



CHAIRMAN'S STATEMENT

The Directors of Surge Recreation Holdings Limited (the "Company") have the pleasure of presenting to our shareholders the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2002.

PERFORMANCE

In 2002, the Group has recorded a consolidated turnover of HK\$76.3 million, a decrease of approximately 5.7% over last year's figure (2001: HK\$80.9 million). Profit attributable to shareholders was HK\$20.4 million, decreased by approximately 44.5% as compared with HK\$36.8 million for 2001.

The basic earning per share were HK3.8 cents (2001: HK7.5 cents).

As at 31st December, 2002, the net asset value of the Group was HK\$268.9 million, representing an increase of approximately 41.9% over last year.

DIVIDEND

Having considered the current global economic and market condition, the Directors would like to adopt a prudent approach on the Group's cash management. Coupled with the fact that it has only been a short period of time since the Group's listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15th August, 2002, the Directors do not recommend the payment of any final dividend.

BUSINESS REVIEW

In 2002, the Group had completed the renovation project in SammyLand and build up a new multi-purpose stage which contains around 2,000 seats for entertainment shows. However, the performance of the Group was inevitably affected during the period of renovation.

On the financial side, the Group has sufficient financial resources generated from its operations. As at 31st December, 2002, the net current assets position was improved from a net current liabilities of HK\$17.8 million as at 31st December, 2001 to a net current assets of HK\$3.1 million as at 31st December, 2002.



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FUTURE DIRECTIONS AND PROSPECTS

The Directors believe that the continual rapid economic growth, increasing demand for recreational activities in the People's Republic of China (the "PRC") the growth in tourism in the PRC and the 2008 Olympic Games in Beijing, will provide the Group with business opportunities in the tourism industry in the PRC. To capture and capitalize these opportunities, the Company is going to implement a series of plans to increase the attractiveness of SammyLand.

The Group plans to lengthen the business hours of SammyLand in June 2003. With the extensive network of the existing management team of the Group in the entertainment industry, the Group plans to organize more night entertainment shows featuring well-known artistes during weekends, public holidays, festivals and special events. The Directors believe that these entertainment shows will further enhance the attractiveness of SammyLand as a theme park and generate additional revenue to the Group.

With a view to increasing the visitor flow to Panyu as well as to promoting and cultivating Panyu as a popular tourist destination, the Group will look for opportunities to co-operate with local travel agencies, hotel groups and other tourist attractions in Panyu in organizing various promotional campaigns. As part of the effort, the Group plans to organize tours for visitors to Panyu covering various tourist attractions, including SammyLand. As SammyLand is the only theme park in Panyu, the Directors consider that SammyLand can benefit from this arrangement as it is expected that the complementary effect of other tourist attractions in the vicinity will lead to an increase in the visitors flow to the SammyLand.

The Directors believe that the Group's business is sensitive to economic downturn. Besides, the recent outbreak of the severe acute respiratory syndrome ("SARS") in Hong Kong and some parts of the PRC dramatically dampened the economy. It is difficult at this stage to predict with certainty the impact of SARS on the tourism and entertainment industry. The Directors will keep an eye on the latest development of the SARS epidemic and official measures and the Directors will take appropriate steps to avoid any possible adverse impact of the SARS on the Group's business.

On behalf of the Group, I would like to thank and express my deepest gratitude to all those who have supported us and to all our staff for their devotion and contribution to the Group during the past year.

Li Tat Ting

Chairman

Hong Kong, 25th April, 2003