



MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Notice is given that the Annual Meeting of Millennium & Copthorne Hotels New Zealand Limited ("the Company") will be held at the Catalyst 4 Room, M Social Auckland, 196-200 Quay Street, Auckland, New Zealand, on Thursday 31 May 2018 commencing at 2.00pm.

BUSINESS

Chairman's Welcome & Introduction

Managing Director's Review

Resolutions

1 To elect director

In accordance with the Company's Constitution, **Colin SIM**, having been appointed by the Board after the last annual meeting of shareholders, retires and offers himself for election.

(See Explanatory Notes for profile)

2 To re-elect director

In accordance with the Company's Constitution, **Richard BOBB** retires by rotation and, being eligible, offers himself for re-election.

(See Explanatory Notes for profile)

3 To re-elect director

In accordance with the Company's Constitution, **Kevin HANGCHI** retires by rotation and, being eligible, offers himself for re-election.

(See Explanatory Notes for profile)

4 Auditors' remuneration

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

"That the Board of Directors be authorised to fix the auditors' fees and expenses".

(See Explanatory Notes for more information)

5. Shareholder Proposal – Special dividend and payment to staff and directors

Mr. Howard Zingel, a shareholder, has proposed the following resolution to consider and, if thought fit, pass as an ordinary resolution:

"I move that shareholders vote in favour of asking the Directors to pay a special dividend of 10 cents per share by the end of 2018, that at the same time those staff members who have served the Company for more than a year, at that date, be paid \$1,000.00 each and the Directors also at that date be awarded \$5,000.00 each"

THE BOARD DOES NOT SUPPORT THIS NON-BINDING RESOLUTION (See Explanatory Notes for more information from Mr. Zingel and from the Board in response to this proposal)

General Business

By Order of the Board

Boon Pua
Vice President Finance & Company Secretary
14 May 2018

PROCEDURAL NOTES

Proxies and Corporate Representatives

Shareholders entitled to attend and vote at the Annual Meeting may appoint a proxy or representative (in the case of a corporate shareholder) to attend and vote on their behalf. A proxy need not be a shareholder of the Company. The Chairman of the meeting, or any other director, is willing to act as proxy for any shareholder who wishes to appoint him to vote on their behalf. To appoint the Chairman of the meeting or another director as your proxy, enter 'the Chairman' or the name of that other director you wish to appoint in the space allocated in 'Step 1' of the proxy form enclosed with this Notice. Proxy forms must be received at the office of the Company's share registrar, Computershare Investor Services Limited, 159 Hurstmere Road, Takapuna or Private Bag 92119, Auckland 1142, New Zealand (or fax +64 (9) 488-8787) by 2.00pm on Tuesday 29 May 2018. An instrument appointing a proxy is enclosed with this Notice.

All resolutions are ordinary resolutions and must be passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.

In accordance with section 109(3) of the Companies Act 1993, resolution 5 (if passed) will not be binding on the Board or the Company.

EXPLANATORY NOTES

Resolution 1 - Election of director:

Colin SIM

Mr. Sim was appointed to the Board effective from 14 July 2017 as an independent non-executive director and was elected as Chairman of MCK in August 2017. As he was appointed by the Board after the last annual meeting of shareholders, under the Company's Constitution he is required to retire and offer himself for election at this annual meeting. The Board has determined that Mr. Sim is an Independent Director as defined under the NZX Main Board Listing Rules.

Mr Sim is the executive chairman of the East Quarter Group of companies (East Quarter Hurstville, EQ Projects and EQ Constructions) (EQ) in Australia. EQ is currently involved in the development and construction of residential units across New South Wales. Mr. Sim has strong analytical skills and extensive experience in construction and property development/investment in Australia. In the last four decades he has also been involved in takeovers of several large publicly listed companies in Australia, including Wormald, Hooker Corporation, Enacon and Hastings Deering. Mr. Sim studied Mechanical Engineering in London and has lived in Sydney, Australia for the last 40 years.

The Board unanimously recommends shareholders vote in favour of the election of Mr Sim.

Resolution 2 – Re-election of director:

Richard BOBB

Mr. Bobb is a Chartered Accountant with over thirty-five years' experience. He is currently a member of the Professional Conduct Tribunal of the Institute of Chartered Accountants in Australia and was a member of New South Wales Joint State Taxes Committee of the Institute of Chartered Accountants in Australia and the CPA Australia. He was also a member and past Chairman of the Joint Legislation Review Committee and a member and past Chairman of the Legislation Review Board of the Institute of Chartered Accountants in Australia and the CPA Australia. He is admitted as a Barrister in New South Wales. The Board has determined that Mr. Bobb is an Independent Director as defined under the NZX Main Board Listing Rules.

Mr. Bobb was last re-elected to the Board at the 2016 annual meeting of shareholders.

The Board unanimously recommends shareholders vote in favour of the re-election of Mr Bobb.

Resolution 3 – Re-election of director:

Kevin HANGCHI

Mr. Hangchi is currently Senior Vice President, Hong Leong Management Services Pte. Limited. He has global transactional experience across many of the Hong Leong Group's entities including listings and public offerings, mergers and acquisitions as well as capital markets issuances and banking facilities. Mr. Hangchi has been called to the English and Singaporean bars and holds an honours degree in Accountancy and Law from the University of Southampton.

Mr. Hangchi was elected to the Board at the 2016 annual meeting of shareholders.

The Board unanimously recommends shareholders vote in favour of the re-election of Mr Hangchi.

Resolution 4 - Auditors' remuneration:

KPMG are the existing Auditors of the Company. KPMG are automatically reappointed as Auditors under section 207T of the Companies Act 1993. Section 207S of the Companies Act 1993 provides that the fees and expenses of the auditor are to be fixed in such manner as the Company determines at the annual meeting. The Board recommends that, consistent with usual practice, the auditor's fees and expenses be fixed by the Directors.

The Board unanimously recommends shareholders vote in favour of this resolution.

Resolution 5 – Shareholder Proposal – Special Dividend and payment to staff and directors:

Mr. Howard Zingel, an MCK shareholder, has provided the following additional information in support of his resolution:

"Company statics vary considerably; nevertheless market commentators give a median P.E of 17.5 to the NZ share market.

P.E being the share price to earnings ratio. More simply the number of years it would take for earnings per share in cents to equal the current share price.

At a share price of 285 cents and historic earnings of 27.25 cents per share the MCK PE ratio is 10.5. A lower than median ratio means investors generally rate the share poorly. The greater the deviation to the median, the more poorly viewed. A significant issue for MCK is the low dividend pay-out ; most easily measured by the times dividend ratio. In the case of MCK it is 4.5 times against a market norm of less than 2. In other words our dividend is less than half what investors would normally expect

It is acknowledged there are many considerations which go to make investor opinion. Earnings quality and transparency amongst many.

MCK is in a sweet spot and the Chairman is promising a swift move towards modern governance.

In this felicitous state, shareholders require an enhanced dividend and at the same time wish to share the good fortune with other stakeholders."

MCK's Board has considered the proposed resolution and responds as follows:

In accordance with section 109(3) of the Companies Act 1993, resolution 5, if passed, will NOT be binding on the Board or the Company. Section 109(2) of the Companies Act provides that a meeting of shareholders may pass a resolution relating to the management of the company. However, section 109(3) provides that a resolution passed pursuant to section 109(2) is not binding unless the constitution provides that such a resolution is binding. The Company's constitution does not provide for such a resolution to be binding. Accordingly, as each of the three elements of the proposed resolution (payment of a special dividend, a payment to staff and a payment to directors) relate to the management of the Company, the resolution (if passed) will not be binding on the Board or the Company.

While the Board appreciates the sentiment that Mr. Zingel is expressing regarding making a bonus payment to staff and the directors in recognition of their contribution to the Company's recent performance, the Board does not believe that his proposal is justified.

The Board believes that the Company should maintain sufficient cash and other financial resources to ensure that it is able to meet its current and future requirements. This year, MCK acquired the Millennium Hotel New Plymouth Waterfront and the Company is looking to expand its network within New Zealand with suitable properties provided that they meet its investment criteria. The Board therefore does not consider it is an appropriate time to pay a special dividend and these payments would impose a significant cost on the Company.

The Board also believes that price / equity ratio (PE) is only one metric that may be considered in relation to a Company's dividend policy and performance. MCK's policy is to pay shareholders a percentage of net profit after tax, with the current percentage being around 25 to 30 percent. The dividend paid out has increased by over four times since 2013.

The Board does not consider it is appropriate to pay the proposed bonus payments to staff and the directors. While appreciating the efforts of staff, the Board believes that the Company's current remuneration policy (which includes scope for bonus payments for extraordinary performance) is appropriate. In relation to the directors' remuneration, the Board acknowledges that the pool for directors' fees has not been increased since 1996. In the near future the Board intends to review its current remuneration levels and will seek approval from shareholders under NZX Main Board Listing Rule 3.5.1 if it believes that an increase in the pool for directors' fees is appropriate in light of that review.

The Board does NOT support this resolution and unanimously recommends that shareholders vote against it.