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CAPITAL PROSPER LIMITED

(Incorporated in Bermuda with limited liability)

RIGHTS ISSUE OF 426,180,000 RIGHTS SHARES OF HK\$0.01 EACH AT HK\$0.050 PER RIGHTS SHARE ON THE BASIS OF ONE RIGHTS SHARE FOR EVERY TWO EXISTING SHARES HELD ON THE RECORD DATE PAYABLE IN FULL ON ACCEPTANCE

The Company proposes to raise approximately HK\$21.3 million before expenses by way of a rights issue of one Rights Share at HK\$0.050 per Rights Share for every two existing Shares held on the Record Date.

The Company will provisionally allot one Rights Share in nil-paid form for every two existing Shares held by each Qualifying Shareholder on the Record Date. Fractional entitlements will not be allotted but will be aggregated and sold for the benefit of the Company.

The Rights Issue is not available to the Overseas Shareholders.

The Company intends to apply the net proceeds from the Rights Issue as to approximately HK\$18.1 million for the expansion and development of the trading and distribution of toys and gifts business and as to approximately HK\$1.9 million for increasing its securities investment in Hong Kong.

CML has irrevocably undertaken to the Company and the Underwriter that the Shares beneficially owned by it (being 201,000,000 Shares representing approximately 23.58% of the existing issued Shares) will remain registered in its (or its nominee's) name from the date of undertaking up to the Record Date and that it will subscribe not less than 100,500,000 Rights Shares, which will be provisionally allotted to it as the beneficial holder of not less than 201,000,000 existing Shares on the Record Date under the Rights Issue. All Rights Shares except those Rights Shares undertaken to be taken up by CML will be fully underwritten by the Underwriter.

The last day of dealing in the Shares on a cum-rights basis is Wednesday, 25 February, 2004. The Shares will be dealt with on an ex-rights basis from Thursday, 26 February, 2004. To qualify for the Rights Issue, a Qualifying Shareholder's name must appear on the register of members of the Company on the Record Date, which is currently expected to be Friday, 5 March, 2004. In order to be registered as members on the Record Date, any transfer of Shares (with the relevant share certificates) must be lodged for registration by 4:00 p.m. on Friday, 27 February, 2004 (the share register is expected to be closed from Monday, 1 March, 2004 to Friday, 5 March, 2004, both days inclusive).

The Rights Issue is subject to the satisfaction of certain conditions as described under the section headed "Conditions of the Rights Issue". In particular, the Rights Issue is subject to the Underwriter not terminating the Underwriting Agreement (see the section headed "Termination of the Underwriting Agreement" below).

Accordingly, the Rights Issue may or may not proceed. Investors' attention is drawn to the statement "Warning of the risks of dealing in Shares and nil-paid Rights Shares" below. Investors may want to obtain professional advice regarding dealings in Shares or nil-paid Rights Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

The Company expects to send the Prospectus, provisional allotment letters and forms of application for excess Rights Shares to all Qualifying Shareholders, and the Prospectus, for their information only, to all Overseas Shareholders, on Friday, 5 March, 2004.

At the request of the Company, the Shares have been suspended from trading on the Stock Exchange from 9:30 a.m. on 12 February, 2004, pending the issue of this announcement. Application has been made to the Stock Exchange for resumption of trading of the Shares with effect from 9:30 a.m. on 13 February, 2004.

RIGHTS ISSUE

Issue Statistics

Basis of Rights Issue	:	one Rights Share for every two existing Shares held on the Record Date
No. of existing Shares in issue	:	852,360,000 Shares
No. of Rights Shares	:	426,180,000 Shares, representing 50 per cent. of the existing issued Shares and approximately 33 per cent. of the issued Shares as enlarged by the issue of the Rights Shares
Underwriter	:	Kingsway Financial Services Group Limited

The Directors confirm that there is no outstanding options, warrants or convertible securities of the Company.

Qualifying Shareholders and Overseas Shareholders

The Company will send the Rights Issue Documents to the Qualifying Shareholders only. To qualify for the Rights Issue, a Shareholder must:

- be registered as a member of the Company at the close of business on the Record Date; and
- have on the register of members of the Company on the Record Date either an address in Hong Kong or an address which is not in a jurisdiction where, in the Directors' opinion, the making of the Rights Issue is not permitted under the laws of such jurisdiction.

The Rights Issue Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong and Bermuda. No provisional allotment of Rights Shares will be made to Shareholders with addresses outside Hong Kong unless the Directors consider that making the Rights Issue to them is permitted under the laws of such jurisdiction. The Company will send copies of the Prospectus to the Overseas Shareholders for their information only, but the Company will not send any provisional allotment letters and forms of application for excess Rights Shares to the Overseas Shareholders.

Arrangements will be made for Rights Shares which would otherwise have been provisionally allotted to the Overseas Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence, if a premium (net of expenses) can be obtained. The proceeds of sale, less expenses, of HK\$100 or more will be paid to Overseas Shareholders in Hong Kong dollars as soon as practicable. Individual amounts of less than HK\$100 will not be paid and will be retained by the Company for the benefit of the Company.

In order to be registered as a member at the close of business on the Record Date, Shareholders must lodge any transfers of Shares (with the relevant share certificates) with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Ltd., at Shops 1712-1716, 17/F., Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by 4:00 p.m. on Friday, 27 February, 2004.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 1 March, 2004 to Friday, 5 March, 2004, (both days inclusive). No transfer of Shares will be registered during this period.

TERMS OF THE RIGHTS ISSUE

Subscription price for the Rights Shares

HK\$0.050 per Rights Share, payable in full when a Qualifying Shareholder accepts the relevant provisional allotment of Rights Shares or applies for excess Rights Shares or when a renouncee of any provisional allotment or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The subscription price represents a discount of approximately 21.88% to the closing price of HK\$0.064 per Share as quoted on the Stock Exchange on Wednesday, 11 February, 2004, being the date immediately before the suspension of trading in the Shares on the Stock Exchange prior to the date of this announcement, a discount of approximately 15.25% to the theoretical ex-rights price of approximately HK\$0.059 per Share based on that closing price of HK\$0.064 per Share, a discount of approximately 7.41% to the average closing price of approximately HK\$0.054 per Share for the ten Trading Days, and a discount of approximately 18.03% to the average closing price of approximately HK\$0.061 per Share for the one month period prior to the date of this announcement.

Basis of provisional allotment

One Rights Share for every two existing Shares held by a Qualifying Shareholder on the Record Date.

Status of the Rights Shares

When allotted, issued and fully paid, the Rights Shares will rank equally with the then existing Shares in issue and holders of such Rights Shares will receive all future dividends and distributions which are declared, made or paid after the date of issue of the Rights Shares.

Fractions of Rights Shares

The Company will not provisionally allot fractions of Rights Shares. All fractions of Rights Shares will be aggregated and all nil-paid Rights Shares arising from such aggregation will be sold in the market for the benefit of the Company, if a premium net of expenses can be achieved.

Applications for excess Rights Shares

Qualifying Shareholders shall be entitled to apply for any unsold entitlements of Overseas Shareholders, any unsold Rights Shares created by adding together fractions of Rights Shares and any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders. Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Directors will allocate the excess Rights Shares at their discretion, but on a fair and reasonable basis as far as practicable.

The latest time for acceptance of, and payment for, Rights Shares and application for excess Rights Shares is expected to be at 4:00 p.m. on Tuesday, 23 March, 2004, or such later date as may be agreed between the Company and the Underwriter.

Certificates for Rights Shares and refund cheques

Subject to the fulfillment of the conditions of the Rights Issue, certificates for all fully-paid Rights Shares and refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are expected to be posted by Monday, 29 March, 2004 to those who have accepted and (where applicable) applied for, and paid for the Rights Shares, at their own risk.

Application for listing and dealings

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms.

Dealings in nil-paid and fully-paid Rights Shares will be subject to the payment of stamp duties in Hong Kong.

CONDITIONS OF THE RIGHTS ISSUE

The Rights Issue is conditional upon, among other things, each of the following:

- the Listing Committee of the Stock Exchange granting (subject to allotment) and not revoking listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms prior to Tuesday, 9 March, 2004, being the expected date of commencement of dealings in the Rights Shares in nil-paid form;
- if required, the obtaining of the necessary permission of the Bermuda Monetary Authority for the issue of the Rights Shares, on or before Tuesday, 23 March, 2004, being the last day for payment and acceptance of the Rights Shares;
- the registration of the Rights Issue Documents with the Registrar of Companies in Hong Kong and the filing of the Rights Issue Documents with the Registrar of Companies in Bermuda not later than the Record Date; and
- the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated by the Underwriter on or before 5:00 p.m. on Thursday, 25 March, 2004, in accordance with the terms thereof.

As the proposed Rights Issue is subject to the above conditions, it may or may not proceed accordingly.

In the event for the conditions of the Rights Issue are not fulfilled on or before the respective dates aforesaid (or such later date as may be agreed between the Company and the Underwriter, being no later than Thursday, 25 March, 2004), none of the Underwriter or the Company shall have any rights or be subject to any obligations arising from the Underwriting Agreement and the irrevocable undertaking by CML to accept its entitlement under the Rights Issue will lapse.