

As at 30 June 2002, the total amount of cash and cash equivalents of the Group, which was not restricted to use, was HK\$1,369 million and after total interest-bearing bank and other borrowings gave rise to a net cash position of the Group of HK\$315 million.

Three hotel properties held by the Group in Hong Kong namely The Metropole Hotel, Hotel New Harbour and Hotel Concourse were pledged to secure certain bank borrowings of the Group.

Capital Structure

During the period, 1,827,697 bonus warrants were exercised for 1,827,697 shares of HK\$0.10 each at an exercise price of HK\$1.22 per share. Accordingly, the number of issued share capital of the Company has been increased from 4,220,233,742 shares to 4,222,061,439 shares as at 30 June 2002.

Number and Remuneration of Employee

As at 30 June 2002, the Group has 5,995 employees of whom 2,352 are based in Hong Kong, 209 are based in overseas countries and 3,434 are based in mainland China.

The employees are remunerated based on their work performance, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the management. Apart from pension funds and in-house training programs, discretionary bonuses and share options are awarded to certain employees according to the assessment of individual performance.

OTHER INFORMATION

Directors' Interest in Shares

At 30 June 2002, the interests of the Directors in the share capital of the Company or its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Interest in Ordinary Shares

Name of Director	Number of shares held and nature of interest			
	Personal	Corporate	Other	Total
Mr. Chen Shoujie	20,000(i)	–	–	20,000
Mr. Shen Zhuying	2,500,000	–	–	2,500,000
Dr. Yeh Meou Tsen, Geoffrey	7,100,000	–	–	7,100,000
Dr. Fong Yun Wah	–	50,000(ii)	502,000(iii)	552,000

Interest in Warrants

Name of Director	Number of warrants held and nature of interest			
	Personal	Corporate	Other	Total
Dr. Yeh Meou Tsen, Geoffrey	200,000	–	–	200,000

Notes:

- (i) These shares are beneficially owned by certain connected persons of Mr. Chen Shoujie who is taken to be interested by virtue of the SDI Ordinance.
- (ii) These shares are beneficially owned by certain corporations in which Dr. Fong Yun Wah is taken to be interested by virtue of the SDI Ordinance.
- (iii) These shares are beneficially owned by certain charitable foundations in which Dr. Fong Yun Wah is the chairman and has non-beneficial interests.

Save as disclosed above, none of the Directors or their associates had any interest in the equity or debt securities of the Company or its associated corporations as defined in the SDI Ordinance.

Directors' Rights to Acquire Shares

During the six months ended 30 June 2002, no rights were granted to the Directors, their respective spouse, or children under 18 years of age to subscribe for equity or debt securities of the Company. As at 30 June 2002, there were no share options outstanding which entitle any of the Directors of the Company to subscribe for shares in the Company.

Substantial Shareholders

At 30 June 2002, the register of shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest in 10% or more in the issued share capital of the Company:

Name	Number of issued shares held	Percentage holding
China Travel Service (Holdings) Hong Kong Limited	2,494,693,940	59.09%
China Travel Service Head Office of the PRC	2,494,693,940	59.09%

Note: The entire issued share capital of China Travel Service (Holdings) Hong Kong Limited ("CTS (Holdings)") is beneficially owned by China Travel Service Head Office of the PRC ("CTS-PRC"). CTS (Holdings) is the direct holding company of the Company. Accordingly, the interests of CTS-PRC in the Company duplicate the interests of CTS (Holdings).

Save as disclosed above, the register of shareholders maintained by the Company pursuant to section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company at 30 June 2002.

Code of Best Practice

In the opinion of the Directors, the Company complied with the Code of Best Practice ("the Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the accounting period covered by this interim report, except that the Independent Non-Executive Directors of the Company are not appointed for specific terms as subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Articles of Association.

Audit Committee

The Company's Audit Committee was established in accordance with the requirements of the Code in 1999 and comprises two Independent Non-Executive Directors of the Company. The present Committee members are Mr. Wong Man Kong, Peter and Mr. Yeh V-Nee (Alternate Director to Dr. Yeh Meou Tsen, Geoffrey).

The Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including the review of the unaudited consolidated interim financial statements for the six months ended 30 June 2002.

Purchase, Sale or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

Practice Note 19 of the Listing Rules

As at 30 June 2002, the Company had loan facilities, which were subject to, inter alia, a specific performance obligation on the controlling shareholder of the Company, CTS (Holdings), during the tenure of such loan facilities. The specific performance obligation is that CTS (Holdings) shall maintain a holding of no less than 51% of the total issued share capital of the Company throughout the tenure of the loan facilities granted to the Company. A breach of the obligation will constitute an event of default. As a result of such breach, the loan facilities may become due and repayable on demand by the relevant tenders according to the respective terms and conditions thereof. The details of the loan facilities are as follows:

Amount outstanding as at 30 June 2002	Final maturity of the loan facilities
HK\$300 million	15 December 2003
HK\$700 million	21 March 2006

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 9 September 2002 to Wednesday, 11 September 2002, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividends, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tengis Limited, at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong not later than 4:00 p.m. on Friday, 6 September 2002. Warrantholders who wish to convert their warrants into shares in order to qualify for the interim dividends must lodge the duly completed subscription form together with the relevant warrant certificates accompanied by the subscription monies with the Company's Registrar not later than 4:00 p.m. on Friday, 6 September 2002.

By Order of the Board
Shen Zhuying
Managing Director

Hong Kong, 20 August 2002