THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Capital Prosper Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

CAPITAL PROSPER LIMITED
興 旺 行 有 限 公 司 *

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

Financial Adviser to Capital Prosper Limited

Menlo Capital Limited

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GFT HOLDING LIMITED
AND
PROPOSAL FOR ADOPTION OF A SHARE OPTION SCHEME

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Get Nice Capital Limited

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the Acquisition is set out on pages 14 to 15 of this circular.

A letter from Get Nice Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, containing its advice in respect of the Acquisition to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 26 of this circular.

A notice convening the SGM to be held at 9:30 a.m. on Friday, 17 September 2004 at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong, is set out on pages 120 to 122 of this circular. A form of proxy for use in the SGM is enclosed. Whether or not you propose to attend the meeting, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof, should you so desire.

31 August 2004

* *For identification purpose only.*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"Acquisition"	the proposed acquisition by the Purchaser of the entire issued share capital of GFT pursuant to the Sale and Purchase Agreement;
"Associates"	has the meaning given to it by the Listing Rules;
"Board"	the board of Directors;
"Business Day"	a day (excluding Saturday) on which banks are generally open for business in Hong Kong;
"Company"	Capital Prosper Limited, an exempted company incorporated in Bermuda with limited liability and the Shares of which are listed on the Stock Exchange;
"Companies Act"	the Companies Act 1981 of Bermuda (as amended);
"Conversion Shares"	the Shares to be issued by the Company under the Convertible Notes;
"Convertible Notes"	the convertible notes in the aggregate principal amount of HK$2.5 million proposed to be issued by the Company to the Vendors pursuant to the Sale and Purchase Agreement;
"Director(s)"	director(s) of the Company;
"Eligible Participants"	any employees (whether full-time or part-time), executives or officers of the Company and any of its subsidiaries (including executive and non-executive Directors) and any business consultants, agents, financial or legal advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries;
"Enlarged Group"	the Group and the GFT Group;
"GFT"	GFT Holding Limited, a company incorporated in the British Virgin Islands, which is owned as to 45% by Mr. Leung, as to 45% by Mr. Wong and as to 10% by I Agent Limited;

"GFT Group"	GFT and its subsidiaries;
"Group"	the Company and its subsidiaries;
"Guaranteed Profit"	the aggregate amount of the consolidated profits after taxation and extraordinary items of GFT as shown in the audited consolidated profit and loss accounts of GFT for the two years ending 30 June 2006;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	an independent committee of the Board, comprising the independent non-executive Directors, namely Mr. Chui Chi Yun, Robert and Mr. Lam Kwok Cheong, formed for the purpose of advising the Independent Shareholders as to whether the terms and conditions of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned;
"Independent Financial Adviser"	Get Nice Capital Limited, a deemed licensed corporation under the transitional arrangement to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition;
"Independent Shareholders"	Shareholders other than Mr. Leung and Mr. Wong and their respective Associates;
"Latest Practicable Date"	26 August 2004, being the latest practicable date for ascertaining certain information for inclusion in this circular;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Leung"	Mr. Leung Wai Ho, a director and substantial shareholder of both the Company and GFT;
"Mr. Wong"	Mr. Wong Chung Shun, a director and substantial shareholder of both the Company and GFT;

"Purchaser"	Prosper Overseas Limited, a wholly-owned subsidiary of the Company;
"Sale and Purchase Agreement"	the conditional sale and purchase agreement dated 20 July 2004 entered into between the Purchaser and the Vendors in relation to the Acquisition;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	special general meeting of the Company to be held on Friday, 17 September 2004 at 9:30 a.m. at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong, to consider and, if thought fit, approve the Acquisition and the proposed adoption of the Share Option Scheme, or any adjournment thereof;
"Share(s)"	share(s) of HK$0.01 each in the capital of the Company;
"Shareholders"	holder(s) of the Shares;
"Share Option Scheme"	the share option scheme which is proposed to be adopted by the Company, a summary of the principal terms of which is set out in Appendix V to this circular;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"subsidiary"	a subsidiary within the meaning of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"Total Consideration"	the total consideration for the Acquisition;
"Vendors"	Mr. Leung, Mr. Wong and I Agent Limited, collectively the beneficial owners of the entire issued share capital of GFT immediately before completion of the Acquisition;
"HIBOR"	Hong Kong Interbank Offer Rates;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"p.a."	per annum; and
"%"	per cent.

CAPITAL PROSPER LIMITED
興 旺 行 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1003)

Executive Directors:
Leung Wai Ho *(Chairman)*
Wong Chung Shun *(Deputy Chairman)*
Ha Kee Choy, Eugene

Independent Non-executive Directors:
Lam Kwok Cheong
Chui Chi Yun, Robert

Registered Office:
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Head office and principal place of business in Hong Kong
Unit A9, 3/F., Block A
Hong Kong Industrial Center
489-491 Castle Peak Road
Kowloon, Hong Kong

31 August 2004

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GFT HOLDING LIMITED
AND
PROPOSAL FOR ADOPTION OF A SHARE OPTION SCHEME

INTRODUCTION

On 21 July 2004, the Directors announced that on 20 July 2004, the Purchaser, a wholly-owned subsidiary of the Company, and the Vendors entered into the Sale and Purchase Agreement pursuant to which the Purchaser agreed to acquire, and the Vendors agreed to sell, the entire issued share capital of GFT at the Total Consideration of HK$5 million.

* *For identification purpose only.*

The Acquisition constitutes a major transaction for the Company under the Listing Rules. As two of the Vendors are substantial shareholders and directors of the Company, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is therefore subject to approval by the Independent Shareholders at the SGM. The votings in respect of the Acquisition shall be taken by poll at the SGM.

The Company also intends to adopt the Share Option Scheme at the SGM. The purpose of this circular is to provide you with, among other things, further information of the Acquisition and a summary of the principal terms of the Share Option Scheme required to be furnished to you in compliance with the Listing Rules, and to give you notice of the SGM for approving the Acquisition and the proposed adoption of the Share Option scheme.

THE SALE AND PURCHASE AGREEMENT

Date: 20 July 2004

Parties: The Purchaser as the purchaser and the Vendors as the vendors

Terms

Subject to the fulfillment or waiver of the conditions to the Sale and Purchase Agreement, the Purchaser agreed to acquire, and the Vendors agreed to sell, the entire issued share capital of GFT.

Consideration

The consideration was determined after arm's length negotiations and on commercial terms with reference to the net asset value and business potential and growth prospect of GFT. The Total Consideration is HK$5 million, which will be satisfied in the following manners:

a) as to HK$2.5 million to be satisfied by payment of cash; and

b) as to HK$2.5 million by the issuance to the Vendors of the Convertible Notes by the Company, the terms of which are summarized below.

The Total Consideration represents approximately 1.27 times of the audited consolidated net asset value of GFT of approximately HK$3.94 million as at 30 June 2004. The Directors believe that the Acquisition is in line with the Company's business strategy. The Directors also believe that the expansion in customer base and production capability of the Group and the business synergy to be realized through the Acquisition will further enhance the Group's profit generating ability and earnings in the long run. As the Acquisition will be funded by internal resources, there will be no significant impact on the Group's assets and liabilities position.

The Directors consider that the terms of the Sale and Purchase Agreement are fair and reasonable so far as the Company and Shareholders as a whole concerned.

Terms of the Convertible Notes

Maturity:	The maturity date of the Convertible Notes is the date falling on the expiry of 18 months from the date of issue of the Convertible Notes.
Conversion:	The noteholders have the right to convert all or part of the principal amount of the Convertible Notes, representing HK$250,000 or an integral multiple thereof, into Shares, at HK$0.05 per Share (subject to adjustment), on any Business Day after 30 days following the date of issue of the Convertible Notes but prior to the maturity of the Convertible Notes.
Transfer:	No assignment of transfer, in whole or in part, of the Convertible Notes may be made unless with prior written consent of the Company. The Company will disclose to the Stock Exchange any dealing by any of the connected persons of the Company from time to time in the Convertible Notes immediately upon the Company becoming aware of such dealings.
Interest:	The Convertible Notes bear interest at a rate of 3% per annum, payable semi-annually in arrears on 30 June and 31 December in each year.
Repayment:	The principal amount outstanding under the Convertible Notes shall be repaid in full by the Company to the noteholders on the maturity date of the Convertible Notes and there is no early redemption provision.

Comparison of the conversion price to the market price

The conversion price of the Convertible Notes is HK$0.05 per Share subject to adjustments in accordance with the terms and conditions of the Convertible Notes. The conversion price was determined with reference to the prices of a Share being traded on the Stock Exchange. It represents:

— a discount of approximately 5.7% to the closing price of HK$0.053 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

— a discount of approximately 2.0% to the closing price of HK$0.0510 per Share as quoted on the Stock Exchange on 14 July 2004, being the last day of trading in the Shares prior to the signing of the Sale and Purchase Agreement;

— a discount of approximately 3.1% to the average closing price of approximately HK$0.0516 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including 8 July 2004; and

— a discount of approximately 8.3% to the average closing price of approximately HK$0.0545 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 30 June 2004.

Information on the Shares to be issued under the Convertible Notes

Upon full conversion of the Convertible Notes, 50,000,000 new Shares, representing approximately 3.8% of the enlarged issued share capital of the Company, will be issued to the noteholders as fully paid up. The Shares to be issued under the Convertible Notes will be issued as fully paid and will rank pari passu in all respects with the Shares in issue at the date of issue of the Conversion Shares. The Company has made an application to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares to be issued upon conversion of the Convertible Notes.

Shareholdings of the Company

As at the Latest Practicable Date, the Company did not have any outstanding convertible securities. Assuming no Shares will be issued or repurchased after the Latest Practicable Date, the shareholding structure of the Company immediately prior to completion of the Acquisition, after completion of the Acquisition but before conversion of the Convertible Notes, and after conversion of the Convertible Notes will be as follows:

Shareholders	**Immediately prior to completion**		**After completion but before conversion of the Convertible Notes**		**After completion and upon full conversion of the Convertible Notes**	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Mr. Leung *note*	—	—	—	—	22,500,000	1.69
Mr. Wong *note*	—	—	—	—	22,500,000	1.69
Charm Management Limited *note*	301,500,000	23.58	301,500,000	23.58	301,500,000	22.69
Public	977,040,000	76.42	977,040,000	76.42	982,040,000	73.93
Total	1,278,540,000	100.00	1,278,540,000	100.00	1,328,540,000	100.00

Note:

Charm Management Ltd. is a wholly-owned subsidiary of New Spread Investments Ltd. Each of Excel Advance Holdings Ltd., Grand Achieve Group Ltd. and Good Achieve Holdings Ltd. holds one-third of the entire issued share capital of New Spread Investments Ltd.. As Mr. Leung is beneficially interested in the entire issued share capital of Excel Advance Holdings Ltd. and 50% of the issued share capital of Grand Achieve Group Limited, he is deemed to be interested in 301,500,000 Shares held by Charm Management Ltd. As Mr. Wong is beneficially interested in the entire issued share capital of Good Achieve Holdings Ltd. and 50% of the issued share capital of Grand Achieve Group Limited, he is also deemed to be interested in 301,500,000 Shares held by Charm Management Ltd.

Completion of the Acquisition will not result in a change of control of the Company even if the Convertible Notes are fully converted into Shares.

Profit Guarantee

The Vendors jointly and severally, unconditionally and irrevocably, guaranteed to the Purchaser that the Guaranteed Profit shall not be less than the Total Consideration. In the event that the Guaranteed Profit falls short of the Total Consideration, the Vendors will pay the shortfall in cash to the Purchaser as compensation on or before the 7th Business Day from the issuance of the audited profit and loss accounts of GFT for the financial year ending 30 June 2006.

The Company will publish an announcement in the newspapers and include the relevant information in the following annual report and accounts of the Company if the Guaranteed Profit falls short of the Total Consideration. The independent non-executive Directors will also provide an opinion in the following annual report and accounts of the Company as to whether the Vendors have fulfilled their obligations in respect of the profit guarantee.

Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon, amongst other things, the fulfillment of the following conditions on or before 30 September 2004 (or such other date as the parties thereof may agree in writing):

(i) the passing of ordinary resolutions by the Independent Shareholders approving the Sale and Purchase Agreement and the transactions contemplated thereunder, the issue of the Convertible Notes and the issue of the Conversion Shares upon conversion of the Convertible Notes at the SGM;

(ii) the granting of the listing of and permission to deal in the Conversion Shares by the Listing Committee of the Stock Exchange;

(iii) if required, the obtaining of approval from the Bermuda Monetary Authority for the issue of the Convertible Notes and the Conversion Shares and the transferability of the Convertible Notes and Conversion Shares; and

(iv) the obtaining of all necessary approvals from the relevant governmental and regulatory authorities for the transactions contemplated under the Sale and Purchase Agreement.

If any of the above-mentioned conditions is not satisfied by 30 September 2004 or such other date as the parties may agree, the Sale and Purchase Agreement will lapse.

Completion

Completion of the Sale and Purchase Agreement shall take place on the third Business Day after all of the conditions precedent have been fulfilled.

INFORMATION ON GFT

GFT is an investment holding company incorporated in the British Virgin Islands in April 2003. It directly owns 85% and 100% of the issued share capital of New Challenge Limited ("New Challenge") and Great Force Technology Limited ("Great Force") respectively. New Challenge was incorporated in Hong Kong in October 2002 and it is principally engaged in the trading of consumer products such as plastic injection toys, electronic toys, stuffed toys, electronic watches, calculator, giftware, premium and metal die-cast items for the European and American markets. Great Force is an investment holding company incorporated in Hong Kong in June 2003. It owns the entire issued share capital of a wholly foreign owned enterprise in the PRC, namely Hong Ke Dian Zi (Huizhou) You Xian Gong Si ("Hong Ke"). As at 30 June 2004, the paid-up capital of Hong Ke is RMB2,000,000. Hong Ke commenced business on 1 July 2004 and its principal activity is manufacturing of consumer products.

Hong Ke is currently building a dormitory which will have a gross floor area of approximately 10,775 square meters. As at the Latest Practicable Date, approximately 65% of the construction work has been completed and the expected completion date will be in November 2004. The total construction cost was estimated to be approximately RMB6.6 million and an amount of approximately RMB3.0 million has been incurred as at the Latest Practicable Date. The remaining construction cost of Hong Ke will be payable by the GFT Group by six monthly installments commencing from 1 July 2006. The Directors consider that the capital commitment for the dormitory will not have material adverse impact on the Group's financial position.

As two factory buildings of Hong Ke, of which one was completed while another is under construction, exceed the boundary of the land owned by Hong Ke and across the contiguous site, Hong Ke signed two agreements with Force Electronics (Huizhou) Limited ("Force Electronics"), the land owner of the contiguous site, on 1 December 2003. Pursuant to the agreements, Force Electronics agreed to allow Hong Ke to use and enjoy the portion of land where the portion of factories of Hong Ke erected or to be erected thereon at no consideration, in kind or in monetary terms. Force Electronics also agreed that the titleship of the two buildings concerned should be vested to Hong Ke free from encumbrances or any third party rights. Based on the legal opinion issued by Grandall Legal Group, the PRC legal adviser of the Company, the aforementioned agreements are valid, lawful and enforceable under the existing PRC laws.

GFT recorded an audited consolidated revenue and net loss of approximately HK$61,600 and HK$538,500 respectively for the period from 28 April 2003, being the incorporation date of GFT, to 30 June 2003. The audited consolidated revenue and net loss for the year ended 30 June 2004 are approximately HK$12,508,000 and HK$517,300 respectively. The revenue and net loss for the reporting periods were mainly contributed by the trading business of the GFT Group, which was severely affected by the poor economic condition resulted from the outbreak of severe acute respiratory syndrome (SARS). With the recovery of the global economic condition, GFT Group experienced growth in demand from customers recently and the Directors are confident that there will be improvement in the performance of GFT Group in the next financial year.

As at 30 June 2004, GFT Group had an audited consolidated total asset value and consolidated net asset value of approximately HK$33.1 million and HK$3.9 million respectively. The GFT Group did not have any bank borrowing, charges or contingent liabilities. Its gearing ratio, expressed as the percentage of total liability and minority interest over the shareholders' fund, was approximately 740%.

Most of the revenue and expenses of GFT Group were denominated in Hong Kong dollars, United States dollars or Renminbi. The Directors consider that the exposure to foreign exchange risk is minimal.

As at the Latest Practicable Date, GFT Group had approximately 620 employees in Hong Kong and China. The employees are remunerated in line with the prevailing market terms and individual performance, with the remuneration package and policies reviewed on a regular basis.

REASON FOR THE ACQUISITION

The Company and its subsidiaries are principally engaged in the trading and distribution of consumer goods such as toys, gifts and premiums, securities trading and other investments while GFT and its subsidiaries are specialized in manufacturing and trading of toys and consumer electronics. The Board believes that the vertical and horizontal integration achieved by the Acquisition will further improve the Group's operating efficiency, competitiveness and profitability.

FINANCIAL AND TRADING PROSPECT

With the recovery of the global economic condition, the trading business of the Group has shown improvement following an upsurge in consumers' demand. Manufacturing and trading of toys and electronic consumer products will be the business development focus of the Group in current year. With the increased production capability and expanded client base after the Acquisition, the Group will actively develop the American and European markets and further strengthen its market share in the Japanese market. The Directors are confident that the financial performance of the Group will be further improved by effective cost control measures and business synergy benefited from horizontal and vertical integration of new business opportunities.

SHARE OPTION SCHEME

Under the Share Option Scheme, it is proposed that the scope of persons eligible for the grant of options thereunder will include the employees of the Company and its subsidiaries as well as business consultants, agents, financial or legal advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries. The Board is of the view that these persons are of paramount importance to the success of the Group and therefore, considers it to be in the interests of the Group as a whole for such persons to be given incentives to participate in the growth of the Group in the form of options to subscribe for Shares.

There is no general requirement of any minimum period for which an option must be held before it can be exercised although the Board will be empowered under the Share Option Scheme to impose at its discretion any such minimum period at the time of grant of any particular option. In addition, the Board will be empowered to determine the exercise price of a Share in respect of any particular option granted under the Share Option Scheme on the basis set out in Appendix V hereto so that the Eligible Participants will be encouraged to subscribe for the Shares pursuant to the options granted by the Company as incentives and rewards for their contribution to the Group. The subscription of Shares by the Eligible Participants will further contribute towards the profitability and success of the Group.

As at the Latest Practicable Date, there was no outstanding options or other securities of the Company which would entitle the holders thereof to obtain Shares. Assuming that there is no change in the issued share capital of the Company between the period from the Latest Practicable Date and the date of adoption of the Share Option Scheme, the number of Shares that may be issued pursuant to the Share Option Scheme will be 127,854,000 Shares (being 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme). The Company may seek approval from its shareholders to refresh the said 10% in accordance with the Listing Rules, provided that the maximum number of Shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time.

A summary of the principal terms of the Share Option Scheme is contained in Appendix V to this circular.

Conditions precedent

The adoption of the Share Option Scheme is subject to (i) the approval of the Shareholders at the SGM; and (ii) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares falling to be issued pursuant to the exercise of options under the Share Option Scheme.

Application has been made to the Stock Exchange for obtaining its approvals mentioned above.

SPECIAL GENERAL MEETING

Under the Listing Rules, the Acquisition constitutes a major transaction for the Company. As Mr. Leung and Mr. Wong are directors and substantial shareholders of both the Company and GFT, the Acquisition also constitutes a connected transaction for the Company under the Listing Rules and is subject to the approval of the Independent Shareholders, voting by way of poll, at the SGM.

Each of Mr. Leung and Mr. Wong beneficially owns approximately 23.58% of the issued share capital of the Company. Mr. Leung, Mr. Wong and their respective Associates will abstain from voting at the SGM in respect of the Acquisition.

No Shareholders are required under the Listing Rules to abstain from voting at the SGM in respect of the proposed adoption of the Share Option Scheme.

A notice of the SGM is set out on pages 120 to 122 of this circular. The meeting will be held at 9:30 a.m. on Friday, 17 September 2004 at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong. Ordinary resolutions will be proposed to approve the Acquisition and the proposed adoption of Share Option Scheme.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the meeting in person, you are requested to complete and return the form of proxy in accordance with the instructions printed on it to the Company's principal place of business at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong, as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the SGM. Completion of the form of proxy will not preclude you from attending and voting at the SGM or any adjourned meeting thereof should you so wish.

PROCEDURES FOR DEMANDING A POLL

Please refer to page 117 of this circular for the procedures for demanding a poll.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains its advice to the Independent Shareholders in respect of the Acquisition, and the letter from the Independent Financial Adviser on pages 16 to 26 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition as well as the principal factors and reasons taken into consideration in arriving at its advice.

For the reasons set out above, the Board considers that the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole, and therefore recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Advisor mentioned above before deciding as to how to vote at the SGM.

For the proposed adoption of the Share Option Scheme, the Board is of the opinion that it is in the best interests of the Company and its shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the SGM.

ADDITIONAL INFORMATION

Please refer to the appendices to this circular for additional information.

By order of the Board
Capital Prosper Limited
Leung Wai Ho
Chairman

CAPITAL PROSPER LIMITED
興 旺 行 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1003)

31 August 2004

To the Independent Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION
PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF GFT HOLDING LIMITED

We have been appointed as members of the Independent Board Committee to advise you in connection with the proposed Acquisition, details of which are set out in the "Letter from the Board" in the circular dated 31 August 2004 (the "Circular") of which this letter forms part. The terms used in this letter shall have the same meanings as given to them in the circular unless the context otherwise requires.

We, being the independent non-executive Directors constituting the Independent Board Committee, are writing to you to set out our opinion in respect of the Acquisition. The Independent Board Committee was set up to advise you as Independent Shareholders whether, in its opinion, the terms of the Acquisition are in the interest of the Company and its Independent Shareholders and are fair and reasonable so far as the Independent Shareholders are concerned.

Get Nice Capital Limited has been appointed by the Company to advise the Independent Board Committee as to whether the terms of the Acquisition are fair and reasonable so far as the Independent Shareholders are concerned. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 16 to 26 of the Circular.

Your attention is also drawn to the "Letter from the Board" set out on pages 4 to 13 of the Circular and the additional information set out in the appendices to the Circular.

* *For identification purpose only.*

As referred to in the "Letter from the Board" of the Circular, Mr. Leung, Mr. Wong and their respective Associates will abstain from voting on the ordinary resolution to be proposed at the SGM to approve the Acquisition.

Having considered the terms of the Sale and Purchase Agreement and the advice of the Independent Financial Adviser, we consider that the terms of the Sale and Purchase Agreement are fair and reasonable as far as the Independent Shareholders are concerned and that the Acquisition is in the best interests of the Company and the Independent Shareholders. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM attached to the Circular to be proposed at the SGM in respect of the Acquisition.

Yours faithfully,
Independent Board Committee of
Capital Prosper Limited

Chui Chi Yun, Robert	**Lam Kwok Cheong**
Independent Non-Executive Director	*Independent Non-Executive Director*

The following is the text of a letter from Get Nice Capital Limited for the purpose of incorporation in this circular, in connection with its advice to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition:

Get Nice Capital Limited
22/F., Euro Trade Centre,
13-14 Connaught Road, Central
Hong Kong

31 August 2004

To the Independent Board Committee and the Independent Shareholders of Capital Prosper Limited

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

We refer to our engagement as an independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition, details of which are set out in the "Letter from the Board" (the "Letter") contained in the circular of the Company dated 31 August 2004 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context of this letter otherwise requires.

On 20 July 2004, the Purchaser (a wholly-owned subsidiary of the Company) and the Vendors entered into the Sale and Purchase Agreement in relation to the acquisition by the Purchaser from the Vendors of the entire share capital of GFT. Since Mr. Leung and Mr. Wong are the directors and substantial shareholders of both the Company and GFT, the Acquisition constitutes a connected transaction for the Company under the Listing Rules and will be subject to the Independent Shareholders' approval at the SGM at which Mr. Leung, Mr. Wong and their respective Associates will abstain from voting.

In formulating our recommendation, we have relied on the statements, information, opinions and representations contained in the Circular and the information, facts and representations provided to us by the Directors and management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors or management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance, which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, for which the Directors are solely responsible, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have also relied on the information and representations provided by Sallmanns (Far East) Limited, an independent firm of chartered surveyor, regarding the valuation of the land and buildings and construction in progress of the GFT Group as at 25 August 2004, the text of which is set out in Appendix IV to this Circular. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted an independent investigation into the business and affairs of the Company or any of its respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS TAKEN INTO ACCOUNT

In arriving at our advice to the Independent Shareholders in respect of the Acquisition, we have taken the following principal factors and reasons into consideration:

I. Background and reasons for the Acquisition

The Company and its subsidiaries are principally engaged in the trading and distribution of consumer goods such as toys, gifts and premiums, securities trading and other investments while GFT and its subsidiaries are specialized in manufacturing and trading of toys and consumer electronics. The Board believes that the vertical and horizontal integration achieved by the Acquisition will further improve the Group's operating efficiency, competitiveness and profitability.

The Acquisition itself is a kind of business expansion which is expected to be more efficient than organic growth of the Group. If the achievement of the vertical and horizontal integration following the Acquisition could be materialized as expected by the Directors, the Acquisition can provide a synergy effect to and enhance the competitive edge of the Group. On this basis, we consider that the Acquisition is complementary to the Group's development and is in the interests of the Company and the Shareholders as a whole.

II. Terms of the Acquisition

Set out below are the details of the consideration payable by the Company and the method of settlement:

Total Consideration	:	HK$5 million
Method of settlement of Total Consideration	:	(a) as to HK$2.5 million by payment of cash; and
		(b) as to HK$2.5 million by issuance to the Vendors of the Convertible Notes by the Company, with terms as set out on page 6 of the Letter in this Circular

1. Consideration

As disclosed in the Letter, the Total Consideration was determined after arm's length negotiations and on commercial terms with reference to the consolidated net asset value of GFT. The Directors are of the view that the expected expansion in customer base and production capability of the Group and the business synergy to be realized through the Acquisition will further enhance the Group's profitability.

The most commonly used references for assessing the fairness of the consideration of an acquisition is price/earnings multiple. Given that GFT has recorded a consolidated historical net loss of approximately HK$538,500 for the period from 28 April 2003, the incorporation date of GFT, to 30 June 2003 and HK$517,300 for the year ended 30 June 2004, a meaningful price/earnings multiple is impracticable to be derived for assessing the consideration of the Acquisition.

Alternatively, the net asset value approach is used to assess the fairness of the consideration. As disclosed in the Letter, the Total Consideration represents approximately 1.27 times of the audited consolidated net asset value of GFT as at 30 June 2004 of approximately HK$3.94 million. We consider the premium of approximately 27% over the historical net asset value is justifiable if the benefits of expansion in customer base and production capability of the Group and the business synergy to be derived from the Acquisition could be materialized. Moreover, the Company has appointed an independent firm of chartered surveyor, Sallmanns (Far East) Limited, to conduct an independent valuation on the land and buildings and construction in progress of the GFT Group as at 25 August 2004, details of which are set out in the Appendix IV to this Circular. According to such valuation of approximately HK$30.4 million, there will be an upward adjustment of approximately HK$11.84 million in the value of the land and buildings and construction in progress of the GFT Group resulting in an increase of the net asset value of GFT Group to approximately HK$15.78 million. On this basis, the Total Consideration represents a discount of approximately 68.31% to the consolidated net asset value of the GFT Group as at 30 June 2004 as adjusted by the above valuation of the land and buildings and construction in progress. In light of this, we are of the view that the Total Consideration is fair and reasonable so far as the Independent Shareholders are concerned.

2. Settlement of consideration

The Total Consideration will be settled by (a) HK$2.5 million in cash and (b) issuing to the Vendors the Convertible Notes.

a. Cash payment of HK$2.5 million

As stated in the Letter, part of the Total Consideration will be settled by cash payment of HK$2.5 million and will be funded by internal resources of the Group. The Directors confirm that such cash payment has no material impact on the Group's operation.

As set out in the audited accounts of the Group as at 31 December 2003, the net cash position and the net current assets of the Group were approximately HK$19.9 million and HK$35.9 million respectively. In view of the insignificant amount of the cash payment compared with the net cash position and net current assets of the Group, we concur with the Directors' view that the cash required for the Acquisition (i.e. HK$2.5 million) will not have a significant impact on the Group's operation and financial position and is therefore acceptable.

b. Convertible Notes

The principal terms of the Convertible Notes were determined after arm's length negotiation between the Company and the Vendors and are set out in the sub-section headed "Terms of the Convertible Notes" on page 6 of the Letter in this Circular. Our analysis on these principal terms of the Convertible Notes is as follows:

1. Maturity and repayment

The maturity date of the Convertible Notes is the date falling on the expiry of 18 months from the date of issue of the Convertible Notes. The principal amount outstanding under the Convertible Notes shall be repaid in full by the Company to the noteholders on the maturity date of the Convertible Notes and there is no early redemption provision for the Convertible Notes.

We consider that the 18-month period will provide the Company adequate flexibility to monitor its cash position before repayment of cash amounting to HK$2.5 million.

2. Interest

The Convertible Notes bear interest at a rate of 3% p.a., payable semi-annually in arrears on 30 June and 31 December in each year.

Compared to the current prime rate of 5% p.a. and average HIBOR of approximately 0.5% p.a., the interest rate of the Convertible Notes at 3% p.a. is in line with the market rates. Besides, we consider that the interest rate in Hong Kong is likely to experience an upward adjustment in the coming years and the fixed interest rate will be beneficial for the Group. Therefore, we are in the view that the interest rate is fair and reasonable to the Company.

3. Conversion

The noteholders have the right to convert all or part of the principal amount of the Convertible Notes, representing HK$250,000 or an integral multiple thereof, into Shares, at HK$0.05 per Share (subject to adjustment), on any Business Day after 30 days following the date of issue of the Convertible Notes but prior to the maturity of the Convertible Notes.

The conversion price was determined with reference to the recent prices of a Share being traded on the Stock Exchange. It represents:

— a discount of approximately 5.7% to the closing price of HK$0.053 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

— a discount of approximately 2.0% to the closing price of HK$0.0510 per Share as quoted on the Stock Exchange on 14 July 2004, being the last day of trading in the Shares prior to the signing of the Sale and Purchase Agreement;

— a discount of approximately 8.3% to the average closing price of approximately HK$0.0545 per Share as quoted on the Stock Exchange for the last 10 trading days up to and including 14 July 2004, being the last day of trading in the Shares prior to the signing of the Sale and Purchase Agreement;

— a premium of approximately 2% to the average closing price of approximately HK$0.049 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including 14 July 2004, being the last day of trading in the Shares prior to the signing of the Sale and Purchase Agreement; and

— a premium of approximately 11% to the average closing price of approximately HK$0.045 per Share as quoted on the Stock Exchange for the last 60 trading days up to and including 14 July 2004, being the last day of trading in the Shares prior to the signing of the Sale and Purchase Agreement.

In evaluating the fairness and reasonableness of the conversion price of the Convertible Notes, we have compared it to the recent similar conversion note issuing exercises and emphasized on the liquidity of Shares.

(i) Comparison with recent conversion note issuing exercises

For comparison purpose, we have chosen the listed issuers in Hong Kong which had involved in the issuance of convertible notes recently and we believe that the period from the beginning of this year to mid August of this year is reasonable. Due to the distinct features and characteristics of the Growth Enterprise Market of the Stock Exchange, we have only focused on the similar conversion note issuing from companies listed on the main board of the Stock Exchange among which the Company is one of them. On this basis, we have identified seven listed issuers on the main board out of which two had involved in share reorganizations at the same time. Taking out these two listed issuers of which we believe that it may distort the comparison, we have adopted the remaining five listed issuers (the “Comparables”) for comparison. Set out below is a summary of the Comparables:

The Comparables	Date of announcement	Conversion price *(HK$)*	(Premium)/ Discount to closing price on or prior to the date of the announcement	(Premium)/ Discount to 10 trading days average closing price
The Company (#1003)	21 July 2004	0.05	1.96% (of HK$0.0510 on 14 July 2004)	8.26% (of HK$0.0545 up to and including 30 June 2004)
Soundwill Holdings Limited (#878)	21 June 2004	1.68	(18.31)% (of HK$1.42 on 17 June 2004)	(6.3)% (of HK$1.58 up to and including 17 June 2004)
Yugang International Limited (#613)	25 May 2004	0.075 (first year), 0.082 (second year) and 0.089 (third year)	(7.1)% (first year), (17.1)% (second year) and (27.1)% (third year) (of HK$0.070 on 24 May 2004)	(10.3)% (first year), (20.6)% (second year) and (30.9)% (third year) (of HK$0.068 up to and including 24 May 2004)
Credit Card DNA Security System (Holdings) Limited (#1051)	13 April 2004	0.08	(12.7)% (of HK$0.071 on 6 April 2004)	(2.6)% (of HK$0.078 up to and including 6 April 2004)
New Century Group Hong Kong Limited (#234)	1 April 2004	0.61	0% (the conversion price is the same as closing price of HK$0.61 on 25 March 2004)	0.8% (of HK$0.615 up to and including 25 March 2004)
South Sea Petroleum Holdings Limited (formerly known as Sen Hong Resources Limited) (#76)	8 January 2004	1.00	17.4% (of HK$1.21 on 8 January 2004)	17.70% (of HK$1.215 up to and including 8 January 2004)

As shown in the above table, the conversion prices of the Comparables to their respective closing prices on or prior to the date of their respective announcements range from a discount of 17.4% to a premium of 18.31% while that to their respective 10 trading days average closing prices range from a discount of 17.7% to a premium of 10.3%. The corresponding conversion prices to the closing prices of the Convertible Notes of a discount of approximately 2% and approximately 8.3% respectively are within the ranges of the Comparables.

(ii) Liquidity of the Shares

Set out below is the trading volume of the Shares during a period from 1 August 2003 to the Latest Practicable Date ("Review Period"):

	Average daily trading volume (Number of Shares)	**Average daily trading volume as a percentage of the total issued share capital of the Company (approximate %) (round up to 3 decimal places)**
2003		
August	3,136,190	0.440
September	1,644,667	0.231
October	52,000	0.007
November	26,800	0.004
December	414,762	0.058
2004		
January	11,544,842	1.355
February	12,130,300	1.423
March	3,365,044	0.395
April	1,720,105	0.135
May	571,600	0.045
June	1,465,524	0.115
July	1,305,619	0.102
1 August to Latest Practicable Date	978,316	0.077

As shown in the above table, the trading volume of the Shares during the Review Period was, in general, thin. The percentage of average daily trading volume of the Shares to the total issued share capital of the Company during the Review Period was usually less than 0.2%.

Given the historical illiquid trading in the Shares, we consider it is reasonable that the Convertible Notes carry a mild discount to the market price of the Shares and therefore we are of the view that the conversion price is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

III. Profit Guarantee

The Vendors jointly and severally, unconditionally and irrevocably, guaranteed to the Purchaser that the Guaranteed Profit shall not be less than the Total Consideration. In the event that the Guaranteed Profit falls short of the Total Consideration, the Vendors will pay the shortfall in cash to the Purchaser as compensation on or before the 7th Business Day from the issuance of the audited profit and loss accounts of GFT for the financial year ending 30 June 2006.

We believe that the above profit guarantee can protect the Group from the downside risk of the Acquisition and therefore can safeguard the interests of the Company and the Shareholders as a whole.

IV. Financial effect of the Acquisition

1. Net assets

After the completion of the Acquisition, GFT and its subsidiaries will become subsidiaries of the Company. As set out in the "Financial Information of the Enlarged Group" in Appendix III to this Circular, the net assets of the Group will remain the same before and after the Acquisition.

2. Earnings

The Vendors jointly and severally, unconditionally and irrevocably, guaranteed to the Purchaser that the Guaranteed Profit shall not be less than the Total Consideration. In the event that the Guaranteed Profit falls short of the Total Consideration, the Vendors will pay the shortfall in cash to the Purchaser as compensation on or before the 7th Business Day from the issuance of the audited profit and loss accounts of GFT for the financial year ending 30 June 2006.

Upon completion of the Acquisition, the Company will incorporate the profit of the GFT Group for no less than the Guaranteed Profit to its consolidated profit and loss account in the future financial period until 30 June 2006.

Besides, the annual interest expenses of the Convertible Notes is approximately HK$60,000 p.a., representing only 0.17% of the net assets of the Group as at 31 December 2003.

3. Working capital, cash flow and gearing

As mentioned in the previous paragraph, the cash outflow for the payment of the Acquisition is HK$2.5 million. The Directors confirm that such cash outflow has no significant impact on the Group's operation nor the Group's working capital position.

In addition, according to the information set out in the "Financial Information of the Enlarged Group" in Appendix III to this Circular, the gearing ratio (expressed as the total liabilities over the total assets) of the Group as at 31 December 2003 will increase from 0.22 to 0.54 after the Acquisition. Such increase is due to the increase in the non-current liabilities of the GFT Group. The Directors confirm that the non-current liabilities represent the amount of approximately HK$17,693,000 payable to independent third parties arising from the addition of construction in progress during the year ended 30 June 2004, which are unsecured, interest free and to be fully repaid in 2006 by six equal monthly instalments commencing from 1 July 2006 and will not have an immediate effect on the Group's operation. On this basis, we consider that the increase in the gearing ratio is acceptable and is in the interest of the Company and its Shareholders as a whole.

In view of the above analyses (1) to (3), we consider that the Acquisition will slightly affect the gearing ratio of the Group and increase the interest expenses of the Group in the coming 18 months. However, the Guaranteed Profit will offset these negative effects. We are of the view that the Acquisition is in the interest of the Company and its Shareholders as a whole.

V. Dilution effect of the Shareholding

The shareholding structure of the Company immediately prior to completion of the Acquisition, after completion of the Acquisition but before conversion of the Convertible Notes, and after conversion of the Convertible Notes will be as follows:

	Immediately prior to completion		**After completion but before conversion of the Convertible Notes**		**After completion and upon full conversion of the Convertible Notes**	
Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**	**No. of Shares**	**%**
Mr. Leung *(note)*	—	—	—	—	22,500,000	1.69
Mr. Wong *(note)*	—	—	—	—	22,500,000	1.69
Charm Management Limited *(note)*	301,500,000	23.58	301,500,000	23.58	301,500,000	22.69
Public	977,040,000	76.42	977,040,000	76.42	982,040,000	73.93
Total	**1,278,540,000**	**100.00**	**1,278,540,000**	**100.00**	**1,328,540,000**	**100.00**

Note: Charm Management Ltd. is a wholly-owned subsidiary of New Spread Investments Ltd. Each of Excel Advance Holdings Ltd., Grand Achieve Group Ltd. and Good Achieve Holdings Ltd. holds one-third of the entire issued share capital of New Spread Investments Ltd.. As Mr. Leung is beneficially interested in the entire issued share capital of Excel Advance Holdings Ltd. and 50% of the issued share capital of Grand Achieve Group Limited, he is deemed to be interested in 301,500,000 Shares held by Charm Management Ltd. As Mr. Wong is beneficially interested in the entire issued share capital of Good Achieve Holdings Ltd. and 50% of the issued share capital of Grand Achieve Group Limited, he is also deemed to be interested in 301,500,000 Shares held by Charm Management Ltd.

The Acquisition will not (i) result in a change of control of the Company and (ii) have significant dilution effect on the public shareholding even if the Convertible Notes are fully converted into Shares. We consider that such dilution effect is acceptable to the Independent Shareholders.

RECOMMENDATION

Based on the information and representations provided and opinions given by the Board and having taken into account the above principal factors and reasons, we are of the view that the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we advise the Independent Shareholders to vote in favour of the resolution in connection with the Acquisition at the SGM.

Yours faithfully,
For and on behalf of
Get Nice Capital Limited

Louis Yiu *Director*

Gary Hung *Director*

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31 August 2004

The Directors
Capital Prosper Limited
GFT Holding Limited

We set out below our report on the financial information regarding GFT Holding Limited ("GFT") and its subsidiaries (collectively known as the "GFT Group") for the period from 28 April 2003 (the date of incorporation) to 30 June 2003 and the year ended 30 June 2004 (the "Relevant Periods") for inclusion in a circular dated 31 August 2004 issued by Capital Prosper Limited ("Capital Prosper") in connection with the major and connected transaction in respect of the proposed acquisition of the entire issued share capital of the Company (the "Acquisition") (the "Circular") by Capital Prosper and its subsidiaries.

GFT is a private limited company incorporated in the British Virgin Islands ("BVI") on 28 April 2003. It is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and trading of consumer toys products such as plastic injection toys, electronic toys, stuffed toys, electronic watches, calculator, giftware, premium and metal die-cast items.

As at the date of this report, the particulars of GFT's subsidiaries are as follows:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
New Challenge Limited ("New Challenge") 利志有限公司	Hong Kong 30 October 2002	Ordinary shares HK$1,000,000	85%	—	Trading of consumer toys products such as plastic injection toys, electronic toys, stuffed toys, electronic watches, calculator, giftware, premium and metal die-cast items
Great Force Technology Limited ("Great Force") 宏科(香港)有限公司 (formerly known as Broad Fine Limited 邦輝有限公司)	Hong Kong 11 June 2003	Ordinary shares HK$2	100%	—	Investment holding
宏科電子(惠州)有限公司 Hong Ke Dian Zi (Huizhou) You Xian Goug Si* ("Hong Ke")	The People's Republic of China (the "PRC") 26 December 2003	Registered capital HK$2,000,000	—	100%	Not yet commenced business

Note: Hong Ke is a wholly-owned foreign enterprise.

** for reference purpose only*

We have audited the consolidated financial statements of GFT which include the results, assets and liabilities of GFT, New Challenge, Great Force and Hong Ke for each of the Relevant Period or from their dates of incorporation or acquisition in accordance with Statements of Auditing Standard issued by the Hong Kong Society of Accountants for each of the Relevant Periods or from their dates of incorporation or acquisition.

We have examined the audited consolidated financial statements of GFT for the Relevant Periods (the "Underlying Financial Statements"). Our examination was made in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Society of Accountants.

The Underlying Financial Statements are the responsibility of the directors of GFT who approved their issue. The directors of Capital Prosper are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the financial information set out in this report from the Underlying Financial Statements, to form an independent opinion on the financial information and to report our opinion to you.

In our opinion, the financial information together with the notes thereon gives, for the purpose of this report, a true and fair view of the state of affairs of GFT and of the GFT Group as at 30 June 2003 and 30 June 2004 and of the losses and cash flows of the GFT Group for each of the Relevant Periods.

I. FINANCIAL INFORMATION

The following is the financial information of the GFT Group for each of the Relevant Periods.

CONSOLIDATED INCOME STATEMENTS

	Notes	**1.7.2003 to 30.6.2004** *HK$*	**28.4.2003 to 30.6.2003** *HK$*
Turnover		12,507,969	61,550
Cost of sales		(10,474,642)	(67,075)
Gross profit (loss)		2,033,327	(5,525)
Other operating income		14,221	3,091
Distribution costs		(151,897)	(36,180)
Administrative and operating expenses		(2,392,840)	(323,813)
Impairment loss recognised in respect of goodwill arising on acquisition of a subsidiary	*18*	—	(228,450)
Loss from operations	*4*	(497,189)	(590,877)
Interest expense payable on other payables		(73,414)	—
		(570,603)	(590,877)
Minority interests		53,302	52,378
Net loss for the period/year		(517,301)	(538,499)
Loss per share — Basic	*7*	(38.64)	(53.85)

CONSOLIDATED BALANCE SHEETS

		GFT Group	
	Notes	**30.6.2004**	**30.6.2003**
		HK$	*HK$*
Non-current asset			
Property, plant and equipment	*8*	26,217,369	—
Current assets			
Trade and other receivables	*10*	5,870,981	75,265
Amount due from a related company	*11*	318,270	128,100
Bank balances and cash		719,164	588,033
		6,908,415	791,398
Current liabilities			
Trade and other payables	*12*	3,389,741	1,242,515
Amounts due to related companies	*13*	12,800	45,675
		3,402,541	1,288,190
Net current assets (liabilities)		3,505,874	(496,792)
Total assets less current liabilities		29,723,243	(496,792)
Non-current liabilities			
Amounts due to related companies	*13*	8,090,320	54,900
Other payables	*14*	17,692,718	—
		25,783,038	54,900
Minority interests		4,005	(91,193)
		3,936,200	(460,499)
Capital and reserve			
Share capital	*15*	4,992,000	78,000
Accumulated losses		(1,055,800)	(538,499)
		3,936,200	(460,499)

BALANCE SHEETS

		GFT	
	Notes	**30.6.2004**	**30.6.2003**
		HK$	*HK$*
Non-current asset			
Interests in subsidiaries	*9*	4,862,140	15,500
Current assets			
Other receivables		86,954	—
Bank balances and cash		23,679	56,260
		110,633	56,260
		4,972,773	71,760
Capital and reserve			
Share capital	*15*	4,992,000	78,000
Accumulated losses	*16*	(19,227)	(6,240)
		4,972,773	71,760

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	**Accumulated losses**	**Total**
	HK$	*HK$*	*HK$*
	(Note 15)		
Issue of shares at date of incorporation	78,000	—	78,000
Loss for the period	—	(538,499)	(538,499)
At 30 June 2003	78,000	(538,499)	(460,499)
Issue of shares	4,914,000	—	4,914,000
Loss for the year	—	(517,301)	(517,301)
At 30 June 2004	4,992,000	(1,055,800)	3,936,200

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	1.7.2003 to 30.6.2004 HK$	28.4.2003 to 30.6.2003 HK$
OPERATING ACTIVITIES			
Loss from operations		(497,189)	(590,877)
Adjustments for:			
Interest income		(909)	(91)
Impairment loss recognised in respect of goodwill arising on acquisition of a subsidiary		—	228,450
Operating cash flows before movements in working capital		(498,098)	(362,518)
Increase in trade and other receivables		(5,795,716)	(41,865)
Increase in amount due from a related company		(190,170)	(128,100)
Increase in trade and other payables		2,147,226	912,455
(Decrease) increase in amounts due to related companies		(32,875)	45,675
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(4,369,633)	425,647
INVESTING ACTIVITIES			
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	*18*	—	29,395
Interest income		909	91
Acquisition of property, plant and equipment		(8,598,065)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(8,597,156)	29,486
FINANCING ACTIVITIES			
Advance from a related company		8,035,420	54,900
Proceeds from issue of shares		4,914,000	78,000
Contribution from a minority shareholder of a subsidiary		148,500	—
NET CASH FROM FINANCING ACTIVITIES		13,097,920	132,900
NET INCREASE IN CASH AND CASH EQUIVALENTS		131,131	588,033
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR		588,033	—
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR — represented by bank balances and cash		719,164	588,033

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The financial information has been prepared on the basis that the Acquisition will be completed and Capital Prosper Limited, the ultimate holding company of GFT, will ensure that the GFT Group has sufficient funding to enable the GFT Group to repay in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial information has been prepared on a going concern basis.

The books and accounts of the GFT Group are maintained in Hong Kong Dollars ("HK$"), the currency in which the majority of the GFT Group's transactions are denominated.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial information has been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of GFT and its subsidiaries made up to 30 June each year.

The results of subsidiaries acquired or disposed of during the period/year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the GFT Group are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in GFT 's balance sheet at cost less any identified impairment loss.

Turnover

Turnover represents the amounts received and receivable for goods sold, less returns and allowances during the period/year.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has been passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less depreciation, amortisation and accumulated impairment losses.

Depreciation and amortisation are provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they became fully operational, and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Land use rights	Over the term of the rights
Leasehold buildings	5%
Plant and machinery	10%
Furniture, fixtures and equipment	20%

Construction in progress is stated at cost, which includes land cost and the related construction and borrowing costs, as appropriate, less any identified impairment loss. When the construction is completed and the asset is ready for its intended use, the related cost is transferred to an appropriate category of property, plant and equipment and depreciated in accordance with the above policy.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the GFT Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

2. **SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the GFT Group's overseas operations are translated at the rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the GFT Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the GFT Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Rental payables under operating leases are charged to the income statement on a straight line basis over the relevant lease term.

Retirement benefit scheme

Payments to the Mandatory Provided Fund Scheme are charged as expenses as they fall due.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

No business segment analysis is presented as all of the GFT Group's turnover and contribution to results were derived from the manufacturing and trading of consumer toys products.

Geographical segments

The following table provides an analysis of the GFT Group's sales by geographical market, irrespective of the origin of the goods:

	Turnover by geographical market		**Contribution to loss from operations**	
	1.7.2003 to 30.6.2004	**28.4.2003 to 30.6.2003**	**1.7.2003 to 30.6.2004**	**28.4.2003 to 30.6.2003**
	HK$	*HK$*	*HK$*	*HK$*
United States of America	5,177,035	—	1,283,355	—
Hong Kong	7,330,934	61,500	749,972	(5,525)
	12,507,969	61,500	2,033,327	(5,525)
Unallocated corporate income			14,221	3,091
Unallocated corporate expenses			(2,544,737)	(588,443)
Loss from operations			(497,189)	(590,877)
Interest expense payable on other payables			(73,414)	—
Loss before minority interests			(570,603)	(590,877)
Minority interests			53,302	52,378
Net loss for the period/year			(517,301)	(538,499)

Since the goods sold to various geographical markets were generated from the same facilities, analysis of assets and liabilities by geographical market is not presented.

All identifiable assets of the GFT Group are located in the PRC.

4. LOSS FROM OPERATIONS

	1.7.2003 to 30.6.2004	**28.4.2003 to 30.6.2003**
	HK$	*HK$*
Loss from operations has been arrived at after charging:		
Directors' emoluments	—	—
Other staff costs	1,948,522	278,000
Retirement benefits scheme contributions	62,000	19,000
Total staff costs	2,010,522	297,000
Auditors' remuneration	40,000	10,000
Operating lease rentals in respect of land and buildings	48,000	—
and after crediting:		
Interest income	909	91

5. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

During the Relevant Periods, no directors' emoluments were paid by the GFT Group.

During the Relevant Periods, all the five highest paid individuals were employees of the GFT Group.

The emoluments of the five highest paid individuals in the GFT Group were as follows:

	1.7.2003 to 30.6.2004	**28.4.2003 to 30.6.2003**
	HK$	*HK$*
Employees' emoluments:		
— salaries and other benefits	1,529,921	171,307
— retirement benefit scheme contributions	52,575	5,999
	1,582,496	177,306

The aggregate emoluments of each of the employees during the Relevant Periods did not exceed HK$1,000,000.

During the Relevant Periods, no emoluments were paid by the GFT Group to any of the directors or the five highest paid individuals as an inducement to join nor upon joining the GFT Group nor as compensation for loss of office.

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the GFT Group did not have assessable profits for the Relevant Periods.

The subsidiary in the PRC is entitled to exemption from PRC Foreign Enterprise Income Tax for the two years starting from its first profit-making year, followed by a 50% relief for the three years thereafter. The PRC Foreign Enterprise Income Tax rate applicable to the subsidiary operating in the PRC is 33%. During the Relevant Periods, the subsidiary operating in the PRC incurred tax losses.

The income tax for each of the Relevant Periods can be reconciled to the loss before minority interests for the period/year as follows:

	1.7.2003 to 30.6.2004 *HK$*	**28.4.2003 to 30.6.2003** *HK$*
Loss before minority interests for the period/year	(570,603)	(590,877)
Tax at the Hong Kong Profits Tax rate of 17.5%	(99,855)	(103,404)
Tax effect of expenses that are not deductible in determining taxable profit	37,670	42,296
Tax effect of income that are not taxable in determining taxable profit	(61)	(16)
Tax effect of tax losses not recognised	62,246	61,124
Income tax for the period/year	—	—

At 30 June 2004, the GFT Group had unused tax losses of approximately HK$705,000 (2003: HK$349,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams.

7. LOSS PER SHARE

The calculation of the basic loss per share for each of the Relevant Periods is based on the net loss for the year/period of HK$517,301 (28.4.2003 to 30.6.2003: loss of HK$538,499) and on the weighted average number of 13,388 (28.4.2003 to 30.6.2003: Weighted average number of 10,000) ordinary shares in issue during the year/period. No diluted loss per share has been presented for each of the Relevant Periods as the GFT Group has no derivatives in issue which have dilutive effect to loss per share during the year/period.

8. PROPERTY, PLANT AND EQUIPMENT

	Land use rights HK$	Leasehold buildings HK$	Plant and machinery HK$	Furniture, fixtures and equipment HK$	Construction in progress HK$	Total HK$
GFT GROUP						
COST						
On date of incorporation and 1 July 2003	—	—	—	—	—	—
Additions	1,110,894	—	7,562,642	17,217	17,526,616	26,217,369
Transfer	—	13,708,465	—	72,642	(13,781,107)	—
At 30 June 2004	1,110,894	13,708,465	7,562,642	89,859	3,745,509	26,217,,369
DEPRECIATION AND AMORTISATION						
On date of incorporation and 1 July 2003	—	—	—	—	—	—
Provided for the year	—	—	—	—	—	—
At 30 June 2004	—	—	—	—	—	—
NET BOOK VALUES						
At 30 June 2003	—	—	—	—	—	—
At 30 June 2004	1,110,894	13,708,465	7,562,642	89,859	3,745,509	26,217,369

All the GFT Group's land and buildings are situated in the PRC and are held by the Group under medium-term land use rights.

The Group has engaged contractors to construct the leasehold buildings in the PRC. While the relevant government authorities have not granted formal title to certain of these buildings to the Group. The net book value of the properties for which the Group had not been granted formal title amounted to HK$557,000 as at 30 June 2004.

A legal opinion has obtained by the directors to confirm the legal title and the directors believe that the absence of formal title to these buildings does not impair the value of the relevant properties to the Group. The directors also believe that formal title to these properties will be granted to the Group in due course.

9. INTERESTS IN SUBSIDIARIES

	30.6.2004	**30.6.2003**
	HK$	*HK$*
Unlisted investments, at cost	850,002	8,502
Amount due from a subsidiary	4,012,138	6,998
	4,862,140	15,500

The amount due from a subsidiary is unsecured, non-interest bearing and has no fixed terms of repayment. In the opinion of the directors, the amount is unlikely to be repaid within one year from the balance sheet date and is therefore shown in the balance sheet as non-current.

10. TRADE AND OTHER RECEIVABLES

The GFT Group has a policy of allowing credit period from 30 days to 45 days to its trade customers.

Included in trade and other receivables are trade receivables of HK$5,404,311 (2003: HK$42,745) at the respective balance sheet dates and their aging are within 60 days.

11. AMOUNT DUE FROM A RELATED COMPANY

The amount due from General Fast Trading Limited ("General Fast Trading") is unsecured, interest free and repayable on demand. Mr. Leung Wai Ho ("Mr. Leung") and Mr. Wong Chung Shun ("Mr. Wong"), directors of GFT, have beneficial interests in General Fast Trading.

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$53,654 (2003: Nil) at the respective balance sheet dates and their aging are within 60 days.

13. AMOUNTS DUE TO RELATED COMPANIES

	THE GROUP	
	30.6.2004	**30.6.2003**
	HK$	*HK$*
Yanyan Force Limited ("Yanyan") *(Note i)*	—	33,075
Force Electronics (Huizhou) Limited ("Force Electronics") *(Note ii)*	12,800	12,600
General Fast Trading	8,090,320	54,900
	8,103,120	100,575
Less: Amounts due within one year shown under current liabilities	(12,800)	(45,675)
	8,090,320	54,900

Notes:

(i) Yanyan is a subsidiary of Capital Prosper.

(ii) Mr. Leung and Mr. Wong have beneficial interests in both companies.

The amounts due to related companies are unsecured, interest free and have no fixed repayment terms.

General Fast Trading has confirmed that it will not request for the repayment of the amount in the next twelve months from the balance sheet date and is therefore shown in the balance sheet as non-current.

14. OTHER PAYABLES

The amounts represent construction payables arising from the addition of construction in progress during the year ended 30 June 2004 to third parties which are unsecured, interest free and to be fully repaid in 2006 by six equal monthly instalments commencing from 1 July 2006.

15. SHARE CAPITAL

	Number of shares	Amounts
		US$
Ordinary shares of US$1 each		
Authorised:		
On incorporation and at 30 June 2003	50,000	50,000
Increase in authorised share capital	950,000	950,000
At 30 June 2004	1,000,000	1,000,000
Issued and fully paid:		
On incorporation and at 30 June 2003	10,000	10,000
Issue of shares	630,000	630,000
At 30 June 2004	640,000	640,000

	HK$
Shown in the financial information as at	
30 June 2003	78,000
30 June 2004	4,992,000

GFT was incorporated on 28 April 2003 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1 each. On 28 April 2003, 10,000 ordinary shares of US$1 each was allotted and issued, for cash at par to the subscribers.

Pursuant to the written resolution passed on 29 June 2004, the authorised share capital of GFT was increased from US$50,000 to US$1,000,000 by the creation of an additional 950,000 ordinary shares of US$1 each. On the same date, GFT issued 630,000 ordinary shares of US$1 each, for cash at par, as general working capital. These ordinary shares ranked pari passu with the existing shares in all respects.

16. ACCUMULATED LOSSES

	HK$
GFT	
At date of incorporation	—
Loss for the period	6,240
At 30 June 2003	6,240
Loss for the year	12,987
At 30 June 2004	19,227

17. CAPITAL COMMITMENTS

At 30 June 2003 and 30 June 2004, the GFT Group was committed to capital expenditures in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements of HK$4,671,872 and HK$2,539,774 respectively.

GFT had no capital commitment at the balance sheet date.

18. ACQUISITION OF A SUBSIDIARY

On 19 May 2003, the GFT Group acquired 85% of the issued share capital of New Challenge for a consideration of HK$8,500.

	30.6.2004	**30.6.2003**
	HK$	*HK$*
Net assets acquired:		
Trade and other receivables	—	33,400
Bank balances and cash	—	37,895
Minority interests	—	38,815
Accruals and other payables	—	(330,060)
Net liabilities	—	(219,950)
Goodwill arising on acquisition	—	228,450
Cash consideration paid	—	8,500
Analysis of the net inflow of cash and cash equivalents in connection with the acquisition of a subsidiary:		
Cash consideration paid	—	(8,500)
Bank balances and cash acquired	—	37,895
	—	29,395

The subsidiary acquired during the period ended 30 June 2003 did not have a material impact on the GFT Group's cash flows or operating results.

The goodwill arising from acquisition of New Challenge amounted to HK$228,450 was fully impaired in view of the uncertainty in future profit stream and charged to income statement during the period ended 30 June 2003.

19. RETIREMENT BENEFITS SCHEME

Defined contribution plans

The GFT Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the GFT Group, in funds under the control of trustees. The GFT Group contributes at the lower of HK$1,000 or 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

20. RELATED PARTY DISCLOSURES

During each of the Relevant Periods, the GFT Group entered into the following transactions with related parties:

Name of related parties	Nature of transactions	1.7.2003 to 30.6.2004 *HK$*	28.4.2003 to 30.6.2003 *HK$*
Yanyan	Purchase of goods	76,800	32,075
General Fast Trading	Purchase of goods	9,392,989	—
	Rental expenses	48,000	—

In the opinion of the directors, the above transactions were carried out at terms mutually agreed and determined by the GFT Group and the relevant parties during each of the Relevant Periods.

II. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared for the GFT Group in respect of any period subsequent to 30 June 2004.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

FINANCIAL SUMMARY

The following is a summary of the audited consolidated profit and loss accounts of the Group for the three years ended 31 December 2003 as extracted from the relevant annual reports of the Group for the years presented.

RESULTS

	Year Ended 31 December		
	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**86,981**	119,718	112,944
Loss before taxation	**(22,586)**	(8,187)	(45,850)
Taxation charge	**—**	(4)	(9)
Loss before minority interests	**(22,586)**	(8,191)	(45,859)
Minority interests	**1,165**	(221)	—
Net loss for the year	**(21,421)**	(8,412)	(45,859)

ASSETS AND LIABILITIES

	As at 31 December		
	2003	2002	2001
	HK$'000	*HK$'000*	*HK$'000*
Total assets	**47,993**	82,996	180,573
Total liabilities	**(10,740)**	(23,679)	(114,245)
Minority interests	**(730)**	(1,165)	—
Shareholders' funds	**36,523**	58,152	66,328

AUDITED FINANCIAL STATEMENTS

Set out below is the auditors' report and the audited consolidated financial statements of the Group for the year ended 31 December 2003 as extracted from the Company's 2003 annual report.

AUDITORS' REPORT

德勤 • 關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中 111 號
永安中心 26 樓

Deloitte
Touche
Tohmatsu

TO THE SHAREHOLDERS OF CAPITAL PROSPER LIMITED
興旺行有限公司
(FORMERLY KNOWN AS ROCKAPETTA HOLDINGS LIMITED 樂家集團有限公司)
(incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 50 to 86 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and of the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 22 April 2004

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2003

	NOTES	2003 HK$'000	2002 HK$'000
Turnover	4	**86,981**	119,718
Cost of sales		**(72,853)**	(108,837)
Gross profit		**14,128**	10,881
Other operating income		**1,580**	1,042
Distribution costs		**(6,198)**	(5,641)
Administrative expenses		**(24,763)**	(20,913)
Other operating expenses		**(838)**	(5,421)
Loss from operations	5	**(16,091)**	(20,052)
Finance costs	6	**(259)**	(2,343)
(Loss) gain on disposal of subsidiaries	7	**(6,236)**	14,208
Loss before taxation		**(22,586)**	(8,187)
Income tax expense	10	**—**	(4)
Loss before minority interests		**(22,586)**	(8,191)
Minority interests		**1,165**	(221)
Net loss for the year		**(21,421)**	(8,412)
Loss per share — Basic	11	**(3.0 cents)**	(1.2 cents)

CONSOLIDATED BALANCE SHEET

At 31 December 2003

	NOTES	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**923**	6,123
Intangible asset	13	**400**	833
Goodwill	14	**—**	6,234
		1,323	13,190
CURRENT ASSETS			
Inventories	16	**6,717**	12,312
Trade and other receivables	17	**8,023**	15,635
Investments in securities	18	**12,072**	23,114
Pledged bank deposits	29	**912**	5,657
Bank balances and cash		**18,946**	13,088
		46,670	69,806
CURRENT LIABILITIES			
Trade and other payables	19	**10,620**	15,621
Amount due to a related company	32	**—**	144
Amounts due to directors	32	**120**	—
Borrowings, secured	20	**—**	7,784
		10,740	23,549
NET CURRENT ASSETS		**35,930**	46,257
		37,253	59,447
CAPITAL AND RESERVES			
Share capital	21	**7,124**	71,236
Reserves		**29,399**	(13,084)
		36,523	58,152
MINORITY INTERESTS		**730**	1,165
NON-CURRENT LIABILITY			
Deferred taxation	24	**—**	130
		37,253	59,447

The financial statements on pages 50 to 86 were approved and authorised for issue by the Board of Directors on 22 April 2004 and are signed on its behalf by:

Leung Wai Ho
DIRECTOR

Wong Chung Shun
DIRECTOR

BALANCE SHEET
At 31 December 2003

	NOTES	2003 HK$'000	2002 HK$'000
NON-CURRENT ASSET			
Interests in subsidiaries	15	**36,436**	57,033
CURRENT ASSETS			
Other receivables		**158**	255
Bank balances and cash		**1**	1,165
		159	1,420
CURRENT LIABILITIES			
Other payables		**516**	1,225
Amount due to a related company	32	**—**	144
Amounts due to directors	32	**120**	—
Amount due to a subsidiary	15	**—**	12
		636	1,381
NET CURRENT (LIABILITIES) ASSETS		**(477)**	39
		35,959	57,072
CAPITAL AND RESERVES			
Share capital	21	**7,124**	71,236
Reserves	23	**28,835**	(14,164)
		35,959	57,072

Leung Wai Ho
DIRECTOR

Wong Chung Shun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2003

	Share capital	Share premium	Contributed surplus	Capital reserve	Translation reserve	Accumulated profit (losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2002	71,230	97,888	—	2,099	—	(104,889)	66,328
Exchange differences arising from translation of overseas operations and net gain not recognised in the income statement	—	—	—	—	225	—	225
Exercise of share options	6	5	—	—	—	—	11
Net loss for the year	—	—	—	—	—	(8,412)	(8,412)
At 1 January 2003	71,236	97,893	—	2,099	225	(113,301)	58,152
Exchange differences arising from translation of overseas operations and net loss not recognised in the income statement	—	—	—	—	(132)	—	(132)
Released on disposal of subsidiaries	—	—	—	—	(76)	—	(76)
Effect of capital reduction *(note 21)*	(64,112)	—	64,112	—	—	—	—
Transfer of share premium *(note 21)*	—	(97,893)	97,893	—	—	—	—
Transfer from contributed surplus to accumulated losses	—	—	(162,005)	—	—	162,005	—
Net loss for the year	—	—	—	—	—	(21,421)	(21,421)
At 31 December 2003	7,124	—	—	2,099	17	27,283	36,523

The capital reserve represents the difference between the nominal value of the share capital issued by the Company in exchange for the aggregate of the nominal value of the issued share capital of Rockapetta Investment Limited ("RIL"), the former subsidiary which was acquired by the Company pursuant to a group reorganisation to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2003

	NOTES	2003 HK$'000	2002 HK$'000
OPERATING ACTIVITIES			
Loss from operations		**(16,091)**	(20,052)
Adjustments for:			
Depreciation and amortisation of property, plant and equipment		**1,146**	4,986
Amortisation of intangible asset		**113**	585
Amortisation of goodwill		**323**	208
Impairment loss recognised in respect of intangible asset		**320**	1,000
Allowance for slow moving and obsolete inventories		**2,995**	—
Write back of allowance for bad and doubtful debts		**(470)**	—
Unrealised (gain) loss on investments in securities		**(449)**	3,560
Loss on disposal of property, plant and equipment		**530**	—
Interest income		**(73)**	(231)
Dividend income		**(39)**	(180)
Operating cash flow before movements in working capital		**(11,695)**	(10,124)
Decrease in inventories		**1,825**	1,427
Decrease (increase) in trade and other receivables		**5,699**	(18,816)
Decrease (increase) in investment in securities		**11,491**	(26,674)
(Decrease) increase in trade and other payables		**(2,430)**	7,366
(Decrease) increase in amounts due to related companies		**(144)**	144
Increase in amounts due to directors		**120**	—
Cash generated from (used in) operations		**4,866**	(46,677)
Dividend received		**39**	180
Interest received		**73**	231
Taxation paid		**—**	(183)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		**4,978**	(46,449)
INVESTING ACTIVITIES			
Decrease in pledged bank deposits		**4,745**	1,858
Proceeds on disposal of subsidiaries	*26*	**2,891**	18,569
Proceeds from disposal of property, plant and equipment		**20**	—
Purchase of property, plant and equipment		**(453)**	(1,941)
Acquisition of subsidiaries	*25*	**—**	(20,290)
Purchase of intangible asset		**—**	(2,000)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**7,203**	(3,804)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*
For the year ended 31 December 2003

	2003	2002
	HK$'000	*HK$'000*
FINANCING ACTIVITIES		
Repayment of bank loans	**(1,774)**	—
Interest and finance charge paid	**(259)**	(2,343)
Contribution from minority shareholders	**1,825**	—
Repayment of obligations under a finance lease	**—**	(50)
New other loans raised	**—**	26,774
Advance from a director	**—**	5,110
Net proceeds from issue of shares	**—**	11
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(208)**	29,502
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**11,973**	(20,751)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**7,078**	27,622
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(105)**	207
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**18,946**	7,078
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**18,946**	13,088
Bank overdrafts	**—**	(6,010)
	18,946	7,078

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2003

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Pursuant to a special resolution passed by the shareholders on 22 May 2003, the name of the Company was changed from Rockapetta Holdings Limited 樂家集團有限公司 to Capital Prosper Limited 興旺行有限公司.

The Company acts as an investment holding company. The activities of its subsidiaries are set out in note 33.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted, for the first time, the following Hong Kong Financial Reporting Standard ("HKFRS") issued by the Hong Kong Society of Accountants ("HKSA"), the term of HKFRS is inclusive of Statements of Standard Accounting Practice ("SSAP") and interpretations approved by the HKSA.

Income taxes

In the current year, the Group has adopted SSAP 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. The adoption of SSAP 12 (Revised) has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intra-group transactions and balances have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Revenue from restaurant operations is recognised at the point of sale to customers or when services are rendered.

Revenue from securities trading is recognised when the contracts of the relevant transaction are concluded and executed.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rental invoiced in advance, from properties under operating leases is recognised on a straight line basis over the period of the respective leases.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	Over the shorter of the terms of the lease, or 5 years
Restaurant equipment	20% to 33-1/3%
Furniture, fixtures and equipment	20% to 33-1/3%
Motor vehicles	25% to 33-1/3%

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible asset

Intangible asset is stated at cost less accumulated amortisation and accumulated impairment losses and is amortised on a straight-line basis over the estimated useful live.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the relevant lease terms.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the year in which the operation is disposed of.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS

BUSINESS SEGMENTS

For management purposes, the Group is currently organised into two major operating divisions — trading of consumer products and securities trading and investments. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Consumer products trading	—	Sourcing, distribution and retailing of consumer products
Securities trading and investments	—	Trading and investing of marketable securities

In prior years, the Group was also carried on restaurants operation, and toy manufacturing and distribution. The restaurants operation was discontinued from 5 August 2003 upon the disposal of the Group's entire 89.7% interest in Masindo International Limited ("Masindo"), details of which are set out in note 7, whilst the operation of toy manufacturing and distribution was discontinued from 8 October 2002 upon the disposal of the Group's interest in RIL.

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

An analysis of the Group's turnover, operating results, assets, liabilities and other information by business segment is presented below:

For the year ended 31 December 2003

	Continuing operations		Discontinuing operation	
	Consumer products trading	**Securities trading and investments**	**Restaurants operation**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	56,200	14,180	16,601	86,981
RESULT				
Segment result before amortisation of goodwill	(3,951)	(6,152)	(757)	(10,860)
Less: Amortisation of goodwill	—	—	(323)	(323)
Segment result	(3,951)	(6,152)	(1,080)	(11,183)
Other operating income				1,660
Unallocated corporate expenses				(6,568)
Loss from operations				(16,091)
Finance costs				(259)
Loss on disposal of subsidiaries				(6,236)
Loss before taxation				(22,586)
Income tax expense				—
Loss before minority interests				(22,586)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

At 31 December 2003

	Consumer products trading	**Securities trading and investments**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
ASSETS			
Segment assets	13,504	13,152	26,656
Unallocated corporate assets			21,337
Consolidated total assets			47,993
LIABILITIES			
Segment liabilities	8,722	141	8,863
Unallocated corporate liabilities			1,877
Consolidated total liabilities			10,740

Other Information
For the year ended 31 December 2003

	Continuing operations		**Discontinuing operation**	
	Consumer products trading	**Securities trading and investments**	**Restaurants operation**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions				
Property, plant and equipment	274	34	145	453
Depreciation and amortisation				
Property, plant and equipment	265	124	757	1,146
Intangible asset	—	113	—	113
Goodwill	—	—	323	323
Impairment loss recognised in respect of intangible asset	—	320	—	320
Allowance for slow-moving and obsolete inventories	2,995	—	—	2,995
Loss on disposal of property plant and equipment	506	24	—	530

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

For the year ended 31 December 2002

	Continuing operations		Discontinuing operations		
	Consumer products trading	**Securities trading and investments**	**Restaurants operation**	**Toy manufacturing and distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER	17,021	8,716	20,570	73,411	119,718
RESULT					
Segment result before amortisation of goodwill	295	(4,742)	470	(11,308)	(15,285)
Less: Amortisation of goodwill	—	—	(208)	—	(208)
Segment result	295	(4,742)	262	(11,308)	(15,493)
Other operating income					598
Unallocated corporate expenses					(5,157)
Loss from operations					(20,052)
Finance costs					(2,343)
Gain on disposal of subsidiaries					14,208
Loss before taxation					(8,187)
Income tax expense					(4)
Loss before minority interests					(8,191)

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

At 31 December 2002

	Continuing operations		Discontinuing operation	
	Consumer products trading	Securities trading and investments	Restaurants operation	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS				
Segment assets	24,479	24,753	14,764	63,996
Unallocated corporate asset				19,000
Consolidated total assets				82,996
LIABILITIES				
Segment liabilities	11,688	255	2,452	14,395
Unallocated corporate liabilities				9,284
Consolidated total liabilities				23,679

Other Information
For the year ended 31 December 2002

	Continuing operations		Discontinuing operations		
	Consumer products trading	Securities trading and investments	Restaurants operation	Toy manufacturing and distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Capital additions					
Property, plant and equipment	7	512	484	938	1,941
Intangible asset	—	2,000	—	—	2,000
Depreciation and amortisation					
Property, plant and equipment	120	47	757	4,062	4,986
Intangible asset	—	167	—	418	585
Goodwill	—	—	208	—	208
Impairment loss recognised in respect of intangible asset	—	1,000	—	—	1,000
Net unrealised holding loss on other investments	—	3,560	—	—	3,560

4. BUSINESS AND GEOGRAPHICAL SEGMENTS *(Continued)*

GEOGRAPHICAL SEGMENTS

The Group's restaurants operation and consumer products trading business are carried out in Singapore and the securities trading and investments are carried out in Hong Kong. In prior year, the Group was also engaged in the toy manufacturing and distribution businesses which were discontinued from 8 October 2002 and the customers of the discontinuing operation were mainly located in North America and Asia Pacific region.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	2003	2002
	HK$'000	*HK$'000*
Hong Kong	**14,180**	8,716
Singapore	**72,801**	37,591
North America	—	35,652
Europe	—	7,087
Other Asia Pacific regions	—	17,207
Others	—	13,465
	86,981	119,718

The following is an analysis of the carrying amount of segment assets and capital additions, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Capital additions**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
People's Republic of China	—	—	—	938
Hong Kong	**14,864**	29,782	**34**	2,512
Singapore	**33,129**	53,214	**419**	491
	47,993	82,996	**453**	3,941

5. LOSS FROM OPERATIONS

	2003	2002
	HK$'000	*HK$'000*
Loss from operations has been arrived at after charging:		
Directors' remuneration *(Note 8)*	**4,461**	1,124
Other staff costs	**12,320**	23,128
Total staff costs	**16,781**	24,252
Depreciation and amortisation		
Owned assets	**1,146**	4,925
Asset under a finance lease	**—**	61
Goodwill (charged to other operating expenses)	**323**	208
Intangible asset (charged to other operating expenses)	**113**	585
	1,582	5,779
Auditors' remuneration		
Current year	**514**	384
(Over) underprovision in prior years	**(16)**	87
Allowance for slow-moving and obsolete inventories	**2,995**	—
Impairment loss recognised in respect of intangible asset (charged to other operating expenses)	**320**	1,000
Net unrealised holding loss on other investments (charged to other operating expenses)	**—**	3,560
Loss on disposal of property, plant and equipment	**530**	—
Cost of inventories recognised as expenses	**67,268**	90,908
Realised loss (gain) on disposal of other investments	**1,172**	(1,509)
and after crediting:		
Bank interest income	**73**	231
Dividend income from investments in listed securities	**39**	180
Net unrealised holding gain on other investments (included in other operating income)	**449**	—
Write back of allowance for bad and doubtful debts	**470**	—

Included in total staff costs is an aggregate amount of approximately HK$921,000 (2002: HK$1,084,000), in respect of retirement benefits scheme contributions paid or payable, net of nil (2002: nil) forfeited contribution, by the Group.

6. FINANCE COSTS

	2003	2002
	HK$'000	*HK$'000*
Interest on:		
bank borrowings wholly repayable within five years	**233**	1,193
other loans wholly repayable within five years	**26**	1,139
a finance lease	**—**	11
	259	2,343

7. DISCONTINUING OPERATION

During the year, the Group disposed of its entire interest in Masindo and its subsidiaries for a cash consideration of HK$8,500,000 (the "Disposal"). Masindo and its subsidiaries are engaged in the operation of a microbrewery restaurants and bar restaurant in Singapore, details of the Disposal are set out in the circular of the Company dated 6 August 2003.

During the year ended 31 December 2002, the Group disposed of its entire interest in a subsidiary, RIL, together with its subsidiaries and associates, which were principally engaged in the toy manufacturing and distribution business.

The Disposal was completed on 5 August 2003 on which date control of Masindo was passed to the acquirer. The results of the restaurants operations for the period from 1 January 2003 to 5 August 2003, which have been included in the consolidated income statements, were as follows:

	Restaurants operation		**Toy manufacturing and distribution**
	1.1.2003 to 5.8.2003	1.6.2002 (date of acquisition) to 31.12.2002	1.1.2002 to 8.10.2002
	HK$'000	*HK$'000*	*HK$'000*
Turnover	**16,601**	20,570	73,411
Other operating income	**79**	31	608
Operating costs	**(17,358)**	(20,127)	(85,327)
(Loss) profit from operations	**(678)**	474	(11,308)
Finance costs	**(2)**	—	(2,238)
Loss before taxation	**(680)**	474	(13,546)
Income tax expense	**—**	(4)	—
Loss for the period	**(680)**	470	(13,546)

7. DISCONTINUING OPERATION *(Continued)*

During the year, the restaurants operation contributed net cash inflow of HK$379,000 (1.6.2002-31.12.2002: HK$712,000) from the Group's operation, received HK$889,000 (1.6.2002-31.12.2002: paid HK$487,000) in respect of investing activities and paid HK$2,000 (1.6.2002-31.12.2002: nil) in respect of financing activities.

The carrying amounts of the assets and liabilities of the restaurants operation at the date of disposal, are disclosed in note 26.

The loss arising from the discontinuance of the restaurants operation of approximately HK$6,236,000 was determined based on the sale proceeds of the Disposal less the carrying amount of the consolidated net assets of Masindo. No tax charge or credit arose from the transaction.

8. DIRECTORS' REMUNERATION

Particulars of the emoluments of the directors for the year are as follows:

	2003	2002
	HK$'000	*HK$'000*
Fees		
Executive directors	**2,000**	100
Independent non-executive directors	**120**	140
	2,120	240
Other emoluments for executive directors		
Salaries and other benefits	**2,329**	854
Retirement benefits scheme contributions	**12**	30
	4,461	1,124

The emoluments of the directors were within the following bonds:

	2003	2002
	Number of directors	Number of directors
Nil to HK$1,000,000	**11**	11
HK$1,500,001 to HK$2,000,000	**1**	—
	12	11

No emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office and no directors waived any emoluments in both years.

9. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group included, four directors (2002: two directors) of the Company whose emoluments are set out in note 8 above. The emoluments of the remaining highest paid individuals were as follows:

	2003	2002
	HK$'000	*HK$'000*
Salaries and other benefits	**632**	1,212
Retirement benefits scheme contributions	**95**	41
	727	1,253

The aggregate emoluments of each of the employees was less than HK$1,000,000 for both years.

10. INCOME TAX EXPENSE

The charge for prior year represented tax in other jurisdictions calculated at the rates prevailing in the relevant jurisdictions.

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group incurred tax losses for both years.

The charge for the year can be reconciled to the loss before taxation per the income statement as follows:

	2003	2002
	HK$'000	*HK$'000*
Loss before taxation	**(22,586)**	(8,187)
Tax at the Hong Kong Profits Tax tax rate of 17.5% (2002: 16%)	**(3,952)**	(1,310)
Tax effect of expenses that are not deductible in determining taxable profit	**2,354**	2,700
Tax effect of income that are not taxable in determining taxable profit	**(292)**	(4,518)
Tax effect of deferred tax assets not recognised	**2,085**	3,127
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(195)**	5
Tax expense for the year	**—**	4

Details of deferred taxation are set out in note 24.

11. LOSS PER SHARE

The calculation of the loss per share is based on the net loss for the year of approximately HK$21,421,000 (2002: HK$8,412,000) and on 712,360,000 (2002: weighted average number of 712,358,521) shares in issue during the year.

No diluted loss per share has been presented for both years as the exercise of the share options of subsidiaries as set out in note 30, would result in a decrease in loss per share.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Restaurant equipment *HK$'000*	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE GROUP					
COST					
At 1 January 2003	1,997	3,161	1,821	87	7,066
Exchange adjustments	(14)	(34)	12	(1)	(37)
Additions	143	74	236	—	453
Disposals	(291)	—	(561)	—	(852)
Eliminated on disposal of subsidiaries	(1,765)	(3,201)	(390)	(86)	(5,442)
At 31 December 2003	70	—	1,118	—	1,188
DEPRECIATION AND AMORTISATION					
At 1 January 2003	307	404	230	2	943
Exchange adjustments	—	(4)	6	—	2
Provided for the year	321	457	365	3	1,146
Disposals	(114)	—	(188)	—	(302)
Eliminated on disposal of subsidiaries	(492)	(857)	(170)	(5)	(1,524)
At 31 December 2003	22	—	243	—	265
NET BOOK VALUES					
At 31 December 2003	48	—	875	—	923
At 31 December 2002	1,690	2,757	1,591	85	6,123

13. INTANGIBLE ASSET

	Stock exchange trading right *HK$'000*
THE GROUP	
COST	
At 1 January 2003 and at 31 December 2003	2,000
AMORTISATION AND IMPAIRMENT	
At 1 January 2003	1,167
Provided for the year	113
Impairment loss recognised in the year	320
At 31 December 2003	1,600
NET BOOK VALUE	
At 31 December 2003	400
At 31 December 2002	833

The directors reviewed the carrying value of the Stock Exchange trading right with reference to the current economic condition and the changes in the business environment of the securities industry in Hong Kong, recognised an impairment loss of approximately HK$320,000 in respect of the trading right in the Stock Exchange. In the opinion of the directors, the carrying value of the trading right as at 31 December 2003 represented the estimated net selling price of the asset.

14. GOODWILL

	HK$'000
THE GROUP	
COST	
At 1 January 2003	6,442
Disposal of subsidiaries	(6,442)
At 31 December 2003	—
AMORTISATION	
At 1 January 2003	208
Provided for the year	323
Eliminated on disposal of subsidiaries during the year	(531)
At 31 December 2003	—
NET BOOK VALUE	
At 31 December 2003	—
At 31 December 2002	6,234

The goodwill is amortised on a straight line basis of ten years.

15. INTERESTS IN SUBSIDIARIES/AMOUNT DUE TO A SUBSIDIARY

	THE COMPANY	
	2003	2002
	HK$'000	*HK$'000*
Unlisted shares, at cost	**—**	—
Amounts due from subsidiaries	**58,456**	62,833
Less: Allowance for amounts due from subsidiaries	**(22,020)**	(5,800)
	36,436	57,033
Amount due to a subsidiary	**—**	12

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed repayment terms. In the opinion of the directors, the amounts will not be repaid within twelve months from the balance sheet date and are therefore classified as non-current.

The amount due to a subsidiary was unsecured, non-interest bearing and was repayable on demand.

Details of the subsidiaries of the Company at 31 December 2003 are set out in note 33.

16. INVENTORIES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Finished goods	**6,717**	11,264
Food and beverages	**—**	1,048
	6,717	12,312

Included above are finished goods of HK$900,000 (2002: nil) which are carried at net realisable value.

17. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing an average credit period ranging from 30 days to 60 days to its trade customers. Included in trade and other receivables are trade receivables of HK$6,908,000 (2002: HK$12,135,000) and the aged analysis is as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 to 60 days	**5,060**	11,617
61 to 90 days	**732**	237
Over 90 days	**1,116**	281
	6,908	12,135

18. INVESTMENTS IN SECURITIES

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Other investments — listed equity securities		
Hong Kong	**4,972**	790
Overseas	**7,100**	22,324
Total classified as current assets	**12,072**	23,114
Market value of listed securities	**12,072**	23,114

The carrying value of overseas listed securities at 31 December 2003 included an amount of approximately HK$7,100,000 (2002: HK$10,985,000), representing 3.4% (2002: 5.0%) interest in United Pulp & Paper Company Limited, a company incorporated in Singapore with its shares listed on the Singapore Exchange Securities Trading Limited and engaged in the manufacturing and selling of paper and packaging products.

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$7,767,000 (2002: HK$9,777,000), and the aged analysis is as follows:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
0 to 60 days	**6,736**	7,901
61 to 90 days	**335**	910
Over 90 days	**696**	966
	7,767	9,777

20. BORROWINGS, SECURED

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Bank overdrafts	—	6,010
Other borrowings	—	1,774
	—	7,784

At 31 December 2002, other borrowings represented the amount granted by a broker firm and the amount was secured by investments in securities with carrying value of approximately HK$7,600,000 and bore interest at 6% per annum.

21. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Authorised:		
Ordinary shares of HK$0.1 each at 1 January 2002 and at 1 January 2003	5,000,000,000	500,000
Subdivision of each unissued share into 10 shares of HK$0.01 each *(note a)*	45,000,000,000	—
Ordinary shares of HK$0.01 each at 31 December 2003	50,000,000,000	500,000
Issued and fully paid:		
Ordinary shares of HK$0.1 each at 1 January 2002	712,300,000	71,230
Exercise of share options	60,000	6
Ordinary shares of HK$0.1 each at 31 December 2002	712,360,000	71,236
Capital reduction *(note b)*	—	(64,112)
Ordinary shares of HK$0.01 each at 31 December 2003	712,360,000	7,124

Pursuant to special resolutions passed by the shareholders of the Company in a special general meeting on 22 May 2003, the Company carried out the following capital reorganisation ("Capital Reorganisation"):

(a) The authorised share capital of the Company was increased from 5,000,000,000 shares to 50,000,000,000 shares by the creation of an additional 45,000,000,000 ordinary shares of HK$0.01 each;

(b) Nominal value of every issued and unissued share was reduced from HK$0.1 to HK$0.01 ("Capital Reduction");

(c) The entire amount in the share premium account of the Company at 31 December 2002 was cancelled ("Share Premium Reduction");

(d) The credit arising from the Capital Reduction and Share Premium Reduction was transferred to the contributed surplus account and HK$162,005,000 in the contributed surplus account was applied against the accumulated losses of the Company.

Details of the Capital Reorganisation were set out in the circular of the Company dated 5 May 2003.

22. SHARE OPTIONS

Pursuant to a resolution passed on 28 January 1994, the Company's share option scheme (the "Scheme") was adopted for the primary purpose of providing incentives to directors and eligible employees, and shall be valid and effective for a period of 10 year expiring on 27 January 2004 (the "Scheme Period"). Under the Scheme, the directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

No employee shall be granted an option which, if exercised in full, would result in such employee becoming entitled to subscribe for such number of shares, when aggregated with the total number of shares already issued under all the options previously granted to him which have exercised, and issuable under all the options previously granted to him which are for the time being subsisting and unexercised, would exceed 25% of the aggregate number of shares for the time being issued and issuable under the Scheme, without prior approval from the Company's shareholders.

No consideration is payable on the grant of an option. Options may be exercised at any time within the period commencing from the date of grant of the option and expiring on the date following the sixth anniversary from the date of grant or at the expiry of the Scheme Period, whichever is earlier. The exercise price is determined by the directors of the Company and shall not be less than the higher the nominal value of the shares and an amount which is based on 80% of the average of the closing prices of the shares of the Company on the five trading days immediately preceding the date of grant.

No options were granted, exercised, lapsed or outstanding during the year.

The following table discloses details of the Company's share options held by employees (including directors of the Company and its subsidiaries) and movements in such holdings during the year ended 31 December 2002.

Exercise period	**Exercise price** *HK$*	**Outstanding at 1.1.2002**	**Exercised during year**	**Outstanding at 31.12.2002**
17/8/2002 to 27/1/2004	0.17	60,000	(60,000)	—

The closing price of the Company's shares on the date which the share options were exercised during the year ended 31 December 2002 was HK$0.52.

23. RESERVES

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
THE COMPANY				
At 1 January 2002	97,888	50,492	(129,417)	18,963
Exercise of share options	5	—	—	5
Net loss for the year	—	—	(33,132)	(33,132)
At 1 January 2003	97,893	50,492	(162,549)	(14,164)
Effect of capital reduction	—	64,112	—	64,112
Transfer of share premium	(97,893)	97,893	—	—
Transfer from contributed surplus to accumulated losses	—	(162,549)	162,549	—
Net loss for the year	—	—	(21,113)	(21,113)
At 31 December 2003	—	49,948	(21,113)	28,835

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal value of the share capital issued by the Company to acquire the assets, and the difference between the credit to contributed surplus arising from (a) capital reduction and (b) cancellation of share premium of the Company and the transfer from contributed surplus to accumulated losses of the Company.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is also available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(i) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

The Company has no reserves available for distribution to shareholders at the balance sheet dates.

24. DEFERRED TAXATION

	Accelerated tax depreciation	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
The Group			
At 1 January 2002	—	—	—
Acquisition of subsidiaries	(235)	108	(127)
Exchange differences	(3)	—	(3)
At 1 January 2003	(238)	108	(130)
Released on disposal of subsidiaries	238	(108)	130
At 31 December 2003	—	—	—

At the balance sheet date, the Group has unused tax losses of HK$20,208,000 (2002: HK$10,395,000) and the company has unused tax losses of HK$12,449,000 (2002: HK$7,551,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams.

25. ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2002, the Group acquired 89.7% interest in Masindo and 100% interest in Crystal Wines & Spirits Pte Ltd. ("Crystal") for a consideration of HK$16,114,000 and HK$2,200,000 respectively.

	2003	2002
	HK$'000	*HK$'000*
Net assets acquired:		
Property, plant and equipment	—	5,921
Inventories	—	10,396
Trade and other receivables	—	16,291
Pledged bank deposits	—	4,936
Bank balances and cash	—	4,302
Trade and other payables	—	(22,723)
Taxation payable	—	(4)
Bank overdrafts	—	(6,278)
Deferred taxation	—	(127)
Minority interest	—	(842)
	—	11,872
Goodwill	—	6,442
Total consideration satisfied by cash	—	18,314

25. ACQUISITION OF SUBSIDIARIES *(Continued)*

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:

	2003	2002
	HK$'000	*HK$'000*
Cash consideration	—	18,314
Bank and cash balances acquired	—	(4,302)
Bank overdrafts acquired	—	6,278
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	—	20,290

The subsidiaries acquired during the year ended 31 December 2002 contributed HK$37,591,000 to the Group's turnover and operating profit of HK$637,000 to the Group's result for that year.

26. DISPOSAL OF SUBSIDIARIES

As referred to in note 7, the Group discontinued its restaurants operation at the time of disposal of Masindo. The consolidated net assets of Masindo at the date of disposal and at 31 December 2002 were as follows:

	05.08.2003	31.12.2002
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**3,918**	4,579
Inventories	**775**	1,409
Trade and other receivables	**2,383**	2,542
Pledged bank deposits	—	451
Bank balances and cash	**5,609**	4,390
Trade and other payables	**(2,571)**	(1,976)
Deferred taxation	**(130)**	(130)
Minority interests	**(1,083)**	—
	8,901	11,265
Attributable goodwill	**5,911**	
Translation reserve realised	**(76)**	
	14,736	
Loss on disposal	**(6,236)**	
Total consideration satisfied by cash	**8,500**	

26. DISPOSAL OF SUBSIDIARIES *(Continued)*

Net cash inflow arising on disposal:

	2003
	HK$'000
Cash consideration received	**8,500**
Bank balances and cash disposed of	**(5,609)**
	2,891

The subsidiaries disposed of during the year contributed HK$16,601,000 (2002: HK$20,570,000) to the Group's turnover and operating loss of HK$678,000 (2002: operating profit of HK$474,000) to the Group's loss from operations.

27. CONTINGENT LIABILITIES

For year ended 31 December 2002, the Company had given a corporate guarantee to a financial institution in respect of margin facilities granted to a subsidiary. The guarantee was released during the year.

For year ended 31 December 2002, the Group has the following litigation:

On 8 July 2002, a winding-up petition was filed by Mr. Kwok Chin Wing, a former director of the Company, against RIC Trading Limited (formerly known as "Rockapetta Industrial Company Limited"), in relation to his claim against RIC Trading Limited for the outstanding loan and interest due to him of approximately HK$52 million. RIC Trading Limited was a wholly owned subsidiary of RIL, which was disposed of by the Group on 8 October 2002. The directors, taking into the advice from the legal counsel, were of the opinion that following the disposal of the subsidiary, the Group was unlikely to have any material adverse financial impact on its financial position due to the winding-up petition.

On 28 August 2002, the Company issued a writ of summons against Mr. Kwok Chin Wing and Mr. Yiu Kui Leung, the former directors of the Company, regarding the breach of their fiduciary duties as directors for the payments of HK$25 million to Mr. Kwok Chin Wing in March 2000. The litigation was withdrawn by the Company during the year.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

	2003	2002
	HK$'000	*HK$'000*
Minimum lease payments under operating leases during the year:		
Premises	**1,600**	3,885
Moulds	**—**	29
Total minimum lease payments paid	**1,600**	3,914

At the balance sheet date, the Group and the Company have outstanding commitments for future minimum lease payments under non-cancellable operating leases for premises which fall due as follows:

	THE GROUP		**THE COMPANY**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**621**	5,404	**147**	604
In the second to fifth year inclusive	**150**	913	**—**	213
	771	6,317	**147**	817

Operating lease payments represent rentals payable by the Group and the Company for certain of its restaurants, warehouses and office premises. Leases are negotiated for an average term of three years and rentals are fixed during the lease period.

28. OPERATING LEASE ARRANGEMENTS *(Continued)*

The Group as lessor

Property sub-lease income during the year was approximately HK$247,000 (2002: HK$15,000). The property has committed tenant for the coming year.

At the balance sheet date, the Group and the Company have contracted with tenant for the following future minimum lease payments:

	2003	2002
	HK$'000	*HK$'000*
Within one year	**59**	175
In the second to fifth year inclusive	**—**	59
	59	234

29. PLEDGE OF ASSETS

At the balance sheet date, the following assets of the Group were pledged to secure banking facilities granted to the Group:

	THE GROUP	
	2003	2002
	HK$'000	*HK$'000*
Investments in securities	**—**	7,603
Bank deposits	**912**	5,657
	912	13,260

At 31 December 2003, the Company had no pledge of assets.

30. RETIREMENT BENEFITS SCHEME AND EMPLOYEE BENEFITS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the subsidiaries in Singapore are members of a state-managed retirement benefits scheme operated by the government of Singapore, the Central Provident Fund. The subsidiaries are required to contribute a specified percentage of payroll costs, depending on the age of individual employee and its nationality, to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Pursuant to an agreement signed on 18 September 2002, a conditional offer (the "CID offer") was granted to Mr. Lee Boon Par, a director of Crystal International Distributors Pte Ltd. ("CID"), a wholly-owned subsidiary of the Company, to subscribe for 490,000 new shares in CID at par value of S$1 for a cash consideration of S$490,000 for the primary purpose of providing incentives to motivate him to pursue growth for CID. The CID offer can be exercised upon the achievement of certain prescribed operating results of CID for the period from 1 January 2003 to 31 December 2004. The CID offer was not exercised up to 31 December 2003.

Pursuant to an agreement signed on 18 September 2002, a subscription offer (the "Subscription") was granted to Mr. Lee Chiang Choon Derek and Mr. Tan Wee Han, directors of Crystal Wines Pte Ltd. ("CWP"), a wholly-owned subsidiary of the Company, to subscribe for 100,000 and 300,000 new shares respectively in the capital of CWP for cash at par value of S$1 each for the primary purpose of providing an incentive to them. During the year ended 31 December 2003, both of them exercised their right to subscribe for shares in full. Upon the exercise of their subscription, the Group's holding in CWP was diluted to 60%.

Pursuant to a service agreement dated 17 October 2002, Brewerkz Singapore Pte Ltd. ("Brewerkz"), a non-wholly owned subsidiary of the Group, had granted (i) the Incentive Option and (ii) the Call Option to Mr. Devin Otto Kimble, a director of Brewerkz, who may exercise either the Incentive Option or the Call Option, subject to the fulfilment of certain conditions, for the period from 1 January 2005 to 31 December 2006.

Under the Incentive Option, Mr. Devin Otto Kimble is entitled to acquire 20% equity interest in Brewerkz held by the Group for a consideration of S$1.00. Under the Call Option, Mr. Devin Otto Kimble is granted the right to subscribe for new ordinary shares in Brewerkz, representing 10% of the enlarged share capital of Brewerkz upon exercise of the Call Option at an exercise price of S$0.30 per share.

During the year ended 31 December 2003, Brewerkz and its immediate holding company, Masindo, were disposed of by the Group.

31. POST BALANCE SHEET EVENTS

Subsequent to 31 December 2003, the Group has undergone the following events:—

(i) The Group disposed of its entire interest in the issued share capital of Capital Bright International Limited for an aggregate consideration of HK$5,000,000.

(ii) The Group disposed of its entire interest in the issued share capital of T G Securities Limited for an aggregate consideration of HK$4,000,000. The agreement was signed on 8 December 2003 and the disposal was completed on 19 March 2004.

(iii) On 31 March 2004, a rights issue on the basis of one rights share for every two existing shares held by shareholders on the register of members on 5 March 2004 was allotted at an issue price of HK$0.05 per rights share, resulting in the issue of 426,180,000 shares at HK$0.05 each for a total cash consideration, before share issue expenses, of approximately HK$21.3 million.

(iv) The substantial shareholder of the Company, Charm Management Limited ("Charm") placed its 140,000,000 shares in the Company to independent investors at a price of HK$0.05 per share. Charm was allotted 140,000,000 new shares in the Company at the same price of HK$0.05 per share. The Company received net proceeds of HK$6.8 million from the placing and subscription of 140,000,000 shares by Charm.

32. RELATED PARTY DISCLOSURES

During the year, the Group had the following transaction and balances with related parties as follows:

Related party transactions

The significant transactions with related parties during the year are as follows:

		THE GROUP	
Related party	**Nature of transactions**	**2003**	2002
		HK$'000	*HK$'000*
JS Corporate Services Pte Ltd *(note a)*	Consultancy fee expense *(note d)*	**1,132**	144
FJ Benjamin (HK) Limited *(note b)*	Premise rental expense *(note d)*	**—**	222
Rockapetta Toys Manufactory Co., Ltd. *(note c)*	Management service income *(note d)*	**—**	54

32. RELATED PARTY DISCLOSURES *(Continued)*

Balances with related parties

	THE GROUP		**THE COMPANY**	
	2003	2002	**2003**	2002
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount due to a related company				
JS Corporate Services Pte Ltd *(notes a and e)*	**—**	144	**—**	144
Amounts due to directors				
Lam Lee G. *(note e)*	**60**	—	**60**	—
Ho Tat Kin *(note e)*	**60**	—	**60**	—
	120	—	**120**	—

Details of balances with the Company's subsidiaries are set out in note 15 to the financial statements.

Notes:

(a) JS Corporate Services Pte Ltd is a company in which Ms. Chan Lay Hoon, an executive director, has a beneficial interest.

(b) FJ Benjamin (HK) Limited is a company in which Mr. Lim Eng Hock, a former substantial shareholder of the Company, has a beneficial interest.

(c) Rockapetta Toys Manufactory Co., Ltd. is a former subsidiary of which Mr. Chan Sheung Wai, a former executive director, is a director.

(d) Premise rental expense, management service income and consultancy fee expense are mutually agreed between the relevant parties.

(e) The amounts are unsecured, non-interest bearing and are repayable on demand.

Save as disclosed above, there were no other significant transactions with related parties during the year or significant balances with them at the balance sheet date.

33. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation	Nominal value of issued and paid-up share capital	Attributable proportion of nominal value of issued share capital held by the Company		Principal activities
			Directly	Indirectly	
Bestcorp Investments Inc.	British Virgin Islands	US$1 share	100%	—	Investment holding
Crystal Wines & Spirits Pte Ltd.	Singapore	S$320,000 ordinary shares	—	100%	Sourcing, distribution and retailing of wines and spirits
Crystal Wines Pte Ltd.	Singapore	S$2 ordinary shares	—	60%	Inactive
Fine Brand Pte Ltd. (Previously known as "Crystal International Distributors Pte Ltd.")	Singapore	S$2 ordinary shares	—	100%	Inactive
Good Prosper Trading Ltd.	British Virgin Islands	US$1 share	100%	—	Investment holding
Grand Profit International Ltd.	Hong Kong	HK$2 ordinary share	100%	—	Investment holding
Kimay Investment Limited	Hong Kong	HK$2 ordinary shares	100%	—	Securities trading and investments
Capital Bright International Ltd	British Virgin Islands	US$1 share	100%	—	Securities trading
T G Capital Limited	British Virgin Islands	US$1 share	100%	—	Investment holding
T G Securities Limited	Hong Kong	HK$6,400,000 ordinary shares	—	100%	Inactive

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

31 August 2004

The Directors
Capital Prosper Limited
Unit A9, 3/F, Block A
Hong Kong Industrial Centre
489-491 Castle Peak Road
Kowloon, Hong Kong

Dear Sirs,

We report on the unaudited pro forma assets and liabilities statement ("Pro Forma Assets and Liabilities Statement") of Capital Prosper Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and GFT Holding Limited ("GFT") and its subsidiaries (together with the Group hereinafter referred to as the "Enlarged Group") set out in Appendix III of the circular of Capital Prosper Limited dated 31 August 2004 (the "Circular") issued by the Company in connection with the major and connected transaction in respect of the proposed acquisition of the entire issued share capital of GFT (the "Acquisition") by the Group, which has been prepared by the directors of the Company (the "Directors"), as if the Acquisition had been completed as at 30 June 2004 for illustrative purpose only, to provide information about how the Acquisition might have affected the relevant assets and liabilities of the Group.

RESPONSIBILITIES

It is solely the responsibility of the Directors to prepare the Pro Forma Assets and Liabilities Statement in accordance with the paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

It is our responsibility to form an opinion, as required by the Listing Rules, on the Pro Forma Assets and Liabilities Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Assets and Liabilities Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practice Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Assets and Liabilities Statement with the Directors.

The Pro Forma Assets and Liabilities Statement has been compiled in accordance with the basis set out in the first paragraph of this letter for illustrative purposes only and, because of its nature, it may not be an indicative of the financial position of the Enlarged Group:

(a) had the Acquisition actually occurred on 30 June 2004; or

(b) at any future date.

OPINION

In our opinion:

(a) the Pro Forma Assets and Liabilities Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Assets and Liabilities Statement as disclosed pursuant to paragraph 29 of Chapter 4 of the Listing Rules.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

A. UNAUDITED PRO FORMA ASSETS AND LIABILITIES STATEMENT

(i) Introduction to the unaudited pro forma assets and liabilities statement

The unaudited pro forma assets and liabilities statement of the Group has been prepared giving effect to the Group's proposed acquisition (the "Acquisition") of the entire issued share capital of GFT Holding Limited and its subsidiaries ("GFT Group") at a consideration of HK$5,000,000.

The unaudited pro forma assets and liabilities statement of the Group has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the Acquisition as if the Acquisition had taken place on 30 June 2004.

The unaudited pro forma assets and liabilities statement of the Group is based upon the audited consolidated balance sheet of the Group as at 31 December 2003, which has been extracted from the Annual Report of the Company for the year ended 31 December 2003 and the consolidated balance sheet of GFT as at 30 June 2004 as extracted from the Accountants' Report of GFT for the year ended 30 June 2004, after giving effect to the pro forma adjustments described in the notes thereto. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transaction; (ii) expected to have a continuing impact on the Group, and (iii) factually supportable, are summarised in the accompanying notes.

The unaudited pro forma assets and liabilities statement of the Group is based on a number of assumptions, estimates, uncertainties, the accompanying unaudited pro forma assets and liabilities statement of the Group does not purport to describe the actual financial position of the Group that would have been attained had the Acquisition been completed on 30 June 2004. The unaudited pro forma assets and liabilities statement of the Group does not purport to predict the future financial position of the Group.

The unaudited pro forma assets and liabilities statement of the Group should be read in conjunction with the historical financial information of the Company as set out in the Annual Report of the Company for the year ended 31 December 2003 and other financial information included elsewhere in this Circular.

(ii) Unaudited pro forma assets and liabilities statement of the Enlarged Group

	The Group as at 31 December 2003 HK$'000	GFT Group as at 30 June 2004 HK$'000	Pro forma adjustments HK$'000	Notes	Pro forma balance HK$'000
ASSETS					
Non-current assets					
Property, plant and equipment	923	26,218	—		27,141
Intangible assets	400	—	—		400
Goodwill	—	—	1,064	*b*	1,064
	1,323	26,218			28,605
Current assets					
Inventories	6,717	—	—		6,717
Trade and other receivables	8,023	5,871	—		13,894
Investments in securities	12,072	—	—		12,072
Amount due from a related company	—	318	—		318
Pledged bank deposits	912	—	—		912
Bank balances and cash	18,946	719	(2,500)	*a*	17,165
	46,670	6,908	—		51,078
TOTAL ASSETS	47,993	33,126	—		79,679
LIABILITIES					
Current liabilities					
Trade and other payables	10,620	3,390	—		14,010
Amounts due to related companies	—	13	—		13
Amounts due to directors	120	—	—		120
	10,740	3,403	—		14,143
Non-current liabilities					
Amount due to a related company	—	8,090	—		8,090
Other cost payables	—	17,693	—		17,693
Convertible notes	—	—	2,500	*a*	2,500
	—	25,783			28,283
TOTAL LIABILITIES	10,740	29,186	—		42,426
MINORITY INTERESTS	730	4	—		734
NET ASSETS	36,523	3,936	—		36,523

This statement has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of financial position of the Group following completion of the Acquisition.

Notes:

a. The adjustment reflects the proposed acquisition of the entire issued share capital of GFT at a consideration of HK$5,000,000. The consideration will be settled by the Company as to HK$2,500,000 by cash and HK$2,500,000 by issue of convertible notes.

b. The adjustment reflects the difference between the consideration of HK$5,000,000 and the net asset value of HK$3,936,000 of GFT Group at the time of acquisition. The balance of HK$1,064,000 represents the goodwill arising on acquisition of GFT Group recognised at the time of acquisition of GFT Group.

INDEBTEDNESS

At the close of business on 30 June 2004, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the enlarged Group had unsecured borrowings of approximately HK$27.1 million, comprising amounts due to related companies of approximately HK$8.1 million, amounts due to directors of HK$1.3 million and unsecured other payables of approximately HK17.7 million.

Save as aforesaid and apart from intra-group liabilities, the Enlarged Group did not have, at the close of business on 30 June 2004, any outstanding mortgages, charges, debentures, loan capital and overdraft or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities.

Foreign currency amounts have been translated into Hong Kong dollars at the exchange rates prevailing at the close of business on 30 June 2004.

Upon completion of the Acquisition, the Group will issue Convertible Notes in the amount of HK$2.5 million to the Vendors. The Convertible Notes bear interest at a rate of 3% per annum, payable semi-annually in arrears on 30 June and 31 December in each year.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness or contingent liabilities of the Enlarged Group since 30 June 2004.

WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources available to the Group including the internally generated funds, expected cash inflow to be generated from the operation of the GFT Group and other facilities, the Enlarged Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2003, the date to which the latest audited financial statements of the Group were made up.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Sallmanns (Far East) Limited, an independent valuer, in connection with its valuation as at 25 August 2004 of the property interest of the GFT Group.

Sallmanns

Corporate valuation and consultancy

www.sallmanns.com

22nd Floor, Siu On Centre
188 Lockhart Road
Wanchai, Hong Kong
Tel: (852) 2169 6000
Fax: (852) 2528 5079

31 August 2004

The Board of Directors
Capital Prosper Limited
Unit A9, 3F., Block A
Hong Kong Industrial Centre
489-491 Castle Peak Road
Kowloon, Hong Kong

Dear Sirs,

In accordance with your instructions to value the property in which GFT Holding Limited (the "GFT") and its subsidiaries (hereinafter together referred to as the "GFT Group") have interest in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interest as at 25 August 2004 (the "date of valuation").

Our valuations of the property interest represents the market value which we would define as intended to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion".

Where, due to the nature of the buildings and structures of the property in the PRC, there are no market sales comparables readily available, the property interest in Group I has been valued on the basis of its depreciated replacement cost.

Depreciated replacement cost is defined as "an estimate of the Market Value for the existing use of the land, plus the current gross replacement (reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization." This method has been used due to the lack of an established market upon which to base comparable transactions and is a method of using current replacement costs to arrive at the value to the business in occupation of the property as existing at the valuation date.

In valuing the property interest which is currently under construction, we have assumed that it will be developed and completed in accordance with the GFT Group's latest development proposal provided to us. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the valuation date and the remainder of the costs and fees to be expended to complete the development.

Our valuations have been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charges, mortgages or amounts owing on any of the property interest valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Appraisal and Valuation Standards (5th Edition) published by the Royal Institution of Chartered Surveyors and effective from May 2003; and the Hong Kong Guidance Notes on the Valuation of Property Assets (2nd Edition) published by the Hong Kong Institute of Surveyors in March 2000.

We have relied to a very considerable extent on the information given by the GFT Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates and official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing titles to the property interest in the PRC and any material encumbrances that might be attached to the property interest or any lease amendments. We have relied considerably on the advice given by the Company's PRC legal adviser — Grandall Legal Group concerning the validity of the GFT Group's titles to the property interest in the PRC.

We have not carried out detailed site measurements to verify the correctness of the site areas in respect of the property but have assumed that the site areas shown on the documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the property is free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the GFT Group. We have also sought confirmation from the GFT Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Hong Kong Dollars. The exchange rate adopted in our valuation is approximately HK$1: RMB1.061 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarised below and the valuation certificate is attached.

Yours faithfully,
for and on behalf of
Sallmanns (Far East) Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: Paul L. Brown is a Chartered Surveyor who has 21 years' experience in the valuation of properties in the PRC and 24 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.

SUMMARY OF VALUES

GROUP I — PROPERTY INTEREST OWNED AND OCCUPIED BY THE GFT GROUP IN THE PRC

No.	Property	Capital Value in existing state as at 25 August 2004 *HK$*
1	2 parcels of land, various buildings and structures with some of them under construction located at Fu Heng Road East Hengxitou Village Futian Town Boluo County Huizhou City Guangdong Province The PRC	16,300,000
	Total:	**16,300,000**

VALUATION CERTIFICATE

PROPERTY INTEREST OWNED AND OCCUPIED BY THE GFT GROUP IN THE PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 25 August 2004 *HK$*
1. 2 parcels of land, various buildings and structures with some of them under construction located at Fu Heng Road East Hengxitou Village Futian Town Boluo County Huizhou City Guangdong Province The PRC	The property comprises 2 parcels of land with a total site area of 24,221 sq.m. The site area breakdown is listed as below:	The property is currently occupied by the Group for production, warehouse, ancillary office and staff quarter purposes.	16,300,000

Site	Area *(sq.m)*	Existing use
1	22,161.00	Production, warehouse and ancillary office
2	2,060	Staff Quarter
Total	24,221	

The property also comprises various buildings with a total gross floor area of 46,430.2 sq.m. (including 2 buildings with an aggregate gross floor area of 22,269 sq.m. which are under construction) and structures which are erected on the abovementioned sites. The completed buildings were mainly constructed in 2004. The gross floor area breakdown is listed as below:

Site 1

No.	Type of building	No. of storey	Gross floor area *(sq.m.)*
1	Warehouse	2	18,763.12
2	Die Casting Factory	2	1,403.21
3	Factory	1	1,632.75
4	Factory	1	2,352
5	Factory*	3	11,016
6	Guardhouse No. 1	1	5.57
7	Guardhouse No. 2	1	4.55
	Sub-total		35,177.2

Site 2

No.	Type of building	No. of storey	Gross floor area *(sq.m.)*
8	Dormitory*	7	11,253
	Sub-total		11,253
	Total		46,430.2

** Constructions in progress*

The land use rights of Site 1 granted for a term of 50 years expiring on 18 August 2054 for industrial and ancillary dormitory use. The title certificate of Site 2 is under application.

Notes:

1. Pursuant to a Land Use Rights Transfer Contract dated 20 November 2002 entered into between Futian Village Real Estate Limited (福田鎮房地產開發公司) and 宏科電子(惠州)有限公司 (Hong Ke Dian Zi (Huizhou) You Xian Gong Si*) (the "grantee") (hereinafter known as "Hong Ke"), the land use rights of site 1 were transferred to the grantee with a consideration of RMB725,400.

2. Pursuant to a State-owned Land Use Rights Certificate, Bo Fu Guo Yung (2004) Di No. 160035 dated 18 August 2004, the land use rights of a parcel of land with a site area of approximately 22,161 sq.m. were granted to Hong Ke for a term of 50 years commencing expiring on 18 August 2054 for industrial uses.

3. Pursuant to a Land Use Planning Permit - No. 2004-085 issued by the Administration Department of Construction of Futian Village, Boluo County on 10 August 2004, a land with an area of 2,060sq.m. is designated for Hong Ke for industrial uses.

4. Pursuant to a declaration, namely 國土局申辦證明書, issued by the Futian Land Resources Department of Boluo County on 23 August 2004, the Department acknowledged that a parcel of land with an area of 2,060sq.m. was under application for the title certificate.

5. Pursuant to a Real Estate Title Certificate, Yue Fang Di Zheng Zi Di No. C2706945 dated 20 August 2004, issued by People's Government of Guangdong Province on 20 August 2004, the real estate titleship of a factory (Building No. 3 on Site 1) with a gross floor area of 1,632.75sq.m. was vested in Hong Ke.

6. Pursuant to a Real Estate Title Certificate, Yue Fang Di Zheng Zi Di No. C2706946 dated 20 August 2004, issued by People's Government of Guangdong Province on 20 August 2004, the real estate titleship of a warehouse (Building No. 1 on Site 1) with a gross floor area of 18,763.12sq.m. was vested in Hong Ke.

7. Pursuant to a Real Estate Title Certificate, Yue Fang Di Zheng Zi Di No. C2706947 dated 20 August 2004, issued by People's Government of Guangdong Province on 20 August 2004, the real estate titleship of a factory (Building No. 2 on Site 1) with a gross floor area of 1,403.21sq.m. was vested in Hong Ke.

8. Pursuant to a Construction Works Planning Permit No. 2004-055 issued by the Administration Department of Construction of Futian Village, Boluo County on 8 May 2004, 5 buildings (re: Building Nos. 1, 2, 3 and 4 on Site 1 and Building No. 8 on Site 2) with a total gross floor are of 35,388.7sq.m. are designated for Hong Ke for industrial and dormitory uses.

9. Pursuant to a Certificate of Completion of Construction Works, issued by Constructions Quality Monitoring Department of Boluo County, Building No. 4 with an area of 2,352sq.m. on Site 1 is certified to be completed.

10. Pursuant to a Certificate of Completion of Fire Services Works - (Bo) Gong Xian Yan (2004) Zi Di No. 156 issued by Fire Services Department of Boluo County on 19 July 2004, 4 building (re: Building Nos. 1, 2, 3 and 4 on Site 1) are certified to the satisfaction of the Fire Services Department of Boluo County.

11. Property Nos. 4 & 5 erected on site 1 and across the contiguous site, the area stated above for the two buildings are of their apportioned gross floor area. The total gross floor areas of these two buildings are 2,352 sq.m. and 11,016 sq.m. respectively.

12. The dormitory (Building No. 8) erected on site 2 is currently under construction. The dormitory will have a gross floor area of approximately 10,774.8 sq.m. The estimated construction cost will be RMB6,608,000 and an amount RMB2,950,000 has been incurred as at the date of valuation. As informed, approximately 65% of the construction works has been completed and the expected completion date will be on 5 November 2004.

13. In the valuation of this property, we have not attributed any commercial value to a parcel of land (re: Site 2) with a site area of 2,060 sq.m. and 3 buildings (re: Building Nos. 4,6 and 7 on Site 1) with a total gross floor area of approximately 2,362.12 sq.m. which are yet to obtain relevant title certificates. However, for reference purposes, we are of the opinion that the capital value of the buildings (excluding the land) as at the date of valuation would be HK$1,500,000 assuming all relevant title ownership certificates had been obtained and without any other outstanding payments.

14. In the valuation, we have not attributed any commercial value to 2 buildings (re: Building No. 5 on Site 1 and Building No. 8 on Site 2) which are under construction. The total gross floor area of these 2 buildings upon completion will be 22,269 sq.m. However, for reference purpose, we are of the opinion that the capital value of these 2 buildings upon completion as at the date of valuation would be HK$12,600,000 assuming all relevant title certificates had been obtained without any other outstanding payments.

15. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, Grandall Legal Group, which contains, inter alia, the following:

    (i) The Land Use Rights Certificate in respect of Site 1 and the Real Estate Title Certificates in respect of the Buildings Nos. 1, 2 and 3 on Site 1 are valid, lawful and enforceable under the existing PRC laws.

    (ii) Pursuant to two co-operation agreements entered into between 科時電子(惠州)有限公司 (Force Electronics (Huizhou) Limited) (hereinafter known as "Force Electronics") and Hong Ke, Force Electronics agreed Hong Ke to use and enjoy the portion of land where the portion of factory (re: Building No. 4 and Factory No.5 which is under construction) of Hong Ke erected thereon. The co-operation agreements stated that the titleship of the building and to-be-completed building should be vested in Hong Ke. The co-operation agreements are valid, lawful and enforceable under the existing PRC law.

** For reference purpose only*

The following is a summary of the principal terms of the Share Option Scheme to be adopted at the SGM:

1. Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to the Eligible Participants as incentives and rewards for their contribution to the Company or such subsidiaries.

2. Who may join

The Board may, at its discretion, offer the Eligible Participants options to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph 5 below. Upon acceptance of the option, the grantee shall pay HK$1.00 to the Company by way of consideration for the grant.

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme(s) of the Company must not exceed 10% of the Shares in issue on the date of approval and adoption of the Share Option Scheme by the Shareholders (which is expected to be the date of the SGM). Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of such share option scheme(s) will not be counted for the purpose of the 10% limit.

Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(a) refresh this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting (options previously granted under any share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with such schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed); and/or

(b) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board whereupon the Company shall send a circular to the Shareholders containing, amongst others, a generic description of the specified participants who may be granted such options, the number and terms of the options to be granted and the purpose of granting options to the specified participants with an explanation as to how the options serve such purpose.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company if this will result in the 30% limit being exceeded.

4. Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme(s) of the Company (including exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time.

5. Price of Shares

The subscription price for a Share in respect of any particular option granted under the Share Option Scheme (which shall be payable upon exercise of the option) shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a business day (and for this purpose shall be taken to be the date of the Board meeting at which the Board proposes to grant the options); (b) the average of the closing prices of the Shares as stated in the Stock Exchange’s daily quotations sheet for the five business days immediately preceding the date of grant; and (c) the nominal value of a Share.

6. Granting options to connected persons

Any grant of options to a director, chief executive or substantial shareholder of the Company or any of its associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the grantee of the options).

If the Company proposes to grant options to a substantial shareholder (as defined in the Listing Rules) of the Company or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of the offer of such grant:

(a) representing in aggregate over 0.1%, or such other percentage as may from time to time be specified in the Listing Rules, of the Shares in issue on the date of the offer; and

(b) having an aggregate value in excess of HK$5 million, based on the closing price of the Shares at the date of each offer, or such other amount as may from time to time be specified in the Listing Rules,

such further grant of options will be subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of the Company shall abstain from voting in favour at such general meeting.

7. Restrictions on the time of grant of options

A grant of options may not be made after a price-sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price-sensitive information has been published in the newspaper. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of actual publication of the results announcement.

8. Rights are personal to grantee

An option is personal to the grantee and the grantee may not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or attempt to do so.

9. Time of exercise of option

There is no general requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The date of grant of any particular option is the date when the duplicate offer document constituting acceptance of the option duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration is received by the Company, such date must be on or before the 30th day after the option is offered to the relevant grantee. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years after the date of adoption of the Share Option Scheme by Shareholders by resolution at a general meeting.

10. Performance Target

The Board has the discretion to require a particular grantee to achieve certain performance targets specified at the time of grant before any option granted under the Share Option Scheme can be exercised.

11. Rights on ceasing to be an Eligible Participant and death

(a) If the grantee is under employment with the Company and/or any of the subsidiaries, in the event of the grantee ceasing to be an Eligible Participant for any reason other than his ill-health, injury or disability (all evidenced to the satisfaction of the Board) or death or the termination of his employment on one or more of the grounds specified in paragraph 12 below, the grantee may exercise the option up to his entitlement at the date of cessation of his employment (to the extent not already exercised) within the period of one month following the date of such cessation (which date shall be the last actual working day with the Company or the relevant subsidiary whether salary is paid in lieu of notice or not or such longer period as the Board may determine).

(b) If the grantee is under employment with the Company and/or any of the subsidiaries, in the event that the grantee ceases to be an Eligible Participant by reason of ill-health, injury or disability (all evidenced to the satisfaction of the Board) or death and none of the events which would be a ground for termination of his employment specified in paragraph 12 below has occurred, the grantee or the legal representative(s) of the grantee, as the case may be, shall be entitled to exercise the option in full (to the extent not already exercised) on or before the earlier of (i) the last day in the 12-month period commencing from the date of ceasing to be an Eligible Participant or death (or such longer period as the Board may determine) or (ii) the relevant expiry date of the option.

12. Lapse of option on dismissal

If the grantee is an employee of the Company and/or any of the subsidiaries, the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment on any one or more of the grounds that he has been guilty of serious misconduct, or has committed any act of bankruptcy or is unable to pay his debts or has become insolvent or has made any arrangement or has compromised with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant subsidiary, his option will lapse and not be exercisable on the date of termination of his employment.

13. Rights on takeover

If a general offer (whether by way of take-over offer, share repurchase offer or scheme of arrangement or otherwise in like manner) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror), the Company shall use its best endeavours to procure that such offer is extended to all the grantees (on the same terms mutatis mutandis, and assuming that they shall become, by the exercise in full of the options granted to them, shareholders of the Company). If such offer having been approved in accordance with the applicable laws and regulatory requirements becomes or is declared unconditional, the grantee (or his legal personal representatives) shall be entitled to exercise the option in full or in part (to the extent not already exercised) thereafter and up to the closing date of such general offer (or any revised offer).

14. Rights on scheme of arrangement for the Company

If, pursuant to the Companies Act, a compromise or arrangement between the Company and its members and/or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees (together with a notice of the existence of the provisions of this paragraph) on the same day as it despatches to members and/or creditors of the Company a notice summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12:00 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options under this paragraph shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the relevant court (whether upon the terms presented to the relevant court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the relevant court be restored in full as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

15. Rights on winding-up

In the event a notice is given by the Company to its shareholders to convene a meeting for the purpose of considering and, if thought fit, approving a resolution to wind up the Company voluntarily, the Company shall on the same date as or promptly after it dispatches such notice to each shareholder of the Company gives notice thereof to the grantee, and thereupon the grantee (or his or her personal representative(s)) shall be entitled to exercise all or any of the option at any time no later than four business days prior to the proposed meeting of the shareholders of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the Shares in respect of which the notice is given, whereupon the Company shall as soon as practicable as the circumstance allow but in any event no later than the Business Day immediately before the proposed meeting of the shareholders, allot the relevant Shares to the grantees credited as fully paid.

16. Lapse of options

An option will lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry date relevant to that option;

(b) the expiry of any of the periods referred to in paragraphs 11 and 13 above;

(c) subject to the scheme of arrangement of the Company becoming effective, the expiry of the period referred to in paragraph 14 above;

(d) the date of commencement of the winding-up of the Company (as determined in accordance with the applicable law) as referred to in paragraph 15 above;

(e) in the event the grantee is under employment with the Company and/or any of its subsidiaries and/or any of its associated companies, the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his employment on any one or more of the grounds specified in paragraph 12 above. A resolution of the Board or the board of directors of the relevant subsidiary to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in paragraph 12 above shall be conclusive;

(f) the date on which the Board shall exercise the Company's right to cancel the option at any time after the grantee commits a breach of the prohibitions specified in paragraph 8 above or the options are cancelled in accordance with paragraph 20 below; or

(g) the date on which the grantee ceases to be an Eligible Participant for any reason (including the termination of the grantee's employment with the Company and/or any of the subsidiaries by reason of redundancy or as a result of the grantee's own resignation) other than the termination of his employment on one or more of the grounds specified in subparagraph (e) above.

17. Ranking of Shares

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or such other person nominated by the grantee) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of the Company as attached to the other fully-paid Shares in issue on the date of issue.

18. Effect of alterations to capital

In the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction of capital whilst any option may become or remains exercisable, such corresponding alterations (if any) shall be made in the number of Shares subject to any outstanding options and/or the exercise price of each outstanding option and/or the number of Shares in respect of which any further options may be granted as the auditors of the Company or the independent financial adviser shall certify in writing to the Board to be in their opinion fair and reasonable and in compliance with Rule 17.03(13) of the Listing Rules and the note thereto. Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of the Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on the full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

(a) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 17.03 of the Listing Rules;

(b) any change to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme; or

(c) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted (except any alterations which take effect automatically under the terms of the Share Option Scheme), shall first be approved by the Shareholders in general meeting provided that if the proposed alteration shall adversely affect an option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with the Chapter 17 of the Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

20. Cancellation of options

Any cancellation of options granted but not exercised must be approved by the grantee of the relevant options. Where the Company cancels options and issues new ones to the same grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limit approved by Shareholders.

21. Termination of the Share Option Scheme

The Company may by resolution in general meeting at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

22. Condition of the adoption of the Share Option Scheme

The Share Option Scheme is conditional on (a) the Shareholders' approval at the SGM; and (b) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of options granted pursuant thereto.

23. Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/ interim reports in accordance with the Listing Rules in force from time to time.

24. Present status of the Share Option Scheme

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

Values of all options that can be granted under the Share Option Scheme

The Board considers that it is not appropriate or helpful to Shareholders to state the value of all options that can be granted pursuant to the Share Option Scheme as if they had been granted at the Latest Practicable Date. The Board believes that any statement regarding the value of the options as at the Latest Practicable Date will not be meaningful to the Shareholders, since the options to be granted shall not be assignable, and no holder of the option shall in any way sell, transfer, charge, mortgage or create any interest (legal or beneficial) in favour of any third party over or in relation to any option.

In addition, the calculation of the value of the options is based on a number of variables such as the exercise price, the exercise period, interest rate, expected volatility and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date based on a great number of speculative assumptions would not be meaningful and would be misleading to the Shareholders.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

SHARE CAPITAL

Ordinary Shares

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:		*HK$*
50,000,000,000	Shares of HK$0.01 each	500,000,000
Issued and fully paid or credited as fully paid:		
1,278,540,000	Shares of HK$0.01 each	12,785,400

Assuming no further Shares will be issued after the Latest Practicable Date, the issued share capital of the Company immediately following full conversion of the Convertible Notes (based on a conversion price of HK$0.05 per share), will be as follows:

		(HK$)
1,278,540,000	Shares as at the Latest Practicable Date	12,785,400
50,000,000	Shares to be issued upon full conversion of the Convertible Notes	500,000
1,328,540,000		13,285,400

All of the above Shares rank pari passu in all aspects, including all rights as to dividend, voting and interests in capital, among themselves and with all other Shares in issue on the date of issue.

DISCLOSURE OF INTERESTS

(a) Directors' interests

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in Shares of the Company

Name of Directors	Capacity	Number of issued ordinary shares held	Approximate percentage of the issued share capital
Leung Wai Ho	Interest of controlled corporations	301,500,000 *(note)*	23.58%
Wong Chung Shun	Interest of controlled corporations	301,500,000 *(note)*	23.58%

Note:

These Shares are held by Charm Management Ltd., which is beneficially owned as to 50% by Mr. Leung and 50% by Mr. Wong.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required and were due to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required and were due, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(b) Substantial shareholders

(i) Interests to be disclosed under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, so far is known to any Director or chief executive of the Company, the following persons had an interest in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO:

Long positions in Shares of the Company

Name of Shareholders	Number of issued ordinary shares held		Approximate percentage of the issued share capital
	Direct Interest	Deemed Interest	
Charm Management Limited	301,500,000		23.58%
Leung Wai Ho Note 1		301,500,000	23.58%
Wong Chung Shun Note 1		301,500,000	23.58%
New Spread Investments Limited Note 2		301,500,000	23.58%
Grand Achieve Group Limited Note 2		301,500,000	23.58%
Excel Advance Holdings Limited Note 2		301,500,000	23.58%
Good Achieve Holdings Limited Note 2		301,500,000	23.58%
Kingsway Lion Spur Technology Limited	118,342,970	—	9.26%
SW Kingsway Capital Holdings Limited Note 3	—	118,342,970	9.26%
Kingsway China Holdings Limited Note 3	—	118,342,970	9.26%
Festival Developments Limited Note 3	—	118,342,970	9.26%
World Developments Limited Note 4	—	118,342,970	9.26%
Innovation Assets Limited Note 4	—	118,342,970	9.26%
Kingsway International Holdings Limited Note 4	—	118,342,970	9.26%
Choi Koon Shum Jonathan Note 4	—	118,342,970	9.26%
Kwan Wing Kum Janice Note 5	—	118,342,970	9.26%
Lam William Ka Chung Note 6	—	118,342,970	9.26%
Lam Wong Yuk Sin Mary Note 6	—	118,342,970	9.26%

Notes:

1. Details of Mr. Leung Wai Ho's and Mr. Wong Chung Shun's interest have been disclosed under section "Directors' Interests".

2. Charm Management Limited, a wholly owned subsidiary of New Spread Investments Limited, holds 301,500,000 shares in the Company. Each of Grand Achieve Group Limited, Excel Advance Holdings Limited and Good Achieve Holdings Limited is interested in one-third of the issued share capital of New Spread Investments and therefore, each of them is deemed to be interested in 301,500,000 Shares

3. Festival Developments Limited ("FDL") beneficially owns or controls the entire equity interests in Kingsway Lion Spur Technology Limited and, in turn, FDL was deemed to have 118,342,970 Shares. In addition, Kingsway China Holdings Limited ("KCHL") beneficially owns or controls the entire equity interest in FDL. SW Kingsway Capital Holdings Limited ("SW") beneficially owns or controls the entire equity interests in KCHL. Therefore, both KCHL and SW were deemed to have 118,342,970 Shares.

4. World Developments Limited ("WDL") beneficially owns or controls more than two-third equity interest in SW and WDL was deemed to have 118,342,970 shares interest in the Company. Innovation Assets Limited ("IAL") beneficially owns or controls the entire equity interests in SW. Kingsway International Holdings Limited ("KIHL") beneficially owns or controls the entire equity interests in IAL. Therefore, both IAL and KIHL were deemed to have 118,342,970 Shares.

5. Mr. Choi Koon Shum Jonathan beneficially owns or controls 36,929,651 shares (approximately 47%) of the issued share capital of KIHL. He was deemed to be interested in the shares of the subsidiaries of KIHL and Kwan Wing Kum Janice, the spouse of Mr. Choi, was also deemed to have 118,342,970 shares interest in the Company.

6. Mr. Lam William Ka Chung and his spouse, Lam Wong Yuk Sin Mary, who beneficially own or control 31, 932,317 common shares (approximately 40%) of the issued share capital of KIHL, were deemed to have 118,342,970 Shares.

Save as disclosed above and so far as is known to the Directors, there is no persons known to the Directors who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(ii) Interests in 10% or more of the nominal value of share capital carrying voting rights of any subsidiary of the Company

As at the Latest Practicable Date, so far is known to any Director or chief executive of the Company and save as otherwise disclosed in this circular, the persons (other than a Director or chief executive of the Company or a member of the Group) who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any subsidiary of the Company were as follows:

		Approx. % of Interest Held	
Name of Subsidiary	**Name of Shareholder**	**Direct Interest**	**Deemed Interest**
Unique Force Limited	Tokyo Unique (Hong Kong) Ltd.	49.99%	—
Unique Force Limited	Tokyo Unique Co. Ltd.	—	49.99%[note]
Unique Force Limited	Takeaki Maeda	—	49.99%[note]
Thunder Force Limited	Hsu Ho Feng Chu	49%	—
Thunder Tech Electronic Co., Ltd	Hsu Ho Feng Chu	49%	—
Yan Yan Force Limited	Ng Kai Lok Paul	40%	—
Maple Force Limited	Chan Chi Wing	30%	—
Maple Printing Co., Ltd.	Chan Chi Wing	30%	—

Note:

Tokyo Unique Co. Ltd, which is beneficially owned as to 80% by Mr. Takeaki Maeda, owns approximately 67% of the equity interests of Tokyo Unique (Hong Kong) Ltd. Therefore, each of Tokyo Unique Co. Ltd and Mr. Takeaki Maeda was deemed to have 49.99% equity interests in Unique Force Limited.

(c) Additional disclosure of interests

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which is significant in relation to the business of the Group, save and except the Acquisition.

As at the Latest Practicable Date, Get Nice Capital Limited, Deloitte Touche Tohmatsu, Sallmanns (Far East) Limited and Grandall Legal Group were not beneficially interested in the share capital of any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the Directors, Get Nice Capital Limited, Deloitte Touche Tohmatsu, Sallmanns (Far East) Limited and Grandall Legal Group had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2003, the date to which the latest published audited financial statements of the Group were made up.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which is not determinable by the relevant member of the Group within one year without payment of compensation, other than normal statutory compensation.

COMPETITING INTERESTS OF DIRECTORS AND THEIR ASSOCIATES

As at the Latest Practicable Date, each of the following Directors were considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules as set out below:

Name of Director	Name of entity whose businesses are considered to compete or likely to compete with the businesses of the Group	Description of businesses of the entity which are considered to compete or likely to compete with the businesses of the Group	Nature of interest of the Director and his associates in the entity
Mr. Leung	General Fast Trading Limited	Trading of toys and electronic products	Director and shareholder
	Force Electronics (Huizhou) Limited	Manufacturing of toys and electronic products	Director and shareholder
Mr. Wong	General Fast Trading Limited	Trading of toys and electronic product	Director and shareholder
	Force Electronics (Huizhou) Limited	Manufacturing of toys and electronic products	Director and shareholder

As the Board is independent from the boards of the aforesaid companies and none of the Directors can control the Board of the Company, the Group is capable of carrying its businesses independently of, and at arm's length from the businesses of such companies.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and his Associates was considered to have interests in any business, apart from his interest in the Company, which competes or is likely to compete, either directly or indirectly, with the business of the Group pursuant to the Listing Rules.

QUALIFICATIONS AND CONSENTS OF EXPERTS

The following are the qualifications of the experts who have provided their advice, reports and valuations as the case may be, which are contained in this circular:

Name	Qualifications
Get Nice Capital Limited	A deemed licensed corporation under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Sallmanns (Far East) Limited	Professional Surveyors and Valuers
Grandall Legal Group	PRC lawyers approved by the relevant authorities in the PRC to advise on securities matters

Each of Get Nice Capital Limited, Deloitte Touche Tohmatsu and Sallmanns (Far East) Limited and Grandall Legal Group has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letters and the references to its name in the form and context in which it appears.

LITIGATION

As at the Latest Practicable Date, to the best knowledge of the Directors, neither the Company nor any of its subsidiaries was engaged in any litigation or claims which was in the opinion of the Directors of material importance and no litigation or claims which was in the opinion of the Directors of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business and save for the Sale and Purchase Agreement) were entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are, or may be, material:

(a) a sale and purchase agreement dated 18 September 2002 entered into between Bestcorp Investments Inc., and Lee Boon Par, Lee Chiang Choon Derek, Tan Wee Han, Tan Wee Tuck, CWS Investments Limited and Ebberston Associates Limited in relation to the acquisition of the entire issued share capital of Crystal Wines and Spirits Pte Ltd.;

(b) a sale and purchase agreement dated 23 September 2002 entered into between the Company and Tea Shiow Ling Katheryna in relation to the acquisition of 65% equity interests in Rockapetta Investment Limited;

(c) a sale and purchase agreement dated 15 October 2002 entered into between Brewerkz Investments Singapore Pte Ltd., BT Asia Pacific Ltd. and Masindo International Limited in relation to the acquisition of 49% equity interests in Brewerkz Singapore Pte Ltd.;

(d) a sale and purchase agreement dated 22 July 2003 entered into between Bestcorp Investments Inc., a wholly owned subsidiary of the Company, and Pakatan Bintang Sdn Bhd in relation to the sale of 2,063,000 shares of US$1.00 each in the capital of Masindo International Limited;

(e) a placing and subscription agreement dated 15 January 2004 and a supplemental agreement dated 27 January 2004 entered into between Charm Management Limited, Kingsway Financial Services Group Limited, Kingsway Capital Limited and the Company in relation to, amongst others, the subscription of 140,000,000 Shares by Charm Management Limited; and

(f) the underwriting agreement dated 12 February 2004 (as amended by a supplemental agreement dated 4 March 2004) between the Company, Charm Management Limited and Kingsway Financial Services Group Limited relating to the underwriting and other arrangements in respect of the rights issue of 426,180,000 rights shares of HK$0.01 each at consideration of HK$0.05 per rights share.

PROCEDURES FOR DEMANDING A POLL

Pursuant to Bye-Law 70 of the Existing Bye-Laws, at any general meeting a resolution put to vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by:

(i) the chairman;

(ii) at least 3 members present in person or by proxy or authorised representative for the time being entitled to vote at the meeting;

(iii) any members or members present in person or by proxy or authorized representative and holding between them not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting; or

(iv) any members or members present in person or by proxy or authorized representative and holding shares in the Company conferring a right to attend and vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the book of the proceedings of the Company shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against that resolution.

ACQUISITION OF BUSINESS

Subsequent to 31 December 2003, the date to which the latest published audited accounts of the Company have been made up, the Group has acquired the following businesses and details of which are set out below:

Name of Business Acquired	Date of Acquisition	% of Equity Interests Held by the Group	Total Consideration *(HK$'000)*	Business Nature	Principal Products	Principal Place of Business
Yan Yan Force Limited	8/01/2004	60%	HK$6,036,000	Trading	Gift and premium	Hong Kong
Thunder Tech Electronic Co., Ltd.	31/3/2004	51%	HK$1,000,000	Trading	Electronic components	Hong Kong
Maple Printing Company Limited	30/06/2004	70%	HK$1,750,000	Printing	Gift box, paper bag, calendar	Hong Kong

There will not be any variation to the aggregate of the remuneration payable to and benefits in kind receivable by the directors of the acquired companies in consequence of the acquisitions.

GENERAL

(a) The registered office of the Company is at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The head office and principal place of business of the Company is at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong. The branch share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited of Rooms 1901-1905, 19/F., Hopewell Center, 183 Queen's Road East, Hong Kong.

(b) The secretary and qualified accountant of the Company is Mr. Wah Luk Tak, who is a member of the Association of International Accountant.

(c) The English text of this circular and the accompanying form of proxy shall prevail over their respective Chinese text in case of any inconsistency.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during business hours at the head office and principal place of business of the Company at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong from the date of this circular up to and including the date of the SGM:

(a) the memorandum of association of the Company and the Bye-Laws;

(b) the Sale and Purchase Agreement;

(c) the letter from the Independent Board Committee dated 31 August 2004, the text of which is set out on pages 14 to 15 of this circular;

(d) the letter of advice from Get Nice Capital Limited dated 31 August 2004, the text of which is set out on pages 16 to 26 of this circular;

(e) the accountants' report regarding GFT issued by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I of this circular;

(f) the written statement signed by Deloitte Touche Tohmatsu setting out the adjustments made by them in arriving at the figures shown in the accountants' report;

(g) the valuation report from Sallmanns (Far East) Limited which shows the valuation of the properties of the GFT Group;

(h) the written consents referred to in this appendix;

(i) the annual reports of the Group for the two years ended 31 December 2003;

(j) the material contracts referred to in this appendix; and

(k) copy of the rules of the Share Option Scheme.

CAPITAL PROSPER LIMITED
興 旺 行 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock Code: 1003)

NOTICE IS HEREBY GIVEN that a special general meeting of Capital Prosper Limited (the "Company") will be held at 9:30 a.m. on Friday, 17 September 2004 at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing each of the following resolutions as an ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. **THAT**:

(a) the sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 20 July 2004 (a copy of which is tabled at the meeting and marked "A" and initialled by the chairman of the meeting for identification purpose) entered into between Prosper Overseas Limited ("**Prosper Overseas**"), Mr. Leung Wai Ho, Mr. Wong Chung Shun and I Agent Limited (together, the "**Vendors**") in respect of the acquisition by Prosper Overseas from the Vendors of the entire issued share capital of GFT Holding Limited at a consideration of HK$5 million to be satisfied as to HK$2.5 million by cash and as to HK$2.5 million by the issue of a series of convertible notes in the aggregate principal amount of HK$2.5 million to the Vendors and/or their nominee(s) (the "**Convertible Notes**") (the form of which is tabled at the meeting and marked "B" and initialled by the chairman of the meeting for identification purpose) subject to the terms and conditions of the Sale and Purchase Agreement be and is hereby ratified, confirmed and approved;

(b) the directors of the Company be and are hereby authorised to issue the Convertible Notes and allot and issue shares of the Company upon the exercise of the conversion rights under the Convertible Notes on and subject to the terms and conditions thereof; and

* *For identification purpose only.*

(c) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated under the Sale and Purchase Agreement and completion of the Sale and Purchase Agreement."

2. "**THAT**, subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting listing of, and permission to deal in, the shares of the Company to be issued pursuant to the exercise of options which may be granted under the share option scheme (a copy of which is tabled at the meeting and marked "C" and initialled by the chairman of the meeting for identification) (" **Share Option Scheme**"), the rules of the Share Option Scheme be and are hereby approved and adopted."

By Order of the Board
Wah Luk Tak
Company Secretary

Hong Kong, 31 August 2004

Notes:

1. Any member of the Company entitled to attend and vote at the meeting to be convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead. A proxy need not be a member of the Company.

2. A form of proxy in respect of the special general meeting is enclosed. Whether or not you intend to attend the meeting in person, you are requested to duly complete, sign and return the form of proxy in accordance with the instructions printed thereon.

3. To be valid, the form of proxy, together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be lodged at the head office and principal place of business in Hong Kong of the Company at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong, not less than 48 hours before the time appointed for the meeting or adjourned meeting.

4. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the meeting either personally or by proxy in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the meeting personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. Completion and return of the proxy form shall not preclude a member of the Company from attending and voting in person at the meeting should he so wish.

6. Pursuant to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Mr. Leung Wai Ho, Mr. Wong Chung Shun and their respective associates (within the meaning of the Listing Rules) will abstain from voting on the above ordinary resolution no.1 and voting on such resolution will be conducted by way of poll.

CAPITAL PROSPER LIMITED
興旺行有限公司 *

(incorporated in Bermuda with limited liability)

Proxy Form for use at the Special General Meeting to be held at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon Hong Kong, on Friday, 17 September 2004 at 9:30 a.m.

I/We *(Note 1)* ____

of ____

being the registered holder(s) of *(Note 2)* ____

Share(s) of HK$0.01 each in the capital of Capital Prosper Limited (the "Company") **HEREBY APPOINT** the Chairman of the Meeting or *(Note 3)* ____

____

of ____

as my/our proxy to act and vote for me/us at the Special General Meeting of the Company to be held at Ming Room I, 4/F, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Friday, 17 September 2004 at 9:30 a.m., and at any adjournment(s) thereof on the undermentioned resolutions as indicated:

	ORDINARY RESOLUTIONS	FOR *(Note 4)*	AGAINST *(Note 4)*
1.	To approve, confirm and ratify the conditional sale and purchase agreement in connection with the acquisition of interest in GFT Holding Limited and to approve the issue of the convertible notes subject to completion of the sale and purchase agreement and the issue of the shares of the Company upon the exercise of the convertible notes.		
2.	To approve the adoption of the Share Option Scheme.		

Dated this ____________ day of ____________ 2004 Signed: ____________________________

Notes:

1. Full name(s) and address(es) must be inserted in **BLOCK CAPITALS**.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form will be deemed to be related to all the shares in the Company registered in your name(s).
3. If any proxy other than the Chairman of the Meeting is preferred, strike out "the Chairman of the Meeting" and insert the name and address of the proxy desired in the space provided. **ANY ALTERATION MADE TO THIS FORM MUST BE INITIALLED BY THE PERSON WHO SIGNS IT.**
4. **IMPORTANT: IF YOU WISH TO VOTE FOR ANY RESOLUTIONS, TICK THE APPROPRIATE BOXES MARKED "FOR". IF YOU WISH TO VOTE AGAINST ANY RESOLUTIONS, TICK THE APPROPRIATE BOXES MARKED "AGAINST". FAILURE TO COMPLETE THE BOX WILL ENTITLE YOUR PROXY TO CAST HIS VOTES AT HIS DISCRETION.**
5. This form of proxy must be signed by you or your attorney duly authorised in writing, or in the case of a corporation must be either under its common seal or under the hand of an officer or attorney duly authorised.
6. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register or members in respect of the joint holding, the first named being the senior.
7. To be valid, this form of proxy together with power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company's principal place of business at Unit A9, 3/F., Block A, Hong Kong Industrial Center, 489-491 Castle Peak Road, Kowloon, Hong Kong, not less than 48 hours before the time fixed for holding the Special General Meeting.
8. The proxy need not be a member of the Company but must attend the Special General Meeting in person to represent you.
9. Completion and return of this form will not preclude you from attending and voting at the Special General Meeting if you wish to do so.

* *For identification purpose only*