

DIRECTORS' REPORT 董事會報告

The directors present their annual report and the audited financial statements for the year ended 31st December, 2004.

董事謹此提呈其截至二零零四年十二月三十一日止年度之年報及經審核財務報表。

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.

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。

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activity of its subsidiaries are set out in note 12 to the financial statements.

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12。

RESULTS

The results of the Group for the year are set out in the consolidated income statement on page 29.

業績

本集團年內之業績載於第29頁之綜合收益表。

SHARE CAPITAL

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

股本

年內，本公司股本並無變動。

RESERVES

Movements in the reserves of the Group and the Company during the year are set out on page 32 and note 23 to the financial statements respectively.

儲備

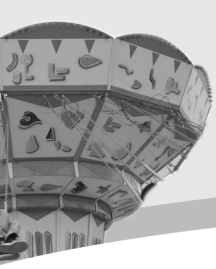
本集團及本公司儲備於年內之變動分別載於第32頁及財務報表附註23。

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 11 to the financial statements.

物業、廠房及設備

年內，本集團物業、廠房及設備之變動詳情載於財務報表附註11。



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 (Chairman and Managing Director)	(appointed on 1st March, 2004)
Chan Chun Yin, Joseph (Vice Chairman)	(appointed on 1st March, 2004)
Leong In Ian	(appointed on 1st March, 2004)
Tong Ka Wai	(appointed on 1st March, 2004)
Lim Kam Hung	(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)
Yu Kam Yuen Lincoln	(appointed on 14th December, 2004)
Chan Shek Wah	(appointed on 20th December, 2004)
Gary Lee	(removed on 8th April, 2004)
Tang Tsan Yin	(removed on 8th April, 2004)

In accordance with Clause 99 of the Company's Bye Laws, Messrs. Leong In Ian and Tong Ka Wai retire and being eligible, offer themselves for re-election.

In accordance with Clause 102(A) of the Company's Bye-Laws, Messrs. Yu Kam Yuen Lincoln and Chan Shek Wah retire and being eligible, offer themselves for re-election.

董事及董事服務合約

本公司年內及截至本報告日期在任之董事如下：

執行董事：

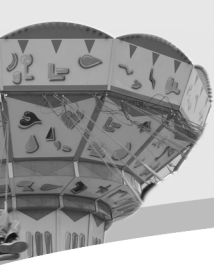
陳澤武 (主席兼董事總經理)	(於二零零四年三月一日獲委任)
陳駿賢(副主席)	(於二零零四年三月一日獲委任)
梁衍茵	(於二零零四年三月一日獲委任)
唐家威	(於二零零四年三月一日獲委任)
林金熊	(於二零零四年三月一日獲委任)
何汝源	(於二零零四年四月九日獲委任)
鄧國強	(於二零零四年三月一日獲委任· 後於二零零四年四月八日辭任)
何健華	(於二零零四年三月一日獲委任· 後於二零零四年五月十五日辭任)
李達庭	(於二零零四年四月八日撤換)
曾志偉	(於二零零四年四月八日撤換)
林錦輝	(於二零零四年四月八日撤換)
張福泉	(於二零零四年四月八日撤換)

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)
余錦遠	(於二零零四年十二月十四日獲委任)
陳錫華	(於二零零四年十二月二十日獲委任)
李偉聰	(於二零零四年四月八日撤換)
鄧燦賢	(於二零零四年四月八日撤換)

根據本公司之公司細則第99條，梁衍茵女士及唐家威先生將會退任，惟彼等願意膺選連任。

根據本公司之公司細則第102(A)條，余錦遠先生及陳錫華先生將會退任，惟彼等願意膺選連任。



DIRECTORS AND DIRECTORS' SERVICE CONTRACTS – continued

Each of the remaining non-executive directors has been appointed for a term of one year commencing on date of appointment and thereafter for further successive periods of one year until terminated by not less than one month's written notice served by either party on the other.

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.

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

At 31st December, 2004, 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

董事及董事服務合約 – 續

各非執行董事之任命由委任日期起為期一年，其後將再延續一年，直至任何一方向另一方發出不少於一個月書面通知為止。

擬於即將舉行之股東週年大會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。

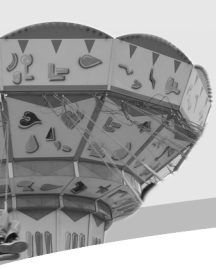
董事於股份、相關股份及可換股債券之權益及淡倉

於二零零四年十二月三十一日，按本公司根據香港證券及期貨條例（「證券及期貨條例」）第352條置存之登記冊所載，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進行證券買賣的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」）之該等權益及淡倉如下：

好倉

本公司每股面值0.01港元之普通股

Name of director 董事姓名	Capacity 身分	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) 實益擁有人 (附註)	373,962,000	62.33%
Mr. Yu Kam Yuen Lincoln 余錦遠先生	Beneficial owner 實益擁有人	2,802,000	0.47%



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

Note: 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.

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, 2004.

SHARE OPTIONS

The Company has adopted a share option scheme on 13th June, 2002. Details of which are set out in note 22 to the financial statements. No share options were granted to any grantees including the directors of the Company since adoption of the scheme.

董事於股份、相關股份及可換股債券之權益及淡倉 – 續

附註: 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Puregain Assets Limited持有，其餘11.0%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。

除上文披露者外，各董事或彼等之聯繫人士於二零零四年十二月三十一日概無於本公司或其任何相聯法團任何股份、相關股份或債券中擁有任何權益或淡倉。

購股權

本公司於二零零二年六月十三日採納購股權計劃，有關詳情載於財務報表附註22。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。

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2004, 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 director, 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

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，於二零零四年十二月三十一日，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之相關權益及淡倉：

好倉

本公司每股面值0.01港元之普通股

Name of shareholder 股東姓名	Capacity 身分	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 (Note a) 實益擁有人 (附註a)	66,000,000	11.00%
Global Trend Holdings Limited	Beneficial owner (Note b) 實益擁有人 (附註b)	38,340,000	6.39%
Mr. Au Kai Kwong 歐啟光先生	Beneficial owner 實益擁有人	51,000,000	8.50%

Notes:

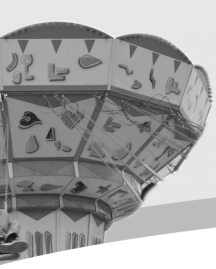
- (a) Cash Smart Enterprises Limited is a company incorporated in the British Virgin Islands and is beneficially owned by Madam Leong On Kei, Angela and Mr. Chan Chak Mo. It is taking legal proceedings to require Mr. Li Tat Ting, a former shareholder, to buy all the shares of the Company under a deed of put option dated 31st July, 2002 at a total price of HK\$36.4 million.
- (b) Global Trend Holdings Limited is a company incorporated in the British Virgin Islands and is beneficially owned by Mr. Tsang Chi Wai, Eric, a former director of the Company.

附註:

- (a) 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，購買本公司全部股份，總代價為36,400,000港元。
- (b) Global Trend Holdings Limited 為於英屬處女群島註冊成立之公司，由本公司前任董事曾志偉先生實益擁有。

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, 2004.

除上文披露者外，本公司並不知悉任何其他人士於二零零四年十二月三十一日於本公司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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate purchases of redemption gifts attributable to the Group's five largest suppliers comprised approximately 90% of the Group's total purchases while the purchases attributable to the Group's largest supplier was approximately 65% of the Group's total purchases of redemption gifts.

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

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 suppliers of the Group.

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.

董事合約權益

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

主要客戶及供應商

年內，本集團五大供應商應佔換領禮品採購總額佔本集團採購總額約90%，而本集團最大供應商應佔換領禮品採購總額則佔本集團換領禮品採購總額約65%。

年內，本集團五大客戶之銷售總額佔本集團銷售總額不足30%。

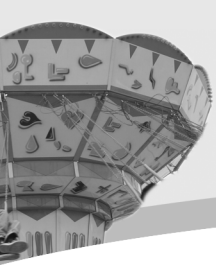
概無現任董事、彼等之聯繫人士或據現任董事所知擁有本公司已發行股本逾5%之任何主要股東，於本集團五大客戶之股本中擁有任何權益。

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

本公司之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。



CORPORATE GOVERNANCE

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.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard set out in Appendix 10 to the Rules Governing the Listing of Securities of the Stock Exchange (the "Model Code"). Having made specific enquiry of all directors, all directors confirmed that they have complied with the standard set out in Model Code and the code of conduct regarding securities transactions by directors adopted by the Company.

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independent pursuant to Rules 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company considered all of the independent non-executive directors are independent.

POST BALANCE SHEET EVENT

Details of a significant post balance sheet event are set out in note 29 to the financial statements.

AUDITORS

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
CHAIRMAN AND MANAGING DIRECTOR

Hong Kong, 29th April, 2005

公司管治

本公司於年內一直遵守聯交所證券上市規則附錄14所載最佳應用守則。

本公司已就董事進行證券交易訂立行為守則，其條款不寬鬆於聯交所證券上市規則附錄十所載規定標準（「標準守則」）。經向全體董事作出具體查詢後，所有董事確認彼等已遵守標準守則及本公司就董事進行證券交易所採納行為守則所載標準。

本公司已根據聯交所證券上市規則第3.13條自各獨立非執行董事接獲彼等獨立身分之年度確認書。本公司認為全體獨立非執行董事均為獨立人士。

結算日後事項

有關結算日後重大事項之詳情載於財務報表附註29。

核數師

本公司將於股東週年大會上提呈決議案，續聘德勤•關黃陳方會計師行為本公司核數師。

承董事會命
主席兼董事總經理
陳澤武

香港，二零零五年四月二十九日