

## **China Prosperity International Holdings Appoints George Raney To Head Beverly Hills Office; Focus on Cultivating U.S. Partnerships and Leveraging China's WTO Membership**

HONG KONG and LOS ANGELES, June 8, 2000 /PRNewswire/ — China Prosperity International Holding Limited (Nasdaq: CPIH) today announced that it has appointed George T. Raney Jr. to head its newly opened Beverly Hills, California office to support its efforts to develop a broadband network in China.

As recently announced, the company plans to change its name to China Broadband Corporation Ltd., reflecting the company's new strategic focus on developing a broadband business in China under the Century Vision Network (CVN) Project.

Raney will focus on developing strategic relationships with U.S. technology companies and content providers.

Gareth Tang, president and chief executive officer, stated, George adds considerable expertise to our company's presence in the United States. The establishment of an office in Los Angeles reflects our interest in securing strategic partnerships in the U.S., including leading entertainment organizations, and leveraging recent advances within the U.S. Congress for China's admission into the World Trade Organization. We look forward to working with potential partners as our CVN Project evolves."

Raney was most recently president of Raney & Associates, with a focus on private placements and business development for companies seeking capital and market entry. Earlier he served with Millennium Capital Partners, a Beverly Hills, California firm specializing in providing China-based companies with strategic counsel for mergers and acquisitions, strategic analysis and due diligence research.

He previously served with Beverly Hill, California-based Whitehall Montague & Cie, a cross-boarder investment bank. Raney earned a master of business administration degree with an emphasis in international finance and real estate from the University of Michigan. He received a bachelor of arts degree in economics from Ohio State University.

### About the CVN Project

Currently under development, the CVN Project is focused on developing a broadband interactive multi-media network to deliver rich video and audio content, entertainment, information, e-commerce, and comprehensive Internet services via the public cable TV networks in China. Services or products to be provided by CVN include free on-line TV channels, video-on-demand, TV shopping, web surfing, and database hosting. Users will access CVN's services or products over television and set-top boxes provided by CVN. Households and enterprises with interactive broadband media requirements and/or substantial IT outsourcing needs are considered potential customers for The CVN project.

China Prosperity has exclusive 35-year joint venture agreements with provincial and municipal cable networks in which to acquire equity interests, to upgrade systems with its broadband

technology and to manage five cable systems. These joint ventures – in Fujian Province, Hebei Province, Harbin City, Wuxi City and Sichuan Province – represent cable networks covering 25% of China's most populous areas. Initial projections indicate a penetration base of 25.6 million subscribers by 2009.

#### About China Broadband Ltd.

China Broadband Ltd. is a Hong Kong-based holding company engaged in the development of a multimedia broadband cable operation in the People's Republic of China. Its subsidiaries are traded on the Australian, Frankfurt, and Hong Kong Stock Exchanges.

In addition to managing People's Republic of China (PRC) broadband assets, China Prosperity International Holdings (Nasdaq: CPIH) provides the CVN project with technology, content and set-top boxes, and develops Asian broadband cable networks outside of China through its Hong Kong listed subsidiary, China Prosperity Holdings (Hong Kong: CPH).

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are not guarantees of China Prosperity International Holding Limited's (company) future operational or financial performance and are subject to risks and uncertainties that might adversely affect the operating results of the company in a material way. Such risks and uncertainties include, without limitation, ability to obtain financing, technological changes, and competition, as well as other risks and uncertainties detailed in filings with the Securities and Exchange Commission.

SOURCE: China Broadband Corporation Limited

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## **China Broadband Corporation Limited Today Has Entered Into a US\$1.7 Billion Agreement to Acquire 67% Interest in Century Vision Network in Hong Kong**

Business Editors

NEW YORK--(BUSINESS WIRE)--July 17, 2000

China Broadband Corporation Limited ("CBC" or the "Company") listed on the Australian Stock Exchange (stock code "CBC"), the NASDAQ (stock code "CBBC") and Frankfurt Stock Exchange, announced today that the Company has entered into sales and purchase agreements with Best Fortune Capital Limited, the largest shareholder of the Company, and Golden Chance Resources Limited, a party independent of the Company and the Company's shareholders and directors, to acquire from them for their respective 37% and 30% interest in CVN Group Inc. (formerly known as Win's Prosperity Group Limited and "CVN") which consists of 5 broadband two-way interactive cable television network joint ventures in 3 provinces and 2 cities in the People's Republic of China (the "PRC").

The remaining 33% interest in CVN is owned by CBC's subsidiary, Prosper eVision Limited (stock code "979"), a company listed on The Stock Exchange of Hong Kong Limited.

CBC's joint financial advisers - Commerzbank Hong Kong Branch and Fleet Boston Financial (formerly Bank Boston) Hong Kong have valued the CVN project at US\$3.2 billion based on the discounted cashflow method.

The consideration for acquisition of 37% interest in CVN is US\$949,420,000, which represents approximately 20% discount to the attributable valuation of US\$3.2 billion of the CVN project, will be settled by the following:

US\$24,000,000 will be paid by way of getting off and discharging the payment obligation to China Prosperity Group Limited ("CPGL"), a wholly-owned subsidiary of Best Fortune Capital Limited under an agreement for the disposal of the entire issued share capital of Newgroup Enterprise Limited whose principal asset is 90% interest in a corn processing plant to CPGL. CBC estimates that the profit on disposal of 90% interest in corn processing plant will be US\$5 million.

US\$33,000,000 will be paid by way of getting off and discharging the payment obligation to Best Fortune Capital Limited under an agreement for the disposal of the entire issued share capital of Regent Tower Development Limited whose principal asset is 20% interest in an apartment and hotel development project in the PRC known as Beijing Peony Garden Hotel and Apartment. CBC estimates that the profit on disposal of 20% interest in Peony Garden will be US\$7.35 million.

US\$892,420,000 will be settled by way of issuing 1,695,598,000 new ordinary shares of CBC to CPGL at an agreed price of A\$0.9 per share, 119.5% premium on the closing price of A\$0.41 per share as at 17 July, 2000 (i.e. equivalent 84,779,900 ADS at an agreed price of US\$10.5 per ADS).

The consideration for acquisition of 30% interest in CVN is US\$769,800,000, which represents approximately 20% discount to the attributable valuation of US\$3.2 billion of the CVN project, will be settled by way of issuing 1,462,620,000 new ordinary shares of CBC to Golden Chance Resources Co., Ltd. at an agreed price of A\$0.9 per share, 119.5% premium on the closing price of A\$0.41 per share as at 17 July, 2000 (i.e. equivalent 73,131,000 ADS at an agreed price of US\$10.5 per ADS).

According to the listing regulation of the NASDAQ Stock Market, the equivalent ADS of 1,695,598,000 ordinary shares are only allowed to trade in the NASDAQ Stock Market 24 months (two years) later. The equivalent ADS of 1,462,620,000 ordinary shares are only allowed to trade in the NASDAQ Stock Market 12 months (one year) later.

Effect on the issuance of new ordinary shares as a result of acquisition of 67% interest in CVN is shown as follows:

	No. of ordinary shares	Percentage
Outstanding issued shares	416,509,756	11.65%
Issuance of new shares resulted		
From acquisition of 37% interest	1,695,598,000	47.43%
Issuance of new shares resulted		
From acquisition of 30% interest	1,462,620,000	40.92%
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	3,574,727,756	100.00%

The CVN Project is a project under development which involves using broadband interactive multi-media technology to deliver rich video and audio content, entertainment, information, e-commerce, and comprehensive Internet services via the public cable TV networks to the users in the PRC.

CVN or its subsidiaries have entered into JV or other business agreements with various Chinese partners in Fujian Province, Sichuan Province, Hebei Province, Harbin City, Wuxi City to upgrade the local cable TV network, so as to provide broadband interactive multi-media and database hosting services to household and commercial users.

The Company's joint financial advisors believe that the CVN Project will generate revenues from the following main sources:

Installation and basic monthly subscription fees, payable by both household users and commercial users that subscribe to CVN' s interactive multi-media services;

Pay-per-view fees, payable by users when viewing certain movies, videos (educational, cookery, and travel, etc.), or MTV/Karaoke;

Advertising fees, payable by commercial users that pose banners, rich video advertisements and even interactive advertisement on the broadband network;

Database hosting set-up and hosting fees, payable by commercial users that need hard disk storage and installation, database management systems and pertinent licenses, broadband bandwidth, and system or service integration consultancy, as well access to new software, high quality IT experience and potentially an ability to outsource all or a portion of their IT requirements;

Direct sales/e-shopping commission income, as a sharing of sales income generated by "business-to-business" (B2B) or "business-to-consumers" (B2C) transactions taking place on the broadband network.

CVN also expects to gradually provide online-stock trading, distance interactive education, and distance diagnosis, etc. over the broadband network. CVN would be able to offer telephony services, video conferencing and other telecom related businesses as well in the foreseeable future. CVN's set-top box can serve as a decoder and a PC function. The penetration of PC in China is only 3% to 4%. With TV penetration of about 88% to 90%, CVN's set-top-box will replace the PC.

The cable industry in China is generally well developed with estimates of over 80 million cable subscribers (the largest in the world) and a well developed "backbone" infrastructure with sufficient capacity. More specifically:

The State Administration of Radio, Film, and Television (SARFT) estimates that cable passes 90% of the PRC's 1.25 billion population;

Given only 80 million subscribers at this point, not all of the homes passed are cable ready or "last mile" connected;

SARFT estimates that the number of subscribers is to reach 120 million by 2001 and 180 million by 2010.

This wide availability of cable TV network makes it a desirable alternative for Internet access in China.

Internet access in China now is still predominantly through dial-up telephone modems. However, the average price of a computer alone at RMB10,000 which is about 2/3 of the annual household income for the richer urban household makes it inferior to the extremely affordable cable TV, not to mention the add-on costs such as the telephone line set up cost, Internet connection charges and telephone charges.

Cable TV is expected to be the most popular choice for the mass Chinese to go on-line with its faster speed, richer content, and lower costs. Industry experts also expect the number of Chinese Internet subscribers will grow substantially once the cable TV networks receive approval to conduct telecom businesses. CVN will use as its principal cable business model a JV structure with local cable TV networks with that network being controlled and managed by the local government cable bureau. Through this business model CVN will develop a broadband interactive multimedia network to accomplish the goals set out in the above section entitled the CVN Project.

According to CVN's signed five JV joint ventures, the subscribers will be exceeding 30 million within 10 years. The projected forecasting revenues are as follows (US\$'000):

Year 1	Year 2	Year 3	Year 4	Year 5
163,309	621,844	1,596,866	2,583,234	3,650,860
Year 6	Year 7	Year 8	Year 9	Year 10
4,713,854	5,882,292	6,956,341	7,717,648	8,536,600

Based on the above projected cash flow, CVN will break even on the third year.

The CVN Project will start generating revenues in 2001;

The valuation of CVN would be accurately represented by the valuation of CVN's interests in the CVN Project; all other assets and liabilities of CVN are disregarded for the purpose of valuation.

The CVN Project's future free cash flow from year one to year ten is discounted using a certain rate of return. A terminal value at the end of year ten for the subsequent 25 years is derived by assuming the same discount rate and a constant growth rate of free cash flow.

Using the Discounted Cashflow method, CVN would be valued at US\$3,208 million using a discount rate of 30% for the first ten years of CVN's operation. An equivalent terminal value discount rate of 30% was used to value the cashflows from years 11 through 35, the expected contracted tenor of the CVN Project, per the JV agreements.

The 30% discount rate is based on a normal equity return plus the addition of certain premiums reflecting the startup risk, technological risk and legal and regulatory risk inherent in the CVN Project. This discount rate was selected also after considering equity rates of return associated with other Chinese, Hong Kong, Taiwanese and United States cable projects.

#### Comparable Company EV/Subscriber

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A comparable cable company in Hong Kong with the requisite public information is selected. Applying a per capita adjusted GDP factor to that company's EV/subscriber ratio which is further adjusted by a premium factor of 50% to reflect expected growth in the subscriber base and the expected high quality and appeal of the CVN Project as advised by Management, CVN is valued at US\$3,162 million based on the number of expected subscribers at year 2010 for the CVN Project.

#### Conclusion of Valuation

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We have employed both valuation methods for the purpose of cross referencing and comparison. The Comparable Company EV/Subscriber method does provide a valuation that approximates that as derived from the Discounted Cashflow method, and vice versa. Taking the conservative stance, we therefore conclude that the fair appraised value of CVN will be US\$3,208 million, based on the Discounted Cashflow method.

#### Acquisition Consideration

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In consideration of the above valuation, the financial advisor advises CPIH that the Transaction be completed at a value representing a 20% discount to the valuation of CVN subject to due diligence, legal opinions, documentation and necessary corporate and regulatory approvals, each of which to be satisfactory to CPIH. This discount is fair and reasonable considering that the CVN Project is not expected to start generating revenue until 2001. The discounted value would be US\$2,566 million.

CVN will deploy its first broadband interactive test site in Fujian Province by the end of August. The other test sites will be deployed among the JV partners in Sichuan Province, Hebei Province, Harbin City, and Wuxi city. The financial advisers indicate that an initial capital of US\$350mm is sufficient to begin the upgrade of the existing broadband cable system in the five provinces/cities as well as sufficient working capital. China Broadband has appointed Baker McKenzie as its legal advisor and appointed Capital & Technology Partners Pty Limited as its independent financial advisor. Commerzbank Hong Kong Branch and Fleet Boston Financial Hong Kong will be talking to the potential investors to raise the funding.

NOTE: The information contained in this press release contains "forward looking statements " within the meaning of the U.S. Federal Securities Law. Such statements are based on the current expectations of the management of China Prosperity International Holdings Limited only, and actual results may differ materially. Risks include, but are not limited to, adverse regulatory, technological or competitive developments, uncertain demand for the ventures' services or products, inability to timely develop and introduce new technologies, products and services, pressure on pricing resulting from competition, unforeseen delay, failure to receive on a timely basis necessary permits or other governmental approvals, and delays in the receipt of or failure to obtain any necessary financing which could cause the actual results or performance to differ materially from those described herein. For a more detailed discussion of such risks and other factors please refer to the company's 10-K and 10-Q reports filed with the U.S. Securities and Exchange Commission.

Issued by Publicis Dialog in New York for and on behalf of China Broadband Corporation Limited. For further information, please contact:

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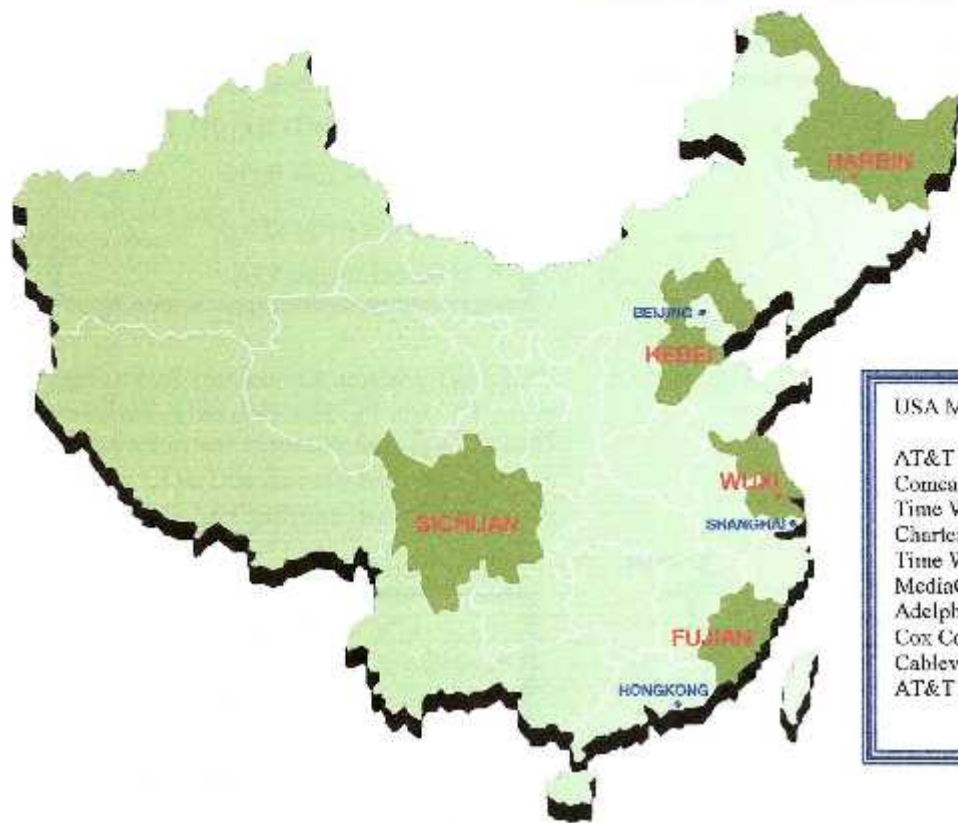
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# CVN *Century Vision Network*

*Introducing Broadband Technology to China's Cable Television Systems*

**China Broadband Corporation Ltd. (Nasdaq: CBBC)**



**Coverage of cable systems by CVN's 6 joint venture partners**  
 517 cities and counties  
 239 million people  
 16 million subscribers  
 \* 19% market share

\* China 80 million subscribers  
 World's largest cable market

USA Multiple Systems Operators	Subscribers
AT&T Broadband & Internet	11,818,721
Comcast	7,109,300
Time Warner Cable	6,508,300
Charter Communications	5,804,073
Time Warner Entertainment	5,504,000
MediaOne	5,099,548
Adelphia Communications	4,990,092
Cox Communications	4,768,070
Cablevision Systems	3,492,377
AT&T Broadband/Time Warner	1,080,000

(Cablevision Magazine, 2000)

CVN is aggregating JV's to upgrade existing cable systems and operate exclusive broadband cable TV networks with State Administration of Radio, Film and Television's (SARFT) provincial and local broadcasting bureaus in advance of China's entry into the World Trade Organization and beyond.

## CVN Cable Subscription Features:

- Personal Computing functionality
- Broadband access and content
- Movies
- Electronic Commerce
- Live broadcasts

## CVN Commercial Features:

- IT, Web Hosting, Data Management
- Distance Learning
- Video Conferencing

Projected Revenue Sources	Consumer	Commercial
Monthly subscription fees	US\$22	US\$60
Installation	120	604
Video on Demand	1.2	
Pay per View	.40	
Commission E-commerce sales	10%	
Advertising fees (30 seconds)		725
Monthly hosting fees		3,623
<i>Percentage annual revenue</i>	<i>40%</i>	<i>60%</i>
<b>Payment Methods</b>	Cash, credit/debit cards and bank debits	

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# CVN *Century Vision Network*

*Introducing Broadband Technology to China's Cable Television Systems*

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**The Fiber Optical Trunk Network Operated by  
State Administration of Radio, Film & Television (SARFT)**  
(Service only available in 14 cities)



## China Penetration Rates

- Television sets 90%
- Personal computers 4%
- Internet usage 1%

Third generation set-top box technology gives TV sets PC functionality; satisfies China's natural demand for personal computers, and broadband access, communication, content and commerce.

## CVN Technology

**Servers and Network**  
4 to 10 MB broadband network  
ATM backbone  
**Video server technology**  
Ncube, Oracle, Sun Microsystem  
**At customers' end**  
Third Generation Set-top Box  
Video Browser Terminal

## Announced Projects

### Fujian Province

Provincial Capital  
JV Partner:  
Licensed by:

CVN owns 47.53%

Fuzhou City  
Fujian Province Broadcasting & Television Information Network Center  
Fujian Provincial Bureau of Broadcasting & Television

### Hebei Province

Provincial Capital  
JV Partner:  
Licensed by:

CVN owns 47.53%

Shijiazhuang City  
Hebei Province Broadcasting & Television Information Network Center  
Hebei Provincial Bureau of Broadcasting & Television

### Sichuan Province

Provincial Capital  
JV Partner:  
Licensed by:

CVN owns 47.53%

Chengdu City  
Sichuan Province Broadcasting & Television Network Center  
Sichuan Provincial Bureau of Broadcasting & Television

### Harbin City

JV Partner:  
Licensed by:

CVN owns 85%

Harbin City Century Digital Network Co., Ltd.  
Harbin City Planning Committee of the PRC Government

### Wuxi City

JV Partner:  
Licensed by:

CVN owns 42.68%

Jiangsu Broadcasting & Television Center  
Wuxi Tai Lake Pearl Broadcasting & Television Network Co., Ltd.  
Jiangsu Provincial Bureau of Broadcasting & Television

### Yunnan Province

Provincial Capital  
JV Partner:  
Licensed by:

CVN owns 47.53%

Kunming City  
Yunnan Broadcasting & Television Information Network Group  
Yunnan Provincial Bureau of Broadcasting & Television