



CAPITAL PROSPER LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code : 1003)

PLACING OF 250,000,000 EXISTING SHARES AND SUBSCRIPTION OF NEW SHARES

Placing Agent



Kingsway Financial Services Group Limited

On 19 November 2004, the Vendor entered into the Placing Agreement with the Placing Agent, pursuant to which the Placing Agent would procure not less than six independent investors to acquire, and the Vendor would sell up to 250,000,000 existing Shares at a price of HK\$0.058 per Share on a best-efforts basis.

The 250,000,000 existing Shares represent approximately 19.55% of the existing issued share capital of the Company. Upon completion of the Placing, the shareholding percentage of the Vendor and parties acting in concert with it will decrease from approximately 23.58% to approximately 19.72%.

The Placing Agreement contains provision granting the Placing Agent the right to terminate the Placing Agreement on the occurrence of certain events including force majeure occurring prior to completion of the Placing. For this purpose, force majeure includes any event, development or change resulting in a material and adverse change in political, economic, fiscal, financial, regulatory or stock market conditions in the PRC (including Hong Kong). If the Placing Agent exercises such right at any time prior to completion of the Placing Agreement which is expected to be on or about 25 November 2004, the Placing will not proceed.

Pursuant to the Subscription Agreement, the Vendor has conditionally agreed to subscribe the number of new Shares same as the number of Shares that has been placed under the Placing at the subscription price of HK\$0.058 per Share. The maximum number of 250,000,000 new Shares represent approximately 16.36% of the issued share capital of the Company as enlarged by the Subscription.

The net proceeds from the Subscription are estimated to be approximately HK\$14.1 million and are expected to be used (i) as to HK\$11 million for the expansion of the Group's toys and premium businesses; and (ii) as to the remaining HK\$3.1 million for the general working capital.

At the request of the Company, trading in the securities of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 22 November 2004 pending release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the securities of the Company on the Stock Exchange with effect from 9:30 a.m. on 23 November 2004.

1. PLACING AGREEMENT DATED 19 NOVEMBER 2004

Parties

- (a) the Vendor; and
- (b) the Placing Agent.

Kingsway Financial Services Group Limited, the Placing Agent, is not acting in concert with the Vendor.

The Placing Shares

Up to 250,000,000 existing Shares. 250,000,000 existing Shares represent approximately 19.55% of the existing issued share capital of the Company and approximately 16.36% of the issued share capital of the Company as enlarged by the Subscription.

The Placing Price

The placing price of HK\$0.058 per Share was arrived at after arm's length negotiation between the Vendor and the Placing Agent.

The Placing Price represents a discount of approximately 9.4% to the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on 19 November 2004, a discount of approximately 1.2% to the average closing price of approximately HK\$0.0587 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 19 November 2004 and at a premium of approximately 6.2% to the average closing price of approximately HK\$0.0546 per Share as quoted on the Stock Exchange for the last 20 trading days up to and including 19 November 2004.

Rights of the Placing Shares

The Placing Shares are sold free of all liens, charges and encumbrances, claims, options and third-party rights and together with all rights attaching thereto as at the date of completion of the Placing, including the right to receive all dividends or other distributions declared, made or paid on the Placing Shares at any time after the date of completion of the Placing.

Independence of placees

The placees (and their beneficial owners) will not be acting in concert with the Vendor and will not be connected persons of the Company.

Once the settlement procedures are completed, the Placing is expected to be completed on or about 25 November 2004. The Placing Agent informed the Company that there will be more than six placees who are (i) professional and institutional investors whose ordinary business involves dealing in shares and other securities; (ii) corporate entities which regularly invest in shares and other securities; and (iii) individuals.

As at the date of this announcement, Kingsway Lion Spur Technology Limited, a subsidiary of the Placing Agent's holding company, is interested in 9.26% of the existing issued share capital of the Company, details of which are set out in the section headed "Effect on the Shareholding following completion of the Placing and the Subscription" of this announcement.

Kingsway Lion Spur Technology Limited will be placed with another not more than 34,000,000 Shares under the Placing. Hence, following completion of the Placing and the Subscription, Kingsway Lion Spur Technology Limited will beneficially own a total of 152,342,970 Shares (representing approximately 9.97% of the enlarged issued share capital of the Company).

No new substantial shareholder of the Company will be introduced as a result of the Placing and the Subscription.

Termination events

The Placing Agreement contains provision granting the Placing Agent the right to terminate the Placing Agreement on the occurrence of certain events including force majeure occurring prior to

completion of the Placing Agreement. For this purpose, force majeure includes any event, development or change resulting in a material and adverse change in political, economic, fiscal, financial, regulatory or stock market conditions in the PRC (including Hong Kong). If the Placing Agent exercises such right at any time prior to completion of the Placing Agreement which is expected to be on or about 25 November 2004, the Placing will not proceed.

Completion of the Placing Agreement

The Placing is not subject to any condition. The parties expect that the Placing will be completed on or around 25 November 2004 or on such other date as may be agreed by the Vendor and the Placing Agent.

2. SUBSCRIPTION AGREEMENT DATED 19 NOVEMBER 2004

Parties

- (a) the Vendor; and
- (b) the Company.

The new Shares

Equal to the number of Shares to be successfully placed under the Placing which shall not exceed 250,000,000 new Shares. The maximum number of 250,000,000 new Shares represent approximately 19.55% of the existing issued share capital of the Company and approximately 16.36% of the issued share capital of the Company as enlarged by the Subscription.

The Subscription Price

The subscription price of HK\$0.058 per Share is equivalent to the Placing Price.

The cost incurred as a result of the Placing and the Subscription is expected to be amounted to approximately HK\$400,000 and will be borne by the Company.

General mandate to issue new Shares

The maximum number of 250,000,000 new Shares will be issued pursuant to the general mandate granted by the shareholders of the Company to the Directors at the annual general meeting on 8 June 2004. The Company has not issued any Shares pursuant to such general mandate.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the 250,000,000 new Shares to be issued pursuant to the Subscription.

Ranking of the new Shares

The maximum number of 250,000,000 new Shares, when issued and fully paid, will rank equally with the existing Shares in issue as at the date of issue of the new Shares.

Conditions of the Subscription

Completion of the Subscription is conditional upon:

- (a) completion of the Placing; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the 250,000,000 new Shares to be issued pursuant to the Subscription.

Completion of the Subscription

Subject to fulfillment of the above conditions, completion of the Subscription will take place within 14 days after the date of the Placing Agreement, that is, on or before 2 December 2004, or such later date as the Company and the Vendor may agree in writing. As the Subscription constitutes a connected transaction of the Company, if the Subscription is not completed within 14 days after the date of the Placing Agreement, shareholders' approval will be required for the Subscription and the relevant provisions of the Listing Rules in relation to connected transaction will apply. Further announcement will be made if this occurs.

3. EFFECT ON THE SHAREHOLDING FOLLOWING COMPLETION OF THE PLACING AND THE SUBSCRIPTION

The shareholding in the Company before and after completion of the Placing and the Subscription are summarised as follows:

| | Existing shareholding structure | | After completion of the Placing and the Subscription | |
|--|---------------------------------|---|--|---|
| | Number of Shares held | % of issued shares held (approximately) | Number of Shares held | % of issued shares held (approximately) |
| Charm Management Ltd. (Note 1) | 301,500,000 | 23.58 | 301,500,000 | 19.72 |
| Kingsway Lion Spur Technology Limited (Note 2) | 118,342,970 | 9.26 | 152,342,970 | 9.97 |
| Public Shareholders | 858,697,030 | 67.16 | 858,697,030 | 56.18 |
| Placees (other than Kingsway Lion Spur Technology Limited) | — | — | 216,000,000 | 14.13 |
| Total | 1,278,540,000 | 100 | 1,528,540,000 | 100 |

Notes:

(1) Charm Management Ltd. is indirectly and beneficially owned as of 50% interest by Mr. Leung Wai Ho and as of 50% interest by Mr. Wong Chung Shun. Both Mr. Leung and Mr. Wong are Directors.

(2) Kingsway Lion Spur Technology Limited is a wholly-owned subsidiary of SW Kingsway Capital Holdings Limited, the shares of which are listed on the main board of the Stock Exchange.

Details of the shareholding structure, please refer to the Company's interim report issued on 30 September 2004.

4. REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Directors consider that the Placing and the Subscription will strengthen the capital base of the Company. The estimated expenses of the Placing and the Subscription of approximately HK\$400,000 will be borne by the Company. The entire net proceeds from the Subscription of approximately HK\$14.1 million are expected to be applied (i) as to HK\$11 million for the expansion of the Group's toys and premium businesses; and (ii) as to the remaining HK\$3.1 million for the general working capital. In view of the reasons above, the Directors are of the view that the Placing and the Subscription are in the interests of the Company and its shareholders as a whole and the terms are fair and reasonable.

5. SUSPENSION AND RESUMPTION

At the request of the Company, trading in the securities of the Company on the Stock Exchange has been suspended from 9:30 a.m. on 22 November 2004 pending release of this announcement. Application has been made by the Company to the Stock Exchange for resumption of trading in the securities of the Company on the Stock Exchange with effect from 9:30 a.m. on 23 November 2004.

6. DEFINITIONS

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|--------------------------|--|
| "acting in concert" | has the meaning defined in the Hong Kong Code on Takeovers and Mergers |
| "associate" | has the meaning defined in the Listing Rules |
| "Company" | Capital Prosper Limited, a company incorporated in Bermuda with limited liability, the Shares are listed on the Stock Exchange |
| "connected person" | has the meaning defined in the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "Group" | the Company and its subsidiaries |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Placing" | placement of the Placing Shares pursuant to the Placing Agreement |
| "Placing Agent" | Kingsway Financial Services Group Limited, the sole placing agent to the Company for the placing of the Placing Shares. It is a deemed licensed corporation for types 1 (dealing in securities) and 4 (advising on securities) regulated activities under the Securities and Futures Ordinance |
| "Placing Agreement" | the placing agreement dated 19 November 2004 between the Vendor and the Placing Agent in respect of the Placing |
| "Placing Price" | price payable for the Placing Shares at HK\$0.058 per Placing Share |
| "Placing Shares" | the 250,000,000 existing Shares available for the Placing |
| "PRC" | the People's Republic of China, which for the purpose of this announcement, excludes Hong Kong |
| "Share(s)" | ordinary share(s) of HK\$0.01 each in the share capital of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Subscription" | the conditional subscription by the Vendor of such number of Shares that is equal to the number of the Placing Shares successfully placed by the Placing Agent pursuant to the Subscription Agreement |
| "Subscription Agreement" | the subscription agreement dated 19 November 2004 between the Vendor and the Company in respect of the Subscription |
| "Subscription Price" | price payable for the new Shares in respect of the Subscription at HK\$0.058 per Share |
| "Vendor" | Charm Management Limited, a company incorporated in the British Virgin Islands with limited liability, and beneficially owns 301,500,000 Shares, representing approximately 23.58% of the existing issued share capital of the Company as at the date of this announcement |
| "HK\$" | Hong Kong dollar, the lawful currency of Hong Kong |

By order of the board
CAPITAL PROSPER LIMITED
Leung Wai Ho
Chairman

Hong Kong, 22 November 2004

As at the date of this announcement, the Board comprises Mr. Leung Wai Ho, Mr. Wong Chung Shun and Mr. Ha Kee Choy, Eugene as executive directors and Mr. Chui Chi Yun, Robert, Mr. Lam Kwok Cheong and Mr. Lai Wing Leung, Peter as independent non-executive directors.