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Surge Recreation Holdings Limited

盈新遊樂控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 703)

ANNOUNCEMENT

UPDATED INFORMATION REGARDING THE COMPANY, AND DELAY IN PUBLICATION OF THE ANNUAL RESULTS AND DESPATCH OF 2003 ANNUAL REPORT

The Board would like to update the Shareholders of the latest development of the Group including the litigation involved, the current operation and financial position of the Group.

The Board also announces that the Company will not be able to publish its Annual Results and despatch the 2003 Annual Report on or before 30 April 2004.

The Board will endeavour to ensure that the Annual Results will be released and the 2003 Annual Report will be despatched as soon as practicable. The Board understands that such delay will constitute a breach of certain provisions of the Listing Rules and the Stock Exchange reserves the right to take appropriate disciplinary action against the Company and/or the person(s) responsible under the Listing Rules. Such delay is resulted from matters beyond the control of the current Directors.

Trading in the Shares has been suspended since 15 December 2003 at the request of the Company and will remain suspended until further notice.

Further to the announcements of the Company dated 1 March 2004 and 14 April 2004 regarding, among others, the removal and appointment of Directors, the Board would like to update the Shareholders on the latest development of the Group.

LITIGATION

After the current Directors took control of the Board in March 2004, they forthwith appointed legal advisors to act for the Company to oppose the winding-up petition filed against the Company by an independent third party, Elegance Finance Printing Services Limited (“Petitioner”) on 25 October 2003 (“Petition”). The Petitioner had obtained a judgment against the Company for a sum of about HK\$1.5 million in July 2003 and petitioned for the winding-up of the Company on the ground that the Company is insolvent and unable to pay its debts. At the hearing of the Petition on 19 April 2004, the Petitioner applied to the court to have the Petition dismissed as settlement was reached between the Petitioner and the Company. However, Mr. Cheung Man Yau Timothy (“Cheung”), an independent third party, who claimed to be an ex-employee of the Company applied to the

* For identification purposes only

court to substitute as the petitioner to wind up the Company by alleging that the Company is indebted to him in a total sum of about HK\$2.17 million. The Company disputed liability on Cheung's claim and opposed to such application for substitution and the hearing was adjourned to 31 May 2004 at 9:30 a.m..

CURRENT OPERATION OF THE COMPANY

As mentioned in the Company's interim report 2003, the Group is principally engaged in the operation of a theme park in Panyu, Guangdong Province, the PRC under the name of Panyu SammyLand. The theme park is currently in operation.

Pursuant to the Lease, the PRC landlord ("Landlord") let to PFFCL the Premises for the operation of a theme park in Panyu, Guangdong Province, the PRC under the name of Panyu SammyLand. The Board was informed indirectly that, pursuant to the Judgment, PFFCL has been ordered to pay the outstanding rents due under the Lease together with accrued interest thereon ("Judgment Debt") to the Landlord within 21 days from the date of the Judgment. As at the date of this announcement, the Judgment Debt (in the sum of approximately HK\$19 million) has not been satisfied and the Landlord is in the course of applying for the execution of the Judgment and re-possession of the Premises.

The Board is now seeking legal advice as to an appeal against the Judgment and a stay of execution of the Judgment. At present, the Board is in the course of negotiating with the Landlord for a new lease in respect of the Premises. At the same time, the Directors are also looking for an alternative site to continue the existing theme park business of the Group.

The Board is of the view that the financial and trading position of the Group will be materially affected if the Landlord is successful in re-entering the Premises and no alternative site can be located to continue the Group's business.

Pursuant to a management agreement (in Chinese) dated 1 November 2003 (and supplemented by a supplemental agreement dated 3 November 2003, collectively the "Management Agreement") entered into between PFFCL and the PRC manager ("Manager") whereby PFFCL has appointed the Manager to organise, supervise and manage the theme park business of the Group for a term of 2 years commencing from 1 January 2004 and up to 31 December 2005 at a monthly management fee of RMB1.5 million payable by the Manager to PFFCL. The Manager terminated the Management Agreement on 30 April 2004 and the Company has since 1 May 2004 been operating the theme park business on its own with the existing staff in the theme park and the management advice from the parties to the Carnival Management Agreement mentioned below.

CARNIVAL BUSINESS

As announced on 7 April 2004, in order to diversify the income base of the Group and to extend its current business operation, the Company has through Metro Asia Limited entered into a joint venture agreement ("Joint Venture Agreement") with Shanghai Da Zhong Performance Agent and a carnival management agreement ("Carnival Management Agreement") with Tesbury International Limited respectively for the operation and management of the carnivals business in the PRC. Application(s) for the approval of the operation of the carnival business has been submitted to the relevant PRC governmental authorities and the Company is targeting to complete the Joint Venture Agreement and the Carnival Management Agreement and to start the carnival business at Xin Hai Bay, Dalian, the PRC in August 2004 upon the approval of the relevant PRC governmental authorities having been granted.

FINANCIAL POSITION

The Company is negotiating with banks in Macau to provide financing of up to approximately HK\$50 million for the operation of the carnival business and as the general working capital of the Group. At present, Puregain Assets Limited, the substantial Shareholder has provided financing to the Group. As disclosed in the interim report of the Company for the six months ended 30 June 2003, the net asset value of the Group was approximately HK\$254 million as at 30 June 2003.

In the long run, the Directors are confident that, with the relevant management and operational expertise of the Company, the Company will be able to manage and operate the existing theme park business in an efficient manner and together with the carnival business which is expected to be started in August 2004 as mentioned above, the Directors are of the view that the Group has sufficient level of operations or tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated in order to warrant the continue listing of the Shares.

DELAY IN PUBLICATION OF THE 2003 ANNUAL REPORT

The Board further announces that there will be a delay in the publication of the Annual Results and despatch of the 2003 Annual Report.

After the current Directors gained control and access to the books, records and the information of the Group in late March 2004, the Directors discovered that some of the books and records of the Company's subsidiaries are missing. Both the Directors and the Company's auditors need more time to review the financial positions and the accounts of the Group. Given the incomplete books and records of the Group, it is clear that the Company will not be able to announce its Annual Results and despatch the 2003 Annual Report on or before 30 April 2004. The delay in publication of the Annual Results and despatch of the 2003 Annual Report constitute a breach of paragraphs 8(1), 8(2), 11(1) and 11(3)(i)(c) of the Listing Agreement and are not in compliance with Rules 13.46(1), 13.49(1) and 13.49(3) of the Listing Rules and the Stock Exchange reserves the right to take appropriate disciplinary action against the Company and/or the person(s) responsible under the Listing Rules. Apart from the above, the Board confirms that there is no other breach and the Directors undertake to ensure that the Company is in compliance with all other applicable rules and regulations in Hong Kong in relation thereto. The delay in publication of the Annual Results and despatch of the 2003 Annual Report, however, is resulted from matters beyond the control of the current Directors. The Directors cannot at this stage ascertain the timing for the publication of the Annual Results, but will endeavour to ensure that the Annual Results will be released and the 2003 Annual Report will be despatched as soon as practicable.

GENERAL

The Company will make further announcement to update the Shareholders on further developments of the above matters as and when appropriate.

As at the date hereof, the members of the Board comprises (i) Mr. Chan Chak Mo, the managing Director, (ii) Ms. Ho Kin Va (alias Patricia Ho), Ms. Leong In Ian, Mr. Tong Ka Wai, Mr. Lim Kam Hung, Mr. Chan Chun Yin, Joseph and Mr. Ho U Un, the executive Directors and (iii) Mr. Cheung Hon Kit and Mr. Chui Sai Cheong, the independent non-executive Directors.

Mr. Cheung Hon Kit, appointed as independent non-executive Director on 9 April 2004, has worked in key executive positions in various leading property development companies in Hong Kong and was formerly an executive director of Rosedale Hotel Group Limited and has acted as independent non-executive director of Billybala Holdings Limited, Mexan Limited and Dong Fang Gas Holdings Limited. Currently, he is an executive director of ITC Corporation Limited and Paul Y. – ITC Construction Holdings Limited, the managing director

of Wing On Travel (Holdings) Limited, a director of Hanny Holdings Limited, Skynet (International Group) Holdings Limited, Panva Gas Holdings Limited and Cyber On-Air Group Company Limited.

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DEFINITION

“2003 Annual Report”	the annual report of the Company for the year ended 31 December 2003
“Annual Results”	the annual results of the Group for the year ended 31 December 2003
“Board”	the board of Directors
“Company”	Surge Recreation Holdings Limited, a company incorporated in Bermuda with limited liability whose Shares are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Judgment”	the judgment dated 20 February 2004 delivered by the Higher People’s Court of Guangdong Province, the PRC in respect of an appeal against a judgment delivered in October 2003 by the Intermediate People’s Court of Guangdong Province, the PRC in respect of the outstanding rent due and owing by PFFCL to the Landlord under the Lease
“Lease”	the lease (in Chinese) dated 9 May 2000 entered into between the Landlord and PFFCL in respect of the Premises
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PFFCL”	Panyu Fantasy Film City Limited (a sino-foreign co-operative joint venture between the PRC partner and Penny Farthing Agents Limited, a wholly-owned subsidiary of the Company) (“PFFCL”)
“PRC”	the People’s Republic of China but, for the purpose of this announcement, excluding the Hong Kong SAR
“Premises”	the premises situated at Panyu, Guangdong province, the PRC let by the Landlord to PFFCL pursuant to the Lease for the operation of a theme park, under the name Panyu SammyLand
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
Surge Recreation Holdings Limited
Chan Chak Mo
Managing Director

Hong Kong, 3 May 2004

“Please also refer to the published version of this announcement in The Standard”.