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PRESENTATION

Operator

Good morning, and good evening, ladies and gentlemen. Thank you, and welcome to 21Vianet Group's Second Quarter 2018 Earnings Conference Call. (Operator Instructions) With us today are Mr. Alvin Wang, Chief Executive Officer and President; Ms. Sharon Liu, Chief Financial Officer; and Ms. Rene Jiang, Investor Relations Director of the company. I will now turn the call to Ms. Rene Jiang, IRD of 21Vianet. Please go ahead.

Rene Jiang

Hello, everyone. Welcome to our second quarter 2018 earnings call. Before we start, please note that this call may contain forward-looking statements made pursuant to the safe harbor provisions for the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's current expectations and observations that involve known and unknown risks, uncertainties and other factors not under the company's control, which may cause actual results, performance or achievements of the company to be materially different from the results, performance or expectations implied by these forward-looking statements. All forward-looking statements are expressly qualified in their entirety by the cautionary statements, risk factors and details of the company's filings with the SEC. 21Vianet undertakes no duty to revise or update any forward-looking statements for selected events or circumstances after the date of this conference call.

I will now turn the call over to Mr. Alvin Wang, CEO and President of 21Vianet.

Shiqi Wang *21Vianet Group, Inc. - CEO & President*

Thank you, Rene. Good morning and good evening, everyone. Thank you for joining us for the earnings call today. This is the third quarter since we completed the divestiture of our loss-making MNS business. Our strategy to focus entirely on our core hosting and the related services business, including IDC, cloud and VPN services, has proven to be a key driver of our growth.

During the last 9 months, we saw continuous improvements in both our financial and operational results. We are particularly pleased to achieve a 29% year-over-year growth of our adjusted EBITDA this quarter, now expanding the adjusted EBITDA margin to 26.7% from 23% in the same period last year.

The healthy trajectory of our financial performance is fueled by our relentless efforts to optimize our operational efficiency. With our attention and then resources fully focused on our core business, we were able to make marked improvements in the management of our cabinet's capacity, power usage and then human resources. As a result, we significantly enhanced the efficiency of our costs and the expense structure, making our business leaner and stronger than ever before. Furthermore, in the first half of 2018, we introduced a series of incentives to our employees called performance stock units. We believe our incentive plans based on very detailed KPI are well-designed to further motivate our team and improve their productivity. We will continue to implement this incentive program in the coming quarters.

Our improvement in operational efficiency builds upon our already robust capability in network reliability, service quality and the carrier and cloud neutrality, allowing us to capture new opportunities in the rapidly growing Chinese IDC markets.

During the quarter, we welcomed new customers in Chinese Internet and the financial services sectors, including MBCloud, a subsidiary of China Merchants Bank, [Senu Data], an A share-listed service and solutions provider for investment banks, Fintech and other financial institutions, and Dingdang [Kuai Yao], an O2O pharmacy. In addition, as our existing customers expand their own businesses, they consequently increased their other sites for our data center capacity. And then a host of such requests came from companies, including Xiaomi, BMW China and Zenlayer.

As our customer base grows and there demand increases, we took measures to ensure that we have sufficient capacity to serve our customers, especially those ones in Tier 1 cities. We added around 300 cabinets to our self-built network in the second quarter, bringing the total number of our higher-margin-producing self-built cabinets to 24,167. The recent surge in customer demand has also prompted us to expand our capacity. We have reached an agreement to deliver an additional 1,000 cabinets in Shanghai in the second half this year. In addition, we recently signed a long-term lease agreement to obtain the rights to use over 20,000 square meters property in West Beijing. The new Beijing location is estimated to add another 3,000 to 4,000 cabinets to our data center network. We are now waiting for the electricity and the fire appliance approval from related authorities, and we expect the first batch of cabinets to be delivered in the second half of 2019.

After conducting extensive market research on the wholesale data market, we are convinced of the tremendous growth opportunities it offers. Consequently, we have decided to enter the wholesale markets albeit in a very disciplined manner. We have thoroughly examined, potential property resources, negotiated with current and the potential customers, evaluated financial terms and returns in our investments.

We are confident that entering the wholesale market should lead us to sustainable growth and then improving profitability for the long term.

Now turning to our cloud business. As we recently announced, our wholly owned cloud business subsidiary, Shanghai Blue Cloud Technology, has entered into distribution partnership agreements with 4 world-class software providers in July. We will be responsible for the localization, marketing and the distribution of our partner's cloud services in Mainland China.

This is an important milestone for our cloud business as we have not only expanded our own services offerings, but also established ourselves as a highly sought-after partner for international cloud solution providers seeking to commercialize their products safely and effectively in China.

Finally, I'd like to give an update on our VPN business. Our closed communication with the relevant authorities regarding VPN compliance has resulted in important progress. Our subsidiary, DiYiXian, has signed a cooperation agreement with China Mobile International and submitted the agreement to China Academy of Information and Communications Technology for regulatory review and approval. Once the agreement is approved, we will be among the first batch of companies that have become 100% compliant with the new regulations on VPN. We strongly believe that the new regulations should raise the industry standards, ensure service quality and cultivate market growth in a healthy manner.

We are confident our own commitment to network safety, availability, reliability, neutrality and equality shall enable us to continuously gain market share and solidify our industry leadership.

In summary, we expanded our data center capacity, achieved new customer wins and then improved our operating efficiency during the second quarter of 2018. We have also expanded our business scope to the wholesale data center markets and made a solid foundation for accelerating and sustaining our growth. We are confident that we will further strengthen our market leadership in one of the fastest-growing IDC markets in the world.

Now I would like to turn the call to Sharon Liu, CFO of our company, to give you more details of our financial results.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Thank you, and hello, everyone. As Alvin mentioned earlier, we divested MNS business by the end of the third quarter of 2017. Since then, all of our revenues and expenses are entirely generated by our call hosting and related services. To make our year-over-year comparison relevant and meaningful in the foreign remarks, we have excluded all revenues and expenses related to the MNS business from our second quarter of 2017 results. We believe this would offer better clarity and insight into the true performance of our core business.

Please also note that we will present non-GAAP measures today. Our non-GAAP results exclude certain noncash expenses which are not a part of our core operations. The details of these expenses may be found in the reconciliation tables included in our press release. Please note that all the financial numbers we are presenting today are in RMB terms and that percentage changes are on a year-on-year basis, unless otherwise stated.

During the quarter, we remained focused on enhancing the efficiency and the effectiveness of our operations while sustaining a very strong top and bottom line growth momentum. Our net revenue in the second quarter increased by 11.4% year-over-year to CNY 828.3 million, driven by the rising customer demand for more cabinet capacity. Hosting MRR per cabinet for the second quarter was CNY 8,271 compared to CNY 7,697 in the same period of last year and CNY 7,905 in the first quarter of 2018. The increase in MRR was mainly due to an increased amount of hybrid IT services and value-added services that our customers purchased during the quarter. Our adjusted cash gross profit, which exclude depreciation, amortization and share-based compensation expenses increased to CNY 364 million in this quarter, representing an increase of 14.4% from CNY 318.2 million in the prior year period. Adjusted cash gross margin further expanded to 43.9% from 42.8% in the prior year period. The improvement in adjusted cash gross margin was mainly due to our solid revenue growth and a series of efficiency enhancement initiatives that were implemented.

Adjusted operating expenses were CNY 161.9 million, a slight increase of 1.2% from CNY 160 million in the prior year period. As a percentage of net revenues, adjusted operating expenses reduced to 19.5% from 21.5% in the prior year period, driven by our ongoing effort in optimizing our cost expense structures. As our economy of scale improved, our adjusted EBITDA increased by 29.1% to CNY 221.1 million from CNY 171.3 million in the prior year period. Adjusted EBITDA margin expanded to 26.7% from 23% in the prior year period.

Our net loss was CNY 95.5 million compared to CNY 119.3 million in the same period of 2017. Our net loss in the second quarter included a CNY 73.4 million foreign exchange loss due to depreciation of RMB, which was unrealized noncash in nature.

Basic and diluted loss per share was RMB 0.14 in the second quarter of 2018, which represents the equivalent of RMB 0.84 per ADS. Each ADS represents 6 ordinary shares.

Turning to our cash flow and balance sheet. We generated CNY 111.4 million of positive cash flow from operating activities during the second quarter. In addition, our cash and cash equivalents, restricted cash and short-term investments were CNY 2,657.5 million at the end of June 2018. With our solid cash position and our strong cash generation capability, we're well positioned to capitalize on new market opportunities in the blooming IDC industry in China.

Before I give you our forward-looking guidance, it's important to note that we have been able to achieve or exceed our own guidance 3 quarters in a row. As a company, we have always been prudent in managing our financial budgets and conservative in giving our growth forecast. We're also doing our best now to maintain stringent internal control and to ensure full disclosure of accurate information.

Now for the third quarter of 2018, we expect net revenues to be in the range of CNY 840 million to CNY 860 million. Adjusted EBITDA is expected to be in the range of CNY 230 million to CNY 250 million. The midpoint of guidance range indicates year-over-year increase of 5% in revenue and 36% in adjusted EBITDA.

Based on solid first half 2018 results, we are increasing our full year guidance for both net revenues and adjusted EBITDA. For the full year, we now expect net revenue to be in the range of CNY 3.28 billion to CNY 3.38 billion, CNY 30 million above our original guidance range. Adjusted EBITDA for the full year is now expected to be in the range of CNY 800 million to CNY 880 million, CNY 50 million above our original guidance range. The midpoint of the guidance range indicates year-over-year increase of 5% in revenue and 25% in adjusted

EBITDA.

This forecast reflects our current and present rate views on the market and operational conditions which are subject to change.

This concludes our prepared remarks for today. Operator, we are now ready to take questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Yang Liu from Morgan Stanley.

Yang Liu ***Morgan Stanley, Research Division - Research Associate***

I have 4 questions. The first one is related with MRR. I noticed that it's up almost 5% quarter-on-quarter, 7.5% or 4% year-on-year, and the management mentioned that it was driven by the hybrid IT and the VAS. I just want to make sure, the hybrid IT and the VAS are all recurring revenue. And I would like to know if relatively high level of MRR, if the second quarter is sustainable going forward or not. That's my first question. The second one is that we are very happy to see the good cooperation with Tus-Holdings in the IDC pipeline. So are these capacity for retail business or wholesale business expansion? And is the -- are the 2 projects within the current guidance of around 3,000 or 4,000 new cabinets per year, or is that on top of the current guidance, and how about the CapEx plan to build the 2 new projects? The third question is related with the execution of the incentive program -- employee incentive program. Though it is -- I know it's still in the early stage, I will appreciate if management could share some progress or something you observed in the execution of the whole management team. The last question is related with FX loss. I guess it's due to the U.S. dollar denomination bond, but I would like to know if the company have further or future hedging strategy to control the basics.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Okay. Thank you, Yang. This is Sharon. I will take your first question on MRR. First, I want to emphasize that over 90% of our revenue is on recurring basis and the increase of MRR of this quarter nearly is by 5% compared to Q1. The increase was contributed by sequential demand for hybrid IT and value-added service from customers. Our MRR is a blended rate, which includes different products and customer mix. Besides colocation and power, these customers lack more connectivity, hybrid IT or hybrid cloud services and other value-added service. Our MRR per cabinet will increase accordingly, while trying to provide a more value-added service to the customer, not only to increase our revenue, but also to enhance our customer's stickiness. In the second half of 2018, we estimate that MRR will remain at the same level of Q2, with little fluctuations. Okay. So Alvin will take your next 2 questions.

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Regarding the cooperation with Tus-Holdings, so we are very happy to see that we achieved very good progress, not only in Shanghai, but also in Beijing this quarter. And also, that regarding that property, that currently, we will target both wholesale and the retail customers as well. And so a majority of our focus will be retail customers in the city area, Beijing. And regarding the CapEx, actually, that's a -- the majority of the CapEx will be in 2019. So currently, that's 3,000 to 4,000 cabinets. The CapEx plan is beyond our current plan. And also, that the delivery of the cabinets will be in 3 phases -- sorry, in 2 phases. So the first batch will be in 2019, and the second batch will be in 2020. Regarding PSU, that's currently, as you mentioned, we already started the implementation of the PSU program, and currently, that's -- the program covers the management team and the key personnels of the 21Vianet Group, where there's around 60 people covered. And so we see very positive feedback from our key talents, and also going forward, we will continue to implement this program based on our performance and also based on the new talents added. So regarding the fourth question, then I will turn it back to Sharon.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Okay. I will answer the fourth question regarding to the foreign exchange loss. You are right. The loss was mainly due to the depreciation of RMB for foreign exchange. The reason is that we raise capital offshore and purchase equipment and property onshore in RMB. Typically, there are 2 ways of offshore capital transferring across borders, which is -- which are both required under the approvals of SAFE. One is equity method, which is injecting paid-in capital from offshore subsidiaries -- to onshore subsidiary. Under this method, the offshore subsidiary's long-term investment in onshore subsidiary's paid-in capital will be, in highlight, eliminate during the consolidation of the financial statements. The other way is loan method. Offshore subsidiary lend capital to onshore subsidiary. Under this method, offshore subsidiary's U.S. receivable cannot be entirely eliminated by the onshore subsidiary's payables. So we recognize foreign exchange gain and loss accordingly based on the quarter end foreign exchange. In the history, we use both the 2 methods, both the equity and loan method for the cross-border capital injection. For the -- under the loan method, once RMB depreciate, we recognize loss; once RMB appreciate, we recognize gain. So we recognized gain in Q1 and recognized loss in Q2. But I want to emphasize that all this amount are unrealized noncash amount, because the loans -- between our subsidiaries, we can roll over the loan very easily. For the USD 300 million loans, your concern, we are now holding over 2/3 of that loan in U.S. dollars, and we also do some hedgings to avoid foreign exchange rates. Okay, thank you. Hope I clarify your concern.

Yang Liu ***Morgan Stanley, Research Division - Research Associate***

Actually, I have one follow-up question regarding the new project. Given the quite tight power quota -- power consumption quota in Beijing or Shanghai, do management team expect any difficulty to secure the power consumption quota for the 2 new projects?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Regarding the new projects in Shanghai, so we mentioned there were 1,000 cabinets capacity. Actually, we got all the approval, so basically, that's the way we will deliver the cabinets in the second half of this year in 2 batches. And regarding the project in Beijing, we still are waiting for the final approval from the related authorities, but we have -- still that's a -- we have quite very strong confidence that we can have all the approval in the coming quarters since we have [pre-communications] on all the measures in place. So there's a risk, but it's manageable.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Okay. Yang, I will add more color on your questions about the 2 new projects' CapEx. Actually, the [Shanghai Songjiang] (corrected by company after the call) project is a -- we generate will deliver around 3,500 cabinets, so the CapEx is around -- is over RMB 400 million. And we already spent RMB 20 million last year, and there will be additional [play] spend around RMB 40 million this year, [which is included] (corrected by company after the call) in our CapEx guidance, which is RMB 400 million to RMB 500 million this year. And for Beijing project, the target cabinet delivery is from -- in the range of 3,000 to 4,000 cabinets, so the CapEx is also around RMB 400 million. We're expecting that CapEx in the next year CapEx.

Operator

Our next question comes from Justin Zhang from China AMC.

Justin Qianyang Zhang

I have probably 2 questions here. First, may I have what the capacity of your Beijing new project, how many cabinets they will provide? And can we see some revenue acceleration in the second half of this year? And second, based on your guidance, it seems that the EBITDA in 4Q will be slightly down Q-on-Q from third quarter. Can you have -- can you provide more color on this? Hello?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Sorry. Thank you, Justin. It's Alvin here. I will address your first question regarding the new projects in Beijing. For that project we have 3,000 to 4,000 cabinet capacity and the majority of the customer will be retail customers. So the ramp-up periods will be around 6 months to 24 months, so the majority of the revenue will come from -- starting come -- to come in 2020.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Regarding your question on our guidance, I want to say that our [past] Q3 result beat proved the healthy fundamental of the company. We will continue to optimize our operational efficiency. So based on kind of looking where is our guidance, as Alvin and I, the whole management of 21Vianet, is a conservative way to communicate with the public, so we raised the revenue and the EBITDA guidance in that range. Currently, we have full confidence to beat that range -- the raise guidance for both revenue and EBITDA side.

Operator

Our next question comes from Harish Agarwal from Deutsche Bank.

Harish Agarwal

I have a few questions actually from my side as well. One is your cash balance that you have, the RMB 2 billion-odd cash balance, how much of those is actually in U.S. dollars versus RMB roughly?

Xiao Liu ***21Vianet Group, Inc. - CFO***

Okay. So almost -- over 2/3 of the cash balance is in the U.S. dollar currently.

Harish Agarwal

Okay, that's good. And the -- also in your cash flows, there is a big inflow in the investing cash flow section. I think the amount is RMB 357 million, where you say it's proceeds from other investing activities. Just curious what is this -- what exactly is this. It's in the investing cash flow section.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Okay. So you're asking about the investing activities, right? In cash amount, we're using...

Harish Agarwal

Correct, the RMB 357 million.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Oh, that's related the joint venture arrangement between we and Warburg Pincus. Actually, we scheduled the third project with Warburg Pincus, and we received their cash for the 49% of our third project's pay and valuation.

Harish Agarwal

Okay. And this is for the business like a data center joint venture project with Warburg or what exactly is it? I'm sorry, I didn't -- I don't know about it.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Actually, we have -- we set up a joint venture with Warburg Pincus to do mainly [purchase] on the wholesale project. We have a joint venture -- we have 2 joint venture with them. Under 1 joint venture, we own 51% of the equity, and that amount is because of Warburg Pincus buy the 49% of equity for the -- for a property in Beijing. And we will inject that amount in Q3 to the joint venture [too] and working with Warburg Pincus to do the further data center expansion.

Harish Agarwal

Okay. So this is for the first joint venture you are saying, is it, the RMB 357 million?

Xiao Liu ***21Vianet Group, Inc. - CFO***

Yes.

Harish Agarwal

Okay. And the second joint venture, how much stake do you have? And how much stake does Warburg have?

Xiao Liu ***21Vianet Group, Inc. - CFO***

Actually, after we injected the over RMB 300 million capital in the joint venture, they will have over RMB 800 million on hand to do the further expansion.

Harish Agarwal

Okay. So the second joint venture hasn't started yet basically.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Yes, there are several pipelines in that joint venture.

Harish Agarwal

Okay, okay. Got it. Okay. And one last question from me was there are some headlines about the Chinese government is looking to reform a lot of universities in China, and there are talks about that Tsinghua University might actually sell Tus-Holdings. I'm just curious any thoughts on that side. Could -- is it likely that we'll see a change in ownership in Tus-Holdings? And what does that mean for 21Vianet?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

It's -- it's -- I mean, thank you also for your question. It's regarding the information you mentioned. It's we haven't received any formal instructions from Tus-Holdings, and we do have some communications with Tus-Holdings and the their final controlling stakeholders. And the message we received is whatever change is happening in Tus-Holdings that still that 21Vianet will remain as one of the key [assets] of Tus-Holding group and also that Tus-Holding group will continue to support 21Vianet with -- in their best effort.

Operator

Our next question comes from Eveline Jiang from Citi.

Eveline Yilin Jiang

So I only have one question. Just want to ask if there's any progress on our wholesale business. Can you please share more details?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Okay. Thank you. That's -- thank you for your question regarding wholesale. That's -- as we mentioned previously, that's -- we have very strong confidence to address the wholesale market. As you know that we haven't put a lot of effort in the last 2 to 3 years in this domain, so it take us for a while to establish our internal team and also, especially with [realty] resources or realty property to serve the leading customers. And in the past 2 quarters, we do see very strong pipeline projects ongoing, especially with the top public cloud providers here in China. And in the past quarter, we do see a lot of progress, especially in one project. We have very in-depth discussions with that leading customer, and we are very close to sign legal binding agreements. But still that's -- still we haven't reached agreement yet, so we cannot disclose any further information from that perspective.

Operator

(Operator Instructions) Our next question comes from Hans Tuang from Huizhi Capital.

Hans Tuang ***Huizhi Capital - Analyst***

I just got one follow-up question on the Beijing new projects, where -- is it a wholesale or retail-focused projects. And where -- is it 100% controlled by your company or owned by the JV with the Warburg Pincus?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Thank you, for your question. That's -- for the new Beijing projects, for the whole projects, it's -- the lands is we leased from -- finance leased from TUS holdings subsidiary and the whole project is owned by 21Vianet rather than the joint venture with Warburg Pincus. And for the customers, the main focus will be retail customers since we do see very strong demand and especially this property has very good location in Beijing. So we have quite strong confidence to address retail customers with higher profitability.

Hans Tuang ***Huizhi Capital - Analyst***

Actually, I have one follow-up question. Can you briefly comment on the supply and demand for the data center in Beijing and Shanghai, respectively?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Okay. Thank you for your question. That's -- from our view, we see very strong demand from Beijing and Shanghai and also, we see very strong supply from Beijing and Shanghai at this moment. So we do see very strong competition these days in Beijing and Shanghai. Going forward, we see even stronger demand coming up, and we see relatively limited supply from both Beijing and Shanghai. So going forward, we have -- we are very optimistic regarding the whole business, especially in Beijing and Shanghai.

Operator

(Operator Instructions) Our next question comes from the line of Charles Li from Goldman Sachs.

Charles Qiang Li

We would like to know more about your cooperation with Warburg Pincus going forward and what's the plans for the JV and how has the whole strategy played out in your outlook, both in financials as well as strategic operation.

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Thank you for your question. That's regarding the joint venture. So we formed the joint venture 1 year ago. Currently, we -- the whole joint venture team fully established, and we do see very strong pipeline projects ongoing in Tier 1 cities, especially in central part of China. And we do have one project already signed legal binding agreement so -- with the property owner. So we will acquire that property in Shanghai with 7,000 cabinets capacity in total in 3 phases. So looking forward, this joint venture will be one of the main platform for 21Vianet to address the wholesale markets across China.

Operator

Our next question comes from the line of Stanley Chan from China Orient.

Stanley Chak Kuen Chan

I'd like to clarify further about the Warburg Pincus joint venture. So would that -- how many CapEx are we going to spend this year for that wholesale business? And how much would be contributed by our side and their side?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Okay. So regarding the joint venture, that's -- currently, the shareholding -- share structure is like this. That's, for the new projects, 21Vianet owns 49% and Warburg Pincus has 51%. And both sides will contribute capital -- contribute cash into that joint venture, and we still have the option to have another -- to acquire another 2% on each single project. So basically, going forward, that we -- both sides will continue to drive wholesale markets. And in selected projects, we have the power and we have the right to consolidate their projects into 21Vianet group. And regarding CapEx, as I mentioned, that's still -- we have many pipeline projects ongoing. So we -- the CapEx plan for this year is quite flexible. We still have enough -- we still -- we have very strong cash position in that joint venture, so for this year and for the coming year, we have very strong confidence to cover the whole CapEx with our own capital.

Stanley Chak Kuen Chan

And so what would be the target for this year and next year? Do you have a rough idea of the CapEx amounts?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

Sorry, can you repeat your question. Sorry.

Stanley Chak Kuen Chan

I mean, what is the estimate amount of CapEx we are going to spend this year and next year?

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

For the joint venture, right?

Stanley Chak Kuen Chan

For the whole company as a whole, including joint venture equity part.

Xiao Liu ***21Vianet Group, Inc. - CFO***

Let me clarify this. Actually, for -- at the joint venture, we only own 49% of the equity share, and the joint venture has -- already have over RMB 800 million on hand at paid-in capital. We think for each of the pipeline projects, they can do the project financing themselves on the -- in the joint venture.

Shiqi Wang ***21Vianet Group, Inc. - CEO & President***

So basically, we will not inject any further capital into this joint venture for new projects on that platform.

Operator

(Operator Instructions) There are no further questions. I will now turn the call back to management for closing comments.

Rene Jiang

Thank you once again for joining the call today. If you have any further questions, please contact us at ir@21Vianet.com. Thank you.

Operator

Thank you so much. Ladies and gentlemen, that does conclude the conference for today. Thank you so much for your attendance. You may all disconnect.