

CHAIRMAN'S REVIEW

Financial Performance & Financial Position

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") are pleased to report a profit attributable to owners of the parent of \$40.4 million (2015: \$21.7 million) for the year ended 31 December 2016.

MCK's revenue for the year increased to \$172.0 million (2015: \$136.5 million) and profit before tax and non-controlling interests totalled \$70.5 million (2015: \$40.0 million). The increases in revenue and profit from 2015 reflects both positive trading conditions in the tourism industry in New Zealand and ongoing positive sales activity from majority-owned CDL Investments New Zealand Limited.

Shareholders' funds excluding non-controlling interests as at 31 December 2016 totalled \$489.1 million (2015: \$389.3 million). Total assets at 31 December 2016 were \$713.9 million (2015: \$590.0 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2016 has increased to 308.91 cents per share (2015: 245.9 cents per share).

Earnings per share increased to 25.56 cents per share (2015: 13.70 cents per share).

New Zealand Hotel Operations

Reflecting the current trading environment, revenue for the hotels increased by 9.9% to \$94.6 million (2015: \$86.1 million) and revenue per available room (RevPAR) increased by 14.8% over 2015. Occupancy also increased to 80.7% in 2016 (2015: 77.1%). These increases reflect better sales and marketing initiatives, profit conversions and continued productivity improvements across all business units.

Of the owned / operated hotels, Copthorne Hotel & Resort Queenstown Lakefront and Millennium Queenstown were notable for their performance in 2016. The management lease for Grand Millennium Auckland commenced in September 2016 and is proceeding in line with expectations.

As announced in July 2015, Copthorne Hotel Auckland Harbourcity was closed for a refurbishment programme and is expected to be completed by the second quarter of 2017. The hotel will be extensively refurbished and its operations will be appropriately repositioned as the MSocial Auckland.

Canterbury Update

MCK's remaining insurance claims for its chattels and property relating to Millennium Hotel Christchurch were settled during the year. MCK is actively considering development and rebuild options for its former Copthorne Hotel Christchurch Central site on Colombo Street with a view to commencing works in the medium term.

CDL Investments New Zealand Limited ("CDLI")

CDLI continued to perform strongly and announced a record operating profit after tax for the year ended 31 December 2016 of \$27.0 million (2015: \$17.5 million). CDLI's sections continue to be in high demand particularly in Auckland and Canterbury.

As a result CDLI increased its ordinary dividend to 3.0 cents per share (2015: 2.2 cents per share). MCK's stake in CDLI reduced slightly to 66.70% as a result of MCK taking its dividend in cash and not shares.

Australia Update

In Australia, the occupancy at the Zenith residences was high at 98% while the litigation affecting a wholly-owned subsidiary was settled out of court during the year.

Dividend Announcement

Reflecting its positive results in 2016, MCK has resolved to declare and pay all shareholders a fully imputed dividend of 5.0 cents per share (2015: 2.8 cents per share) which represents a 78.6% increase over the 2015 dividend. The Board has chosen to increase MCK's dividend once more as it remains confident as to MCK's ability to deliver consistent results and returns from its business units.

The dividend, payable to all shareholders, will be paid on 19 May 2017. The record date will be 12 May 2017.

Outlook

2017 will be another exciting year for MCK as it will mark the opening of MSocial Auckland in the second half after extensive refurbishment. The financial impact of having Grand Millennium Auckland for a full year will also be reflected in our results.

We expect to benefit from the growing tourism interest in New Zealand and the Lions Rugby Tour. We also expect strong sales activity at CDL Investments to continue which will also assist our profitability.

Given all of these factors, we aim to exceed our 2016 trading results in 2017.

Management and staff

On behalf of the Board, I wish to thank the Company's management and staff for their hard work and commitment to the Company during the last twelve months and for delivering another exceptional result.

Wong Hong Ren
Chairman
17 February 2017