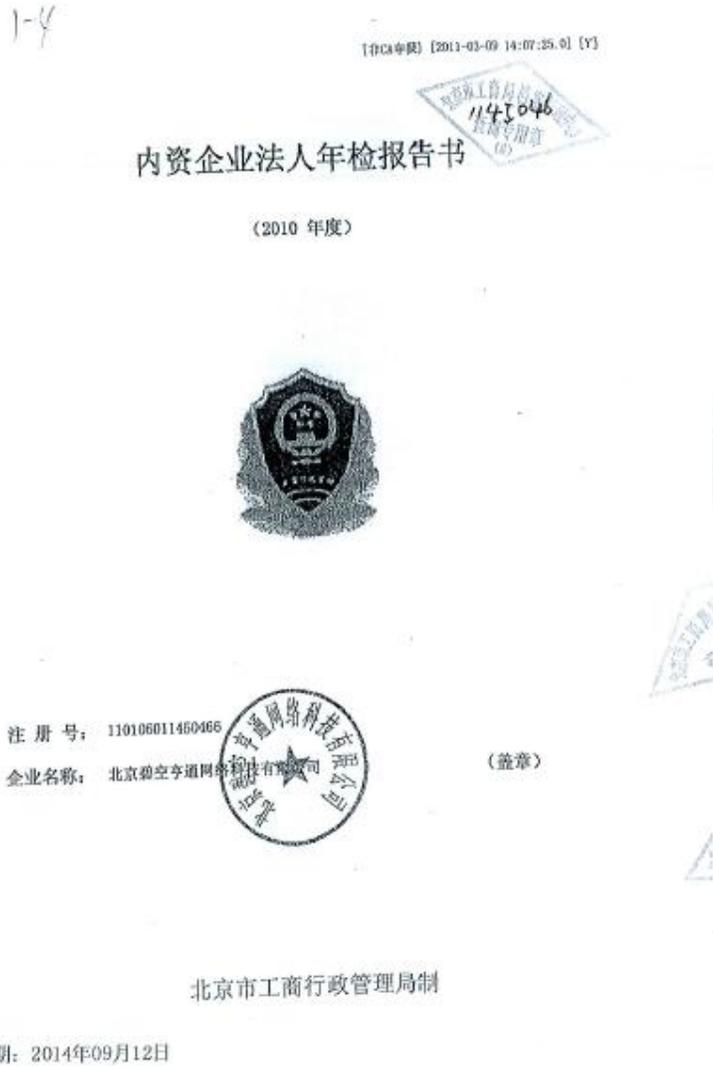
**经营情况**  
(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	68043962元	其中: 服务营业收入	68043962元
		社会消费品零售 总额	0元
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数	0人	安置本市城镇失业 人员数	0人
注册资本下期出资时间			
变更登记事项是否办理变更登记		是	
备案事项是否办理备案手续		无	
经营专项审批或许可的项目是否取得审批或许可		是	
注册资本是否按期足额缴付		是	
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或		经营或	实际经营或

北京市工商行政管理局 查

3-3: ZBXT FY2012 could not be obtained as there was something wrong with SAIC system when we visited the relevant SAIC bureau on September 12, 2014.

1-4: ZBXT-BKHT FY2010



经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中：长期投资	
负债总额		其中：长期负债或非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	8114316元	其中：服务营业收入	
从业人员总数		其中：城镇居民人数	
外埠人员总数		其中：城镇居民人数	
安置本市大学生数		安置本市城镇失业人员数	
注册资本下期出资时间			
改变登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营	经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类	
是否在注册地经营或办公	经营或办公时限	实际经营或办公所在区县	
实际经营或办公地址			

2-4: ZBXT-BKHT FY2011

[非CA申报] [2012-03-29 11:02:56] [Y]

1115046

### 内资企业法人年检报告书

(2011 年度)



注册号: 110106011450466  
企业名称: 北京碧空亨通网络科技有限公司



(盖章)

北京市工商行政管理局制  
查询日期: 2014年09月12日

内资企业法人2011年度年检报告书

注册号: 110106011450466

**经营情况**  
(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	0元
负债总额		其中: 长期负债或 非流动负债	0元
利润总额		净利润	705303元
实收资本		纳税额	612244元
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	11428581元	其中:	服务营业收入 社会消费品零售额
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数		安置本市城镇失业 人员数	
注册资本下期出资时间			
改变登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或 办公		经营或 办公时限	实际经营或 办公所在区县

3-4: ZBXT-BKHT FY2012



内资企业法人2012年度年检报告书

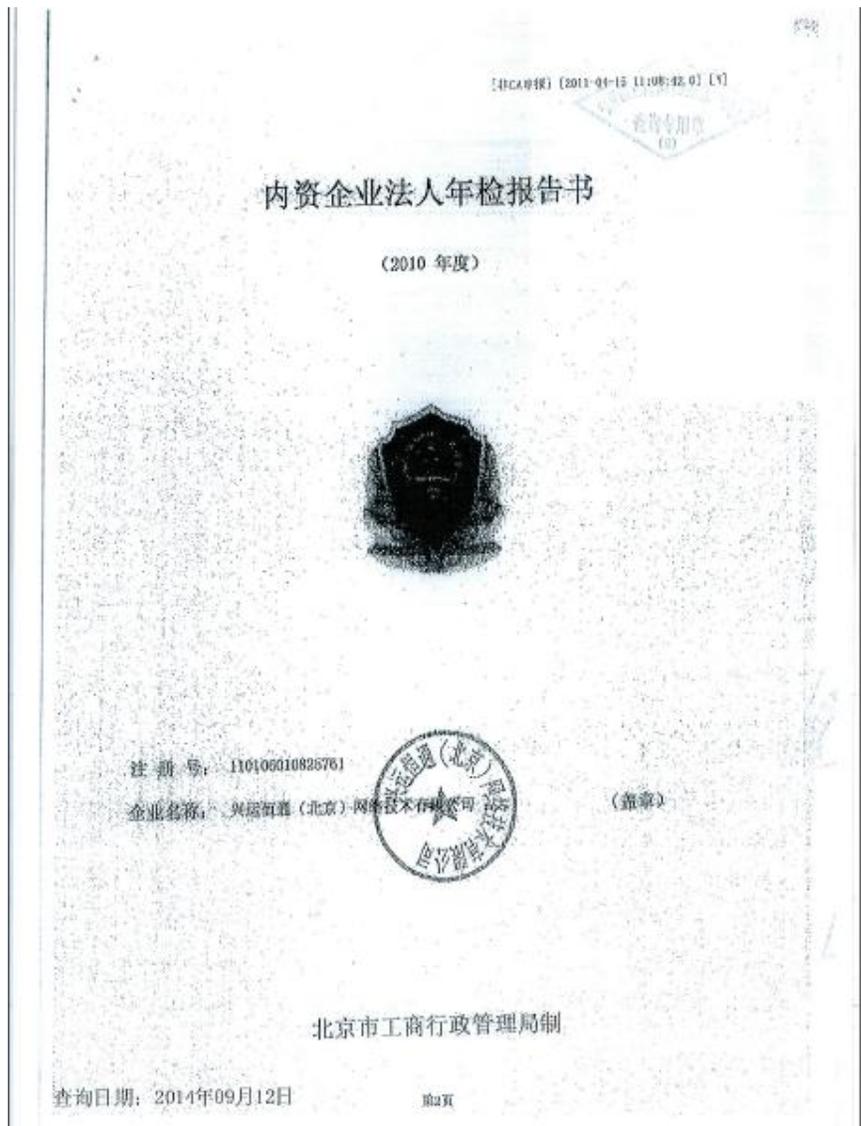
注册号: 110106011450466

经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额	7,381,200.00	其中: 长期投资	
负债总额	5,000,000.00	其中: 长期负债或非流动负债	
利润总额	2,381,200.00	净利润	3,000,000.00
实收资本	1,000,000.00	纳税额	200,000.00
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	26305701元	其中:	服务营业收入 社会消费品零售额
从业人员总数		其中:	城镇居民人数
外埠人员总数		其中:	城镇居民人数
安置本市大学生数	6人	安置本市城镇失业人员数	
注册资本下期出资时间			
改变登记事项是否办理变更登记		是	
备案事项是否办理备案手续		是	
经营专项审批或许可的项目是否取得审批或许可		是	
注册资本是否按期足额缴付		是	
是否从事食品经营	否	经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或办公	是	经营或办公时限	实际经营或办公所在区县
实际经营或办公地址			

1-5: ZBXT-XYHT FY2010



经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额	0元	其中：长期投资	0元
负债总额	0元	其中：长期负债或非流动负债	0元
利润总额		净利润	
实收资本		纳税额	
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	7081600元	其中：服务营业收入	
从业人员总数		其中：城镇居民人数	
外埠人员总数		其中：城镇居民人数	
安置本市大中专生数		安置本市城镇失业人员数	
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input checked="" type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或办公		经营或办公时限	实际经营或办公所在区县

2-5: ZBXT-XYHT FY2011

2-5

[北京中报] [2012-04-11 17:13:38] [X]

内资企业法人年检报告书

(2011 年度)



注册号: 110106010825761

企业名称: 兴运恒通(北京)网络技术有限公司



北京市工商行政管理局制

第1页

查询日期: 2014年09月12日



内蒙古企业法人2011年度年检报告书

注册号: 110106010825761

经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	0元
负债总额		其中: 长期负债或 非流动负债	0元
利润总额		净利润	
实收资本		出资额	
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	7013028元	其中:	服务业收 社会消费品零 售额
从业人员总数		其中:	城镇居民人数
外埠人员总数		其中:	城镇居民人数
安置本市大学生数			安置本市城镇失业 人员数
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批许可的项目是否取得审批许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类 <input type="checkbox"/> 食品销售 <input type="checkbox"/> 其它食品经营类
是否在注册地经营或 办公		经营或 办公时限	实际经营或 办公所在区县

3-5: ZBXT-XYHT FY2012

33

[SCA申报] [2013-04-01 13:51:10] [Y]

查询专用章

内资企业法人年检报告书

(2012 年度)



注册号: 110106010926761

企业名称: 兴运恒通(北京)网络技术有限公司



北京市工商行政管理局制

查询日期: 2014年09月12日

第1页



内资企业法人2012年度年检报告书

注册号: 110106010825761

**经营情况**

(表中财务数据源自本年度资产负债表和损益表)

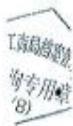
资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	17044128元	其中:	服务营业收入 社会消费品零售额
从业人员总数		其中:	城镇居民人数
外埠人员总数		其中:	城镇居民人数
安置本市大学生数		安置本市城镇失业 人员数	1
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
是否从事食品经营		经营类别	<input type="checkbox"/> 种植养殖 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类

1-6: ZBXT-BZRH FY2010

【非CA申报】 [2011-09-16 10:21:34.0] [Y]

## 内资企业法人年检报告书

(2010 年度)



号: 110108011492996  
名: 北京博智睿海网络科技有限公司 (盖章)



北京市工商行政管理局制

2009月12日 第2页

内资企业法人2010年度年检报告书 注册号: 110108011492996

经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	51832129元	其中: 服务营业收入	
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数	0人	安置本市城镇失业 人员数	0人
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批许可			
注册资本是否按期足额到位			

工商局档案室  
专用章  
(8)

2-6: ZBXT-BZRH FY2011

2-6

[申请申报] [2012-03-29 10:41:40] [7]

### 内资企业法人年检报告书

(2011 年度)



注册号: 110108011492996

企业名称: 北京博智睿海网络科技有限公司



北京市工商行政管理局制

查询日期: 2014年09月12日

内蒙企业法人2011年度年检报告书

注册号: 110108011492996

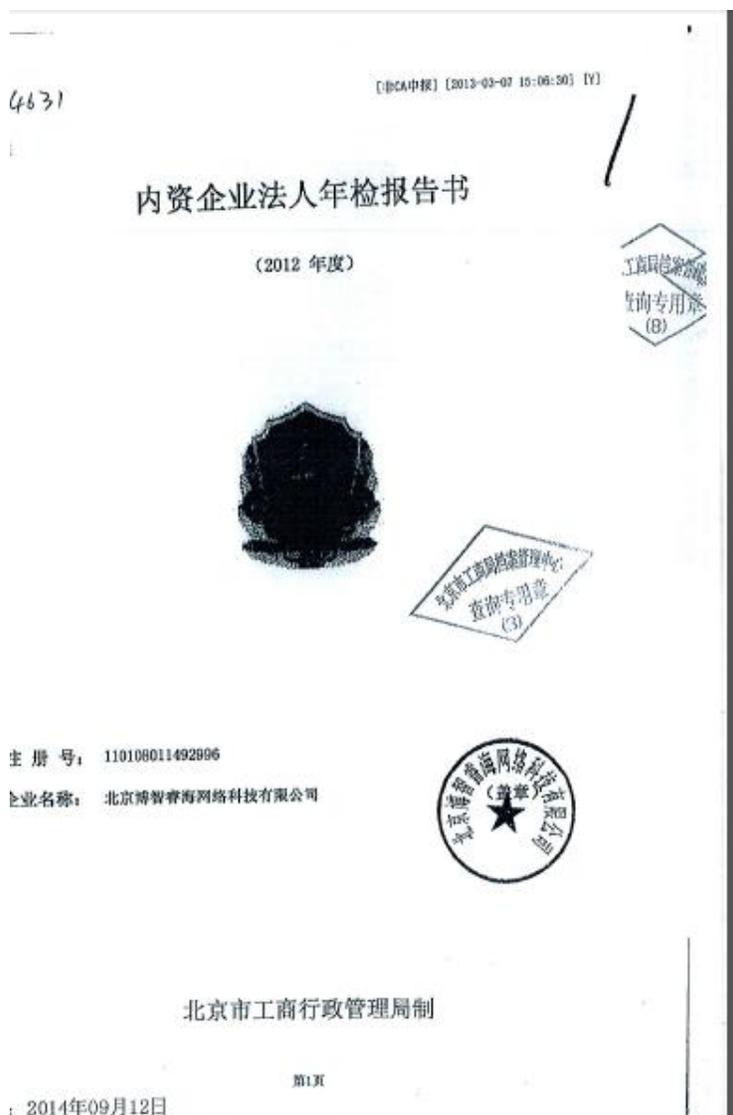
经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	0元
负债总额		其中: 长期负债或非流动负债	0元
利润总额		净利润	
实收资本		纳税额	
是否经营	<input type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	78345295元	其中:	服务营业收入 社会消费品零售额
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数	0人	安置本市城镇失业人员数	0人
注册资本下期出资时间			
改变登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			

工商局档案  
专用章  
(8)

3-6: ZBXT-BZRH FY2012



内资企业法人2012年度年检报告书

注册号: 110108011492996

经营情况

(表中财务数据源自本年度资产负债表和损益表)

资产总额		其中: 长期投资	
负债总额		其中: 长期负债或 非流动负债	
利润总额		净利润	
实收资本		纳税额	
是否经营	<input checked="" type="checkbox"/> 是 <input type="checkbox"/> 否	未经营原因	<input type="checkbox"/> 筹建 <input type="checkbox"/> 无经营项目 <input type="checkbox"/> 清算 <input type="checkbox"/> 无经营场所
全年营业收入	66881948元	其中:	服务营业收入 社会消费品零售 总额
从业人员总数		其中: 城镇居民人数	
外埠人员总数		其中: 城镇居民人数	
安置本市大学生数		安置本市城镇失业 人员数	
注册资本下期出资时间			
变更登记事项是否办理变更登记			
备案事项是否办理备案手续			
经营专项审批或许可的项目是否取得审批或许可			
注册资本是否按期足额缴付			
<input type="checkbox"/> 种植养殖业 <input type="checkbox"/> 食品生产类 <input type="checkbox"/> 餐饮类			



ZBXT-YJH's has not yet been obtained.

### Issue 6.3: MNS's Offices

Claim by Trinity Report - page 66-79

#### A Virtual Tour of VNET's MNS Shells

We visited all seven of the SAIC-registered companies known as MNS Entities as well as the two subsidiaries TWYL and found that all of them had registered as their headquarters either ghost offices that did not actually exist or offices that had no evidence of operations whatsoever. Below are screen shots of the SAIC registrations for each of the seven MNS entities and pictures that we took in person of their registered office locations.

#### Our Response:

After any acquisition, we will keep these addresses, as the registered address of each entity. It is not uncommon in China and also in other countries for the physical office address to be different from the registered office address. For example, companies like Amazon, PepsiCo and Walt Disney, are incorporated and registered in the state of Delaware, but they have daily operating offices all over the world. Sometimes, it can be as simple as a mailbox address. After the MNS acquisition is completed, and most of our other acquisitions, we request that the teams and employees of our acquisitions, all moved to 21Vianet's headquarters in order to be more closely integrated within our firm.

Thus, the above claim is misleading.

## Issue 6.4: The Websites of Tianwang & Yilong Xinda

Claim by Trinity Report - page 85-90

Exhibit 78: Beijing Tianwang Online website



Exhibit 83: Another website of Yiling Xinda



Our Response:

The two companies, Tianwang and Yilong Xingda, never operated those websites and the domain addresses were different on companies' licenses. Thus, the above claim is misleading.



## **Issue 6.6: Legality of “re-selling” bandwidth**

Claim by Trinity Report - Page 99

“VNET’s MNS Is Mainly a Front for an Illegal Bandwidth Reselling Operation”

Our Response:

Please see our most recent license renewal contract from MIIT for cross-regional IDC, VPN and ISP services below.

## 中华人民共和国 增值电信业务经营许可证

经营许可证编号: B1.B2-20060543

根据《中华人民共和国电信条例》及国家有关规定, 经审查, 准许你公司按照本经营许可证(正文和附件)载明的内容经营增值电信业务, 特颁发跨地区增值电信业务经营许可证。

公司名称: 北京世纪互联宽带数据中心有限公司

注册资本: 人民币伍仟万元

注册住所: 北京市朝阳区酒仙桥路东路1号院5号楼3层

业务种类: (见附页)

业务覆盖范围: (见附页)  
(服务项目)

签发人:

苗野

发证机关(盖章)



发证日期: 二〇一二年一月十七日

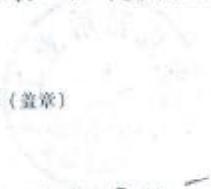
有效期至: 二〇一七年一月十七日



经营许可证编号:

### 电信业务经营许可证年检情况记录表

根据《电信业务经营许可证管理办法》的规定，发证机关对经营许可证实行年检制度。发证机关进行经营许可证年检时，对电信业务经营者报送的年检材料进行全面审核，并对其经营主体、经营行为、电信设施建设、电信资费和服务质量等进行必要的检查。对年检合格的在年检情况记录表上加盖印章。

<p>经审核，你公司 2011 年度年检合格。</p> <p>发证机关 (盖章)</p>  <p>2012 年 7 月 20 日</p>	<p>经审核，你公司 2012 年度年检合格。</p> <p>发证机关 (盖章)</p>  <p>2013 年 7 月 25 日</p>
<p>经审核，你公司 2013 年度年检合格。</p> <p>发证机关 (盖章)</p>  <p>2014 年 06 月 04 日</p>	<p>经审核，你公司 年度年检合格。</p> <p>发证机关 (盖章)</p> <p>年 月 日</p>
<p>经审核，你公司 年度年检合格。</p> <p>发证机关 (盖章)</p> <p>年 月 日</p>	

## Section 7. The AIPU Acquisition

### Issue 7.1: AIPU's Operations in Three Cities

Claim by Trinity Report - Page 108-110

It was alleged that CCTV featured AIPU (or iPoo, followed the designation in Trinity Report) in an expose warning consumers about fraudulent consumer broadband operators, and AIPU has been banned in three cities including Guangzhou because it failed to obtain the required local access network operator license to operate in the cities.

Our Response:

First, the claim they made about the CCTV expose featuring AIPU is unfounded and misleading.

According to the link to the online reply quoted in the Trinity Report (<http://tv.cntv.cn/video/C10354/7b5cc96153864f8f95ca119dae739058>), there is no mention of AIPU at all. Though there are consumer complaints similar to that of other services providers including major state-owned carriers, AIPU has been continuously striving to improve its services.

Another claim above that AIPU was banned in three cities is out of date as the notice document in the Exhibit 100 was dated July 2011. AIPU is fully licensed and operating normally in all three cities (please refer to the official licenses below).

In June 2012, the Ministry of Industry and Information Technology ("MIIT") issued an important policy document of "The Implementation Opinion Regarding Encouraging and Introducing Private Capital further into the Telecommunication Industry" ([http://www.gov.cn/zwqk/2012-06/28/content\\_2171772.htm](http://www.gov.cn/zwqk/2012-06/28/content_2171772.htm)). Private capital and enterprises are to be encouraged to participate in the telecom services arena including local access network operator, internet service provider, mobile virtual network operator, etc. This action signified the macro trend that the government's intention to liberalize the highly regulated telecom industry and open the industry up to private capital and private enterprises in China. This action would allow AIPU and other private companies to further expand their operations and enable private companies to provide more telecom services in the near future. In light of this macro policy trend of the regulators becoming more open and favorable to private enterprises, 21Vianet decided to make the strategic purchase of AIPU to complement its portfolio of services and further strengthen its Internet infrastructure footprint in China.

Given the above-mentioned industry climate change of deregulation, AIPU, being the second

largest non-state-owned internet service provider ("ISP") for residential broadband access in China, has become a preferred private enterprise for regional city governments to develop and provide local access network services. AIPU operated locally in many cities, including Chengdu, Chongqing, Kunming, Guiyang, Changsha, Wuhan and Guangzhou, independently and/or jointly with state-owned telecom carriers such as China Telecom or China Unicom in the respective cities. AIPU has ISP licenses in the cities where it is operating and has local access network operator licenses in its major regional markets, including Chengdu city and Chongqing city. (Below we have attached copies of AIPU's current ISP licenses and local access network licenses).

As of today, AIPU continues to operate in the above-mentioned cities normally.

The above claim in Trinity's Report is factually incorrect and misleading.

AIPU's current ISP licenses issued by MIIT for 11 cities, including Chongqing, Nanjing, Zhengzhou, Wuhan, Changsha, Guangzhou, Nanning, Chengdu, Guiyang, Kunming, Xi'an, as well as the authorized AIPU subsidiaries.

## 中华人民共和国 增值电信业务经营许可证

经营许可证编号: B2-20060308

根据《中华人民共和国电信条例》及国家有关规定, 经审查, 准许你公司按照本经营许可证(正文和附件)载明的内容经营增值电信业务, 特颁发跨地区增值电信业务经营许可证。

公司名称: 四川省艾普网络股份有限公司

注册资本: 人民币玖仟玖佰万元

注册住所: 成都高新区九兴大道6号

业务种类: (见附页)

业务覆盖范围: (见附页)  
(服务项目)

签发人

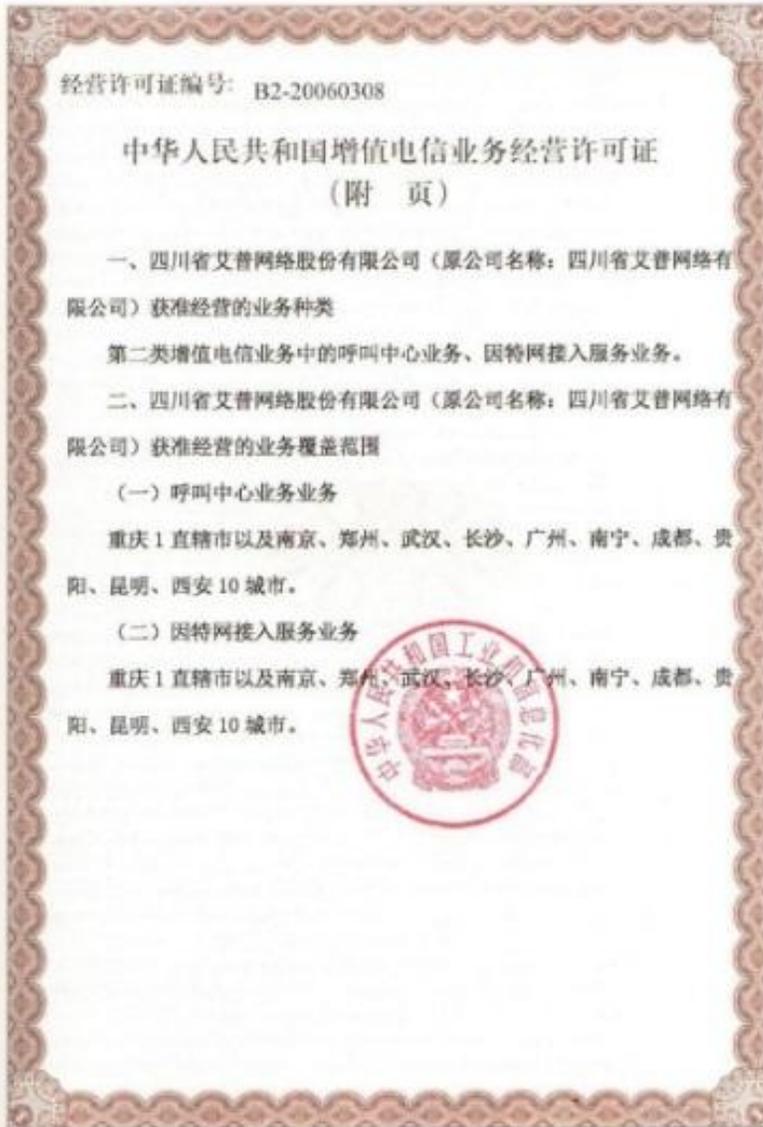
发证机关盖章

苗圩



发证日期: 二〇一五年七月三十日

有效期至: 二〇一六年八月一日



经营许可证编号: B2-20060308

中华人民共和国增值电信业务经营许可证  
(附 页)

经审查,工业和信息化部批准四川省艾普网络股份有限公司授权控股子公司经营电信业务。

一、授权经营电信业务情况

(一) 授权武汉新艾普网络科技有限公司在武汉市经营第二类增值电信业务中的因特网接入服务业务。

(二) 授权湖南艾普网络科技有限公司在长沙市经营第二类增值电信业务中的因特网接入服务业务。

(三) 授权广州艾普宽带网络科技有限公司在广州市经营第二类增值电信业务中的因特网接入服务业务

(四) 授权重庆建桥艾普网络科技有限公司在重庆市经营第二类增值电信业务中的因特网接入服务业务

(五) 授权云南艾普通信科技有限公司在昆明市经营第二类增值电信业务中的因特网接入服务业务

(接下页)

Annual inspection record for ISP licenses granted by MIIT

经营许可证编号:

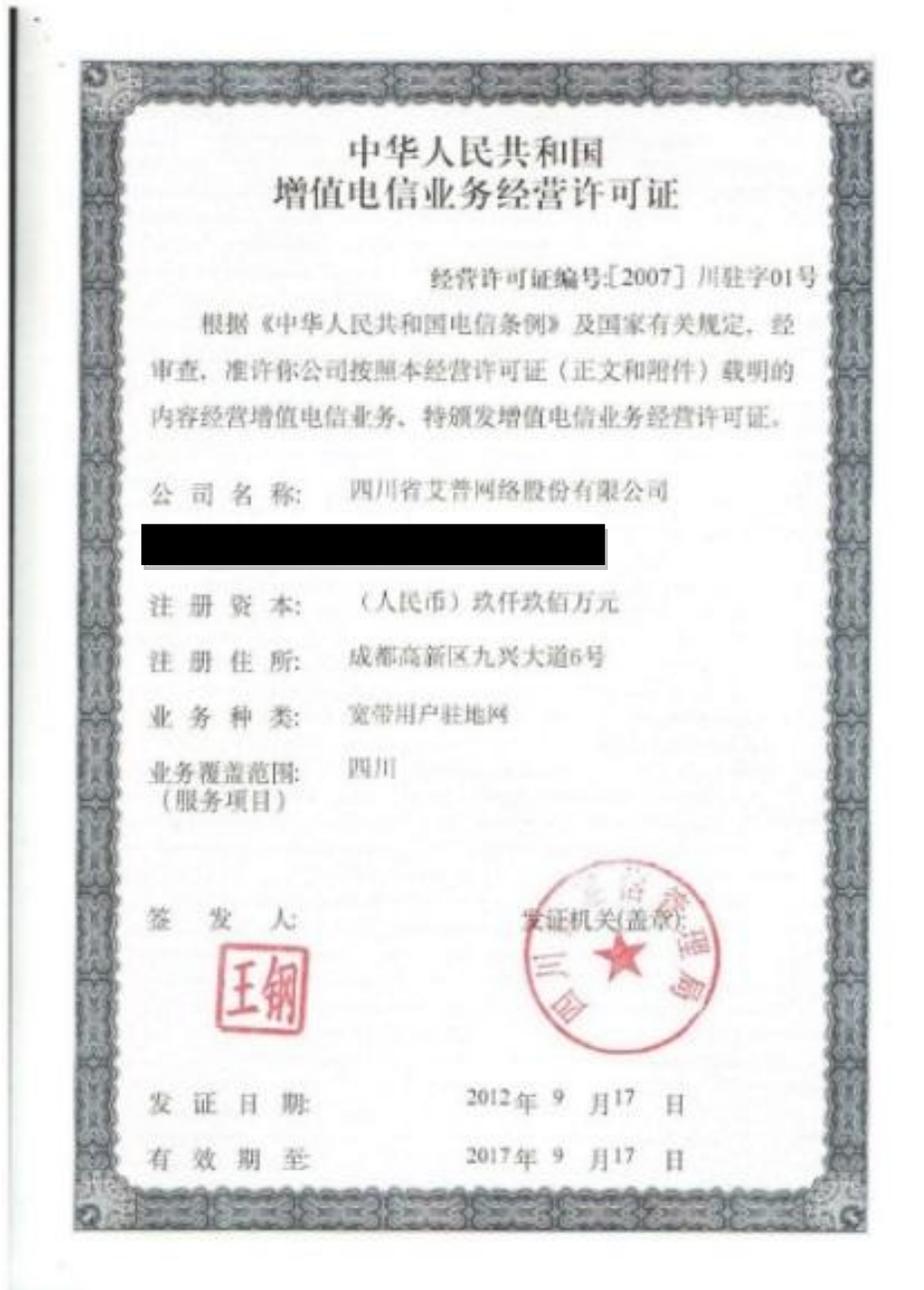
**电信业务经营许可证年检情况记录表**

根据《电信业务经营许可证管理办法》的规定,发证机关对经营许可证实行年检制度。发证机关进行经营许可证年检时,对电信业务经营者报送的年检材料进行全面审核,并对其经营主体、经营行为、电信设施建设、电信资费和服务质量等进行必要的检查。对年检合格的在年检情况记录表上加盖印章。

经审核,你公司 2013 年度年检合格。 发证机关(盖章) 2014 年 05 月 26 日	经审核,你公司 年度年检合格。 发证机关(盖章) 年 月 日
经审核,你公司 年度年检合格。 发证机关(盖章) 年 月 日	经审核,你公司 年度年检合格。 发证机关(盖章) 年 月 日
经审核,你公司 年度年检合格。 发证机关(盖章) 年 月 日	

- 25 -

AIPU's local access network operator license:



Annual inspection record for local access license granted by Sichuan Provincial Communication Administrative Bureau

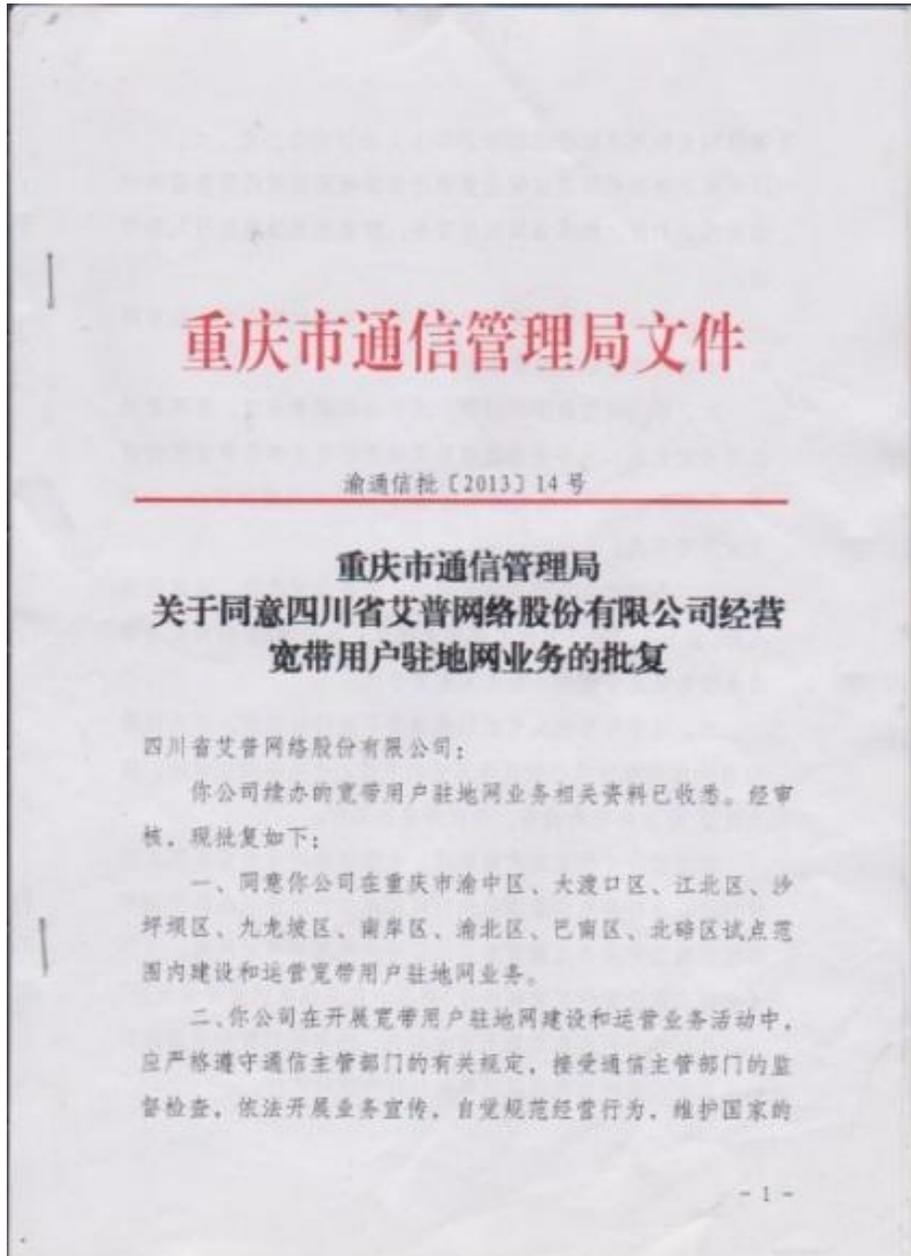
经营许可证编号: [2007]川驻字01号

### 电信业务经营许可证年检情况记录表

根据《电信业务经营许可证管理办法》的规定,发证机关对经营许可证实行年检制度。发证机关进行经营许可证年检时,对电信业务经营者报送的年检材料进行全面审核,并对其经营主体、经营行为、电信设施建设、电信资费和服务质量等进行必要的检查。对年检合格的在年检情况记录表上加盖印章。

经审核,你公司 2012 年度年检合格。	经审核,你公司 年度年检合格。
	发证机关(盖章)
2013 年 3 月 20 日	年 月 日
经审核,你公司 2013 年度年检合格。	经审核,你公司 年度年检合格。
发证机关 	发证机关(盖章)
2014 年 3 月 31 日	年 月 日
经审核,你公司 年度年检合格。	
发证机关(盖章)	
年 月 日	

Authorization of AIPU to operate local access network in Chongqing



## Issue 7.2: AIPU's Withdrawal of its Domestic IPO Application

Claim by Trinity Report - Page 110

"Suffice it to say the IPO was not approved when China's Securities Commission reviewed the application in January 2014. "

Our Response:

As most investors who follow China closely already are aware, China's IPO market was suspended from December 2012 to January 2014. After shortly reopening in January 2014, it was suspended again until June 2014.

In January 2014, AIPU voluntarily withdrew from the IPO review process to pursue a strategic investment or be acquired. AIPU was never rejected by China Securities Regulatory Commission ("CSRC") as claimed in Trinity's report. By then, AIPU had still been in the queue and its draft prospectus had not yet reached the review stage. Even in Trinity's own report ([http://finance.ifeng.com/a/20140121/11513093\\_0.shtml](http://finance.ifeng.com/a/20140121/11513093_0.shtml), in Chinese), it is stated "AIPU withdrew from the IPO process."

Afterwards, AIPU sought potential strategic investors or buyers and had been in talks with several entities including 21Vianet. 21Vianet participated in a competitive bidding process and finally closed its strategic acquisition of AIPU with a 50% equity interest investment.

The above claim in Trinity's Report is a gross misrepresentation of actual facts.

AIPU's application to voluntarily withdraw its IPO review process:

# 四川省艾普网络股份有限公司

川艾网报字【2014】第 001 号



## 关于撤回《四川艾普网络股份有限公司 首次公开发行股票并在创业板上市申请文件》的申请

中国证券监督管理委员会：

四川省艾普网络股份有限公司（以下简称“艾普网络”或“公司”）于 2013 年 5 月 29 日出具了《艾普网络关于首次公开发行股票并在创业板上市的应用报告》（2013 艾网报字第【18】号），于 2013 年 6 月 5 日向贵会申报了《四川省艾普网络股份有限公司首次公开发行股票并在创业板上市申请文件》，于 2013 年 6 月 5 日取得了 130728 号《中国证监会行政许可申请材料接受凭证》，并于 2013 年 6 月 14 日取得 130728 号《中国证监会行政许可申请受理通知书》。

由于公司拟筹划并购重组等资本运作事宜，经研究，艾普网络决定撤回本次首次公开发行股票并在创业板上市的应用。

特此申请。

四川省艾普网络股份有限公司

2014 年 1 月 10 日

### Issue 7.3: AIPU's Growing Business

Claim by Trinity Report - Page 110-111

It was stated that AIPU's business is rapidly shrinking, and not only did AIPU have low profits and declining, it is also the most leveraged company in its peer group.

Our Response:

There are tremendous potential and market opportunities in the broadband access industry in China, as ongoing deregulation efforts take hold. The Chinese government has identified Internet broadband as a key sector for national development and pushed forward a "Broadband China" national strategy ([http://www.gov.cn/zwqk/2013-08/17/content\\_2468348.htm](http://www.gov.cn/zwqk/2013-08/17/content_2468348.htm)). With the opening up of the industry to non-state-owned enterprises, it is expected the industry will undergo significant structural changes from which there exist a tremendous opportunity for players such as an integrated 21Vianet/AIPU offering which possess complementary strengths and expertise, to introduce innovative broadband technologies and products nationwide. In light of such an opportunity, the broadband access business is another strategically important piece of 21Vianet's vision for building a comprehensive Internet infrastructure ecosystem in China. We do not agree that this is an industry or business that is saturated, in decline or non-core to our strategy, as Trinity asserted.

Per the draft prospectus for AIPU that Trinity obtained and quoted, in respect to profitability levels, AIPU's gross profit margin had been 50% or higher and net margin was in the 10-14% range. From this fact, one cannot say it was considered low in profits. In fact, AIPU's net profit margins had steadily increased from 5.6% in 2010 to 13.5% in 2012, rather than the decline as claimed by the Trinity report.

In respect to the Debt-to-Asset Ratio (Exhibit 102), the other companies for comparison are not very comparable in terms of exact business nature, size and model of operations, among others. The other businesses engage in a variety of telecom businesses while AIPU primarily engages in the broadband access network business.

As quoted in Trinity's report, Great Wall Broadband, acquired by Dr. Peng (a PRC A-share listed company), could be a comparable company to AIPU. According to Dr. Peng's announcement on May 3, 2012 (page 1, <http://drpeng.com.cn/uploads/soft/120503/10-120503094449.pdf>, in Chinese), Great Wall's net assets as of December 31, 2010 was RMB -186 million, its net assets as of June 30, 2011 was RMB -110 million. As such, Great Wall had negative net assets and its Debt-to-Asset Ratio was greater than 100%.

Moreover, according to the latest announcement by Founder Technology (another PRC A-

share listed company) ([http://www.foundertech.com/Portals/0/600601\\_20140531\\_2.pdf](http://www.foundertech.com/Portals/0/600601_20140531_2.pdf), in Chinese), which is in the process of acquiring Founder Broadband, the third largest non-state-owned broadband access network company in China, the Debt-to-Asset Ratio of Founder Broadband as of December 31, 2013 was 75.2%, which is at the same level as that of AIPU's.

Taking a closer look, the major cause of the seemingly high Debt-to-Asset Ratio is the high balance of advances from customers. This is a special condition for broadband access network service providers which usually sign up subscribers on a yearly or multi-quarter basis and collect the total fee upfront and recognize the revenue over the future service periods. These advances from customers would eventually get recognized as revenues. Thus, it would be more appropriate to back out this element when computing the ratio for analysis purpose. Given the case of AIPU for 2011 and 2012, the adjusted Debt-to-Asset Ratio would be in the area of 31.77% and 22.29%, respectively.

RMB Million	2011	2012
Total assets	575.7	706.0
Total liability	508.6	533.8
Debt-assets % (Actual)	88.35%	75.60%
Advance from customers (AFC)	325.7	376.4
Debt-assets % (adjusted for AFC)	31.77%	22.29%

Source: AIPU's draft prospectus as quoted in Trinity's Report

The above claims in Trinity's Report are misleading.

## Issue 7.4: AIPU's Historical Valuations

Claim by Trinity Report - Page 112

- In 2010, an attempted equity sale implied a valuation of RMB100 million for AIPU.
- In November 2011, a domestic private equity firm, JD Capital's equity investment implied a valuation of RMB250 million.
- In 2012, Chengdu Guotao Investment ("Guotao") sold their 22.5% stake in AIPU for RMB27.5 million, corresponding to a 1.4x trailing P/E.

Our Response:

AIPU went through a typical equity financing process for a privately-held enterprise in China. In 2010 and 2011, AIPU was an emerging, relatively higher risk small company. Thus, it is accepted business understanding that most private investors then would require relevantly low valuation for high risk investments which may or may not achieve high future returns. The transaction in 2012 was purely an internal shareholding restructuring within the founder-shareholders. Thus, it is not appropriate to reference the implied valuation which was not market based.

When 21Vianet made the investment in AIPU through a bidding process, AIPU had grown into a much larger and established operation and had gone through a comprehensive IPO preparation process which helped it improve its management and financial system as well as its corporate governance practice. This would be considered a late stage investment which is of strategic value to 21Vianet. Furthermore, there was a dynamic competitive process for AIPU amongst several potential buyers. Both of these facts led to the current valuation that was paid for the investment.

Thus, it is not appropriate to compare with the implied valuations of earlier transactions and internal transfer. The above claim in Trinity's report is erroneous and misleading.

## Issue 7.5: Consideration Paid to Acquire AIPU

Claim by Trinity Report - Page 113

... Great Wall was acquired by Dr. Peng, a publicly listed company (in the PRC A-share market) in two tranches, 50% at a price of RMB600 million in December 2011 and 50% at a price of RMB712 million in December 2012. Dr. Peng's blended acquisition valuation was RMB656 million.

21Vianet paid 2.13x more for iPoo than Dr. Peng did for Great Wall...

Our Response:

First, the valuation computation of the acquisition by Dr. Peng of Great Wall (Broadband) is factually and mathematically incorrect. It seems that the author either did not understand the information in the relevant public announcement or changed the actual numbers in publicly available facts.

In the first tranche at the end of 2011, Dr. Peng paid RMB600 million for the 50% equity of Great Wall, at an implied equity valuation of RMB1.2 billion, and in the second tranche in 2012, Dr. Peng paid an additional RMB712 million for the remaining 50% equity of Great Wall, implying an equity valuation of RMB1,424 million at that point in time.

Based on Dr. Peng's public announcement, Great Wall's 2011 net income was RMB80.76 million (page 8, <http://drpeng.com.cn/uploads/soft/120503/10-120503094449.pdf>). Thus, it implies a P/E multiple of approximately 14.9x 2011 trailing earnings.

Additionally, as mentioned earlier, there is another comparable transaction of Founder Technology, which is acquiring 100% equity of Founder Broadband, an affiliate company under the same parent company, i.e., Founder Group. Based on Founder Technology's public announcement, (page 18, [http://www.foundertech.com/Portals/0/600601\\_20140531\\_2.pdf](http://www.foundertech.com/Portals/0/600601_20140531_2.pdf)), Founder Broadband's 2013 net income was RMB45.8 million. Founder Technology is acquiring 100% of Founder Broadband for RMB760.06 million, implying a P/E multiple of approximately 16.6x 2013 net income.

Furthermore, based on public information available, the net assets of Great Wall as of June 30, 2011 was approximately negative RMB110 million from which it could be reasonably derived that the net assets would still be negative as of year-end of 2011. AIPU's net assets as of December 31, 2013 was about RMB239 million and growing. Thus, from a book value perspective, AIPU's implied valuation would actually be significantly better than that of Great Wall's.

Thus, the valuation for AIPU is at traditional market levels, not the exaggerated levels as asserted. Therefore, the above claim in Trinity's report is misleading.

## Conclusions

21Vianet has, to the most reasonable extent, answered the false allegations made Trinity.

21Vianet stands firmly by its reports of data centers, cabinet growth and utilization rates. As of June 30, 21Vianet had 82 data centers including 15 self-built and 67 partnered. The self-built data centers had 11,482 cabinets, and partnered had 5,462 cabinets. The Company welcomes any investor to review its past and current public disclosure, visit any of its facilities or speak with the Company and its partners to gain further insight and understanding into its large and expanding data center business.

21Vianet has, and will continue to, prudently pursue investments that are strategically complementary; malicious attacks will neither tarnish its record nor prohibit it from pursuing opportunities that we believe to be in the best interests of the shareholders.

21Vianet is and has been adequately capitalized. As of September 5, 2014, the Company had RMB 2.7 billion cash and cash equivalents. It has met all the requirements under its existing debt covenants, including financial and other covenants under its outstanding RMB denominated bonds. Based on its Net Debt to adjusted EBITDA ratio, it has one of the lowest financial leverage among our global peers.

To conclude, the accusations made by Trinity have absolutely no merit. 21Vianet will remain focused on its business vision and strategy to become a leading Internet infrastructure service provider in China.