

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31st December, 2003.

CHANGE OF NAME

Pursuant to a special resolution passed by the Company's shareholders in a special general meeting held on 20th May, 2004, the Company's name was changed from Surge Recreation Holdings Limited to Innovo Leisure Recreation Holdings Limited. The Company also adopted the Chinese name 澤新遊樂控股有限公司.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiary is set out in note 13 to the financial statements.

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 23.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 26 and note 21 to the financial statements respectively.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company during the year are set out in note 12 to the financial statements.

SUBSIDIARIES

As detailed in note 2 to the financial statements, the Company de-consolidated one of its former subsidiary in view of the Group having lost effective control over it.

董事會報告

董事謹此提呈其截至二零零三年十二月三十一日止年度之年報及經審核財務報表。

更改名稱

根據本公司股東於二零零四年五月二十日舉行之股東特別大會上通過之特別決議案，本公司名稱由 Surge Recreation Holdings Limited 更改為 Innovo Leisure Recreation Holdings Limited。本公司亦已採用澤新遊樂控股有限公司為其中文名稱。

主要業務

本公司為投資控股公司。其附屬公司之主要業務載於財務報表附註13。

業績

本集團年內之業績載於第23頁之綜合收益表。

股本

年內，本公司股本並無變動。

儲備

本集團及本公司儲備於年內之變動分別載於第26頁及財務報表附註21。

物業、廠房及設備

年內，本集團及本公司物業、廠房及設備之變動詳情載於財務報表附註12。

附屬公司

誠如財務報表附註2所詳述，由於本集團失去一間前附屬公司之實際控制權，故本公司不再對該附屬公司綜合列賬。

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Chan Chak Mo (Managing Director)	(appointed on 1st March, 2004)
Leong In lan	(appointed on 1st March, 2004)
Tong Ka Wai	(appointed on 1st March, 2004)
Lim Kam Hung	(appointed on 1st March, 2004)
Chan Chun Yin, Joseph	(appointed on 1st March, 2004)
Ho U Un	(appointed on 9th April, 2004)
Tang Kwok Keung	(appointed on 1st March, 2004 and resigned on 8th April, 2004)
Ho Kin Va alias Patricia Ho	(appointed on 1st March, 2004 and resigned on 15th May, 2004)
Li Tat Ting	(removed on 8th April, 2004)
Tsang Chi Wai, Eric	(removed on 8th April, 2004)
Lam Kam Fai	(removed on 8th April, 2004)
Cheung Fuk Chuen, Lawrence	(removed on 8th April, 2004)

Independent non-executive Directors:

Cheung Hon Kit	(appointed on 9th April, 2004)
Chui Sai Cheong	(appointed on 9th April, 2004)
Gary Lee	(appointed on 13th March, 2003 and removed on 8th April, 2004)
Tang Tsan Yin	(appointed on 19th September, 2003 and removed on 8th April, 2004)
Tsao Kwang Yung, Peter	(resigned on 13th March, 2003)
Lau Siu Hong, Freeman	(resigned on 19th September, 2003)

In accordance with Clause 102(A) of the Company's Bye-Laws, all remaining directors retire and being eligible, offers themselves for re-election.

The term of office of each of the independent non-executive directors is the period up to his retirement as required by the Company's Bye-Laws.

None of the directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

董事會報告

董事及董事之服務合約

本公司年內及截至本報告日期在任之董事如下：

執行董事：

陳澤武 (董事總經理)	(於二零零四年三月一日獲委任)
梁衍茵	(於二零零四年三月一日獲委任)
唐家威	(於二零零四年三月一日獲委任)
林金熊	(於二零零四年三月一日獲委任)
陳駿賢	(於二零零四年三月一日獲委任)
何汝源	(於二零零四年四月九日獲委任)
鄧國強	(於二零零四年三月一日獲委任 並於二零零四年四月八日辭任)
何健華	(於二零零四年三月一日獲委任 並於二零零四年五月十五日辭任)
李達庭	(於二零零四年四月八日撤換)
曾志偉	(於二零零四年四月八日撤換)
林錦輝	(於二零零四年四月八日撤換)
張福泉	(於二零零四年四月八日撤換)

獨立非執行董事：

張漢傑	(於二零零四年四月九日獲委任)
崔世昌	(於二零零四年四月九日獲委任)
李偉聰	(於二零零三年三月十三日獲委任 並於二零零四年四月八日撤換)
鄧燦賢	(於二零零三年九月十九日獲委任 並於二零零四年四月八日撤換)
曹廣榮	(於二零零三年三月十三日辭任)
劉小康	(於二零零三年九月十九日辭任)

根據本公司之公司細則第102(A)條，所有現任董事均須退任，惟彼等願意膺選連任。

各獨立非執行董事之任期為根據本公司之公司細則規定退任時為止。

擬於即將舉行之股東週年大會上膺選連任之董事概無與本公司或其任何附屬公司訂立不可由本集團於一年內毋須賠償（法定賠償除外）而終止之服務合約。

DIRECTORS' REPORT

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND CONVERTIBLE BONDS

At 31st December, 2003, the interests and short positions of the Directors and their associates in the shares, underlying shares and convertible bonds of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Hong Kong Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of Director 董事姓名	Capacity 身份	Number of ordinary shares held 所持普通股數目	Percentage of issued share capital of the Company 佔本公司已發行 股本百分比
Mr. Chan Chak Mo 陳澤武先生	Beneficial owner (Note a) 實益擁有人 (附註a)	373,962,000	62.33%
Mr. Tsang Chi Wai, Eric 曾志偉先生	Beneficial owner (Note b) 實益擁有人 (附註b)	38,340,000	6.39%
		412,302,000	68.72%

Notes:

- (a) These shares, representing approximately 62.33% of the issued share capital of the Company, of which 51.33% are held by Puregain Assets Limited, a company beneficially wholly-owned by Mr. Chan Chak Mo and balance of 11.0% are held by Cash Smart Enterprises Limited, a company beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo.
- (b) These shares, representing approximately 6.39% of the issued share capital of the Company, are held by Global Trend Holdings Limited, a company beneficially wholly-owned by a former director, Mr. Tsang Chi Wai, Eric.

Save as disclosed above, none of the Directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2003.

董事會報告

董事於股份、相關股份及可換股債券之權益及淡倉

於二零零三年十二月三十一日，根據香港證券及期貨條例（「證券及期貨條例」）第352條本公司置存之登記冊所載，董事及其聯繫人士於本公司及其相聯法團擁有之股份、相關股份及可換股債券之權益及淡倉，或根據上市公司董事買賣證券之標準守則須知會本公司及香港聯合交易所有限公司（「聯交所」）之權益及淡倉如下：

長倉

本公司每股面值0.01港元之普通股

Name of Director 董事姓名	Capacity 身份	Number of ordinary shares held 所持普通股數目	Percentage of issued share capital of the Company 佔本公司已發行 股本百分比
Mr. Chan Chak Mo 陳澤武先生	Beneficial owner (Note a) 實益擁有人 (附註a)	373,962,000	62.33%
Mr. Tsang Chi Wai, Eric 曾志偉先生	Beneficial owner (Note b) 實益擁有人 (附註b)	38,340,000	6.39%
		412,302,000	68.72%

附註：

- (a) 該等股份佔本公司已發行股本約62.33%，其中51.33%由陳澤武先生全資實益擁有之公司Puregain Assets Limited持有，其餘11%則由梁安琪女士及陳澤武先生實益擁有之公司Cash Smart Enterprises Limited擁有。
- (b) 該等股份佔本公司已發行股本約6.39%，由前任董事曾志偉先生全資實益擁有之Global Trend Holdings Limited持有。

除上文所披露者外，各董事或彼等之聯繫人士於二零零三年十二月三十一日概無於本公司或其任何相聯法團之任何股份、相關股份或債券中擁有任何權益或淡倉。

DIRECTORS' REPORT

SHARE OPTIONS

The Company has adopted a share option scheme on 13th June, 2002. Details of which are set out in note 20 to the financial statements. No share options were granted to any grantees including the Directors of the Company since adoption of the scheme.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors, the following shareholder had notified the Company of relevant interests and short positions in the issued share capital of the Company.

Long positions

Ordinary shares of HK\$0.01 each of the Company

Name of shareholder 股東名稱

Capacity 身份

Number of issued ordinary shares held 所持普通股數目

Percentage of the issued share capital of the Company 佔本公司已發行 股本百分比

Cash Smart Enterprises Limited

Beneficial owner
實益擁有人

66,000,000

11%

Cash Smart Enterprises Limited is a company incorporated in the British Virgin Islands and is beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo. It is taking legal proceedings to require Mr. Li Tat Ting, a former shareholder, to buy all its 11% equity interest in the Company under a deed of put option dated 31st July, 2002 at a total price of HK\$36.4 million.

Cash Smart Enterprises Limited為於英屬處女群島註冊成立之公司，由梁安琪女士及陳澤武先生實益擁有。該公司現正進行法律程序，要求前任股東李達庭先生根據於二零零二年七月三十一日訂立之認沽期權契據，認購其於本公司之全部11%股本權益，總代價為36,400,000港元。

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31st December, 2003.

除上文所披露者外，本公司並不知悉任何其他人士於本公司於二零零三年十二月三十一日已發行股本中擁有相關權益或淡倉。

DIRECTORS' INTERESTS IN CONTRACTS

There were no contracts of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year.

董事之合約權益

於本公司、其控股公司或其任何附屬公司已訂立而於本年度結束時有效之合約中，本公司董事概無擁有直接或間接重大權益。

However, as detailed in note 2 to the financial statements, the current Directors cannot form an opinion whether there were any directors' interests in contracts at any time during the year.

然而，如財務報表附註2所詳述，現任董事無法就任何董事是否於年內任何時間擁有該等合約權益而提供意見。

董事會報告

購股權

本公司於二零零二年六月十三日採納一項購股權計劃，有關詳情載於財務報表附註20。自採納該計劃以來，並無向任何承授人（包括本公司董事）授出任何購股權。

主要股東

按本公司根據證券及期貨條例第336條存置之主要股東名冊所記錄，於二零零三年十二月三十一日，除上文就若干董事披露之權益外，以下股東已向本公司知會其於本公司已發行股本所擁有之相關權益及淡倉：

長倉

本公司每股面值0.01港元之普通股

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 55% of the Group's total sales while the sales attributable to the Group's largest customer was approximately 55% of the Group's total sales.

The aggregate purchases during the year attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

None of the current Directors, their associates or any major shareholder, which to the knowledge of the current Directors owned more than 5% of the Company's issued share capital had any interest in the share capital of any of the five largest customers of the Group.

As detailed in note 2 to the financial statements, the current Directors believe information on the Group's major customers and suppliers may not be complete and accurate.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The current Directors were unable to form an opinion as to whether the Company has complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

POST BALANCE SHEET EVENTS

Details of significant post balance sheet events are set out in note 26 to the financial statements.

董事會報告

主要客戶及供應商

年內，本集團五大客戶之銷售總額合共佔本集團銷售總額約55%，而本集團最大客戶之銷售額則佔本集團銷售總額約55%。

年內，本集團五大供應商之採購總額佔本集團採購總額不足30%。

概無現任董事、彼等之聯繫人士或據現任董事所知擁有本公司已發行股本逾5%之任何主要股東於本集團五大客戶之股本中擁有任何權益。

如財務報表附註2所詳述，現任董事認為有關本集團主要客戶及供應商之資料可能並不完整及準確。

買賣或贖回本公司上市證券

年內，本公司或其任何附屬公司概無買賣或贖回本公司任何上市證券。

優先購買權

本公司公司細則或百慕達法例並無條文規定本公司發售新股時須以按比例方式先發售予現時股東。

公司管治

現任董事無法就本公司於年內是否一直遵守聯交所證券上市規則附錄14所載之最佳應用守則提供意見。

結算日後事項

重大結算日後事項之詳情載於財務報表附註26。

DIRECTORS' REPORT

AUDITORS

Except for the year ended 31st December, 2001 in which Messrs. Ernst & Young acted as auditors of the Company, Messrs. Deloitte Touche Tohmatsu have acted as auditors of the Company for the past three years. A resolution will be submitted to the annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
CHAN CHAK MO
MANAGING DIRECTOR

Hong Kong, 30th August, 2004

董事會報告

核數師

除截至二零零一年十二月三十一日止年度安永會計師事務所擔任本公司核數師外，德勤•關黃陳方會計師行於過往三年內均獲委任為本公司核數師。本公司將於股東週年大會上提呈決議案，重新委任德勤•關黃陳方會計師行為本公司核數師。

承董事會命
董事總經理
陳澤武

香港，二零零四年八月三十日