

# CHAIRMAN'S REVIEW

## Financial Performance:

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") announced an unaudited profit after tax and non-controlling interests of \$23.79 million for the six month period ended 30 June 2016 (2015: \$12.01 million). Profit before income tax and non-controlling interests was \$41.08 million (2015: \$20.38 million). The increase in profit has again been driven by demand for accommodation in New Zealand and ongoing productivity improvements at the company's New Zealand hotels. The Group's capital expenditure investments, revenue management initiatives and improvements to its overall costs of doing business all helped deliver this half-year result. Further strong sales performance also came from MCK's majority-owned land development subsidiary CDL Investments New Zealand Limited. A one-off gain of \$4.31 million was also recognized from the final insurance settlement relating to the Millennium Hotel Christchurch. This settlement now means that all matters relating to the 2010 and 2011 earthquakes are fully settled.

Group revenue and other income for the period under review increased to \$95.71 million from \$69.95 million in the first half of 2015. Gross profit for the period also increased to \$53.04 million from \$39.26 million in the same period. Earnings per share for the period increased to 15.04 cents per share (2015: 7.59 cps).

## New Zealand Hotel Operations:

The New Zealand hotel operations (13 owned or leased and operated hotels [excluding 5 franchised and 1 managed hotel]) continue to perform strongly and their revenue for the period under review increased to \$47.15 million (2015: \$44.68 million). Occupancy for those owned / leased hotels for the period increased to 82.3% (2015: 78.2%). RevPAR also increased by 14.7% from \$94.75 in 2015 to \$108.72 in the same period this year.

Two significant announcements were made in the period under review – the first, made at the annual meeting of shareholders in May, confirmed the rebranding of the Copthorne Hotel Auckland Harbourcity as the MSocial Hotel Auckland. MSocial represents a new, stylish and vibrant hospitality concept and the hotel will be the second MSocial hotel in the world, the first being in Singapore.

In June, MCK announced that it had agreed on a management lease for the Rendezvous Grand Hotel Auckland from September 2016 and would rebrand this as Grand Millennium Auckland. The hotel is the largest in New Zealand and a truly international standard property with a total of 452 guestrooms. It will be the first Grand Millennium hotel in Australasia.

We are excited that these two developments mean that MCK has secured a prominent position in the Auckland market.

## CDL Investments New Zealand Limited ('CDLI'):

CDLI announced an unaudited operating profit after tax for the six months ended 30 June 2016 of \$15.95 million, (2015: \$8.51 million). Strong sales from its subdivisions in Auckland, Hamilton and Canterbury reflect the ongoing strong demand for housing in New Zealand. CDLI therefore expects to better its 2015 results in 2016.

## Offshore investments – Australia :

Occupancy at the Zenith Residences, Sydney remains steady at 97%. The Board is pleased to advise that the litigation involving the Zenith Residences has settled in the last few weeks and we expect that the Owners Corporation will commence remediation works of the balconies in the near future.

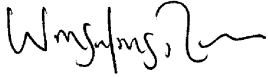
## Appointment of Kevin Hangchi :

In January, we welcomed Mr. Kevin Hangchi, Senior Vice President, Hong Leong Management Services Pte Ltd to the Board as a non-executive director. As required under MCK's constitution, Mr. Hangchi was elected at the 2016 annual meeting of shareholders in May and the Board looks forward to his future contributions to MCK.

**Outlook:**

MCK's strong results to date reflect positive trading conditions in all of its business units and market segments. The Board believes that these trading conditions should continue in the second half of 2016 and should allow MCK to better its 2015 results.

We would, however, note that recent global events may have a limited impact on MCK's trading at some point. The Board and Management will be monitoring the situation carefully.

A handwritten signature in black ink, appearing to read 'Wong Hong Ren', followed by a stylized flourish.

**Wong Hong Ren**  
**Chairman**  
**3 August 2016**