



MILLENNIUM

HOTELS AND RESORTS

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INTERIM REPORT 2017





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20
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NATIONWIDE



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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 \$24.23 million for the six month period ended 30 June 2017 (2016: \$23.79 million). Profit before income tax and non-controlling interests was \$43.91 million (2016: \$41.08 million). The increase in profit has again been driven by demand for accommodation in New Zealand and ongoing operational efficiencies at the company's New Zealand hotels. Further strong sales performance also came from MCK's majority-owned land development subsidiary CDL Investments New Zealand Limited.

Group revenue and other income for the period under review increased to \$104.14 million from \$95.71 million in the first half of 2016. Gross profit for the period also increased to \$62.33 million from \$53.04 million in the same period. (In the corresponding half year of 2016, there was a non-recurring gain of \$4.31 million from the Millennium Christchurch insurance settlement).

Earnings per share for the period increased to 15.32 cents per share (2016: 15.04 cps).

New Zealand Hotel Operations:

The New Zealand hotel operations (13 owned or leased and operated hotels excluding 5 franchised and 2 managed hotels) continue to perform strongly in RevPAR terms with revenue for the period increasing to \$51.63 million (2016: \$47.15 million). RevPAR increased by 8.2% from \$108.72 in 2016 to \$117.63 in the same period this year. Occupancy for those owned / leased hotels for the period was steady at 81.3% (2016: 82.3%).

The half year results benefited from the company's management of its business mix and the addition of Grand Millennium Auckland with the hotel gaining from rates growth and efficiencies since joining the Millennium brand.

The final stages to the construction of M Social Auckland are underway as the M Social team gets ready to test the new building services and recruit staff for the hotel's opening in October.

CDL Investments New Zealand Limited ('CDI'):

CDI announced an unaudited operating profit after tax for the six months ended 30 June 2017 of \$20.39 million (2016: \$15.95 million). Sales were strongest in Auckland, Hamilton and Canterbury, in the company's Greville Road, Magellan Heights, and Prestons Park subdivisions. The current level of sales activity should continue through to the end of 2017 and we expect another year of growth at CDI.

Chairman's review CONTINUED

Offshore investments - Australia:

Occupancy at the Zenith Residences, Sydney remains steady at 95% across the complex. Remedial balcony work and painting has commenced and all floors are expected to be completed by mid-September.

Appointment of Kian Seng Tan and Colin Sim:

In February we welcomed Mr Kian Seng Tan, Interim Group CEO of M&C Hotels plc to the Board as non-executive director. Mr Colin Sim also joined the Board in July following the retirement of long serving Board Chairman, Mr Hong Ren Wong. Mr Sim was elected as Board Chairman on 2 August 2017. MCK looks forward to utilizing their knowledge and expertise across the business.

Outlook:

The competitive environment has changed requiring different skill sets. Operational excellence, the dedication by our staff to delivering Outstanding Service Experience and the capital investments the company have made to improve and enhance our hotels will continue to benefit MCK as New Zealand continues to be a popular destination with international visitors. The Board is pleased with the financial metrics of the first half and believes that MCK is well placed to deliver another year of growth in 2017.



Colin Sim

Chairman

Millennium & Copthorne Hotels New Zealand Limited

4 August 2017

Condensed Interim Income Statement

For the six months ended 30 June 2017

| Dollars in thousands | Note | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 |
|---|------|--------------------------------------|--------------------------------------|
| Revenue | | 104,141 | 91,403 |
| Cost of sales | | (41,815) | (38,362) |
| Gross profit | | 62,326 | 53,041 |
| Other income | | - | 4,311 |
| Administrative expenses | | (9,742) | (9,862) |
| Other operating expenses | | (9,661) | (6,768) |
| Operating profit before finance income | | 42,923 | 40,722 |
| Finance income | | 1,900 | 1,473 |
| Finance costs | | (911) | (1,112) |
| Net finance income | | 989 | 361 |
| Profit before income tax | | 43,912 | 41,083 |
| Income tax expense | | (12,071) | (11,372) |
| Profit for the period | | 31,841 | 29,711 |
| Profit for the period attributable to: | | | |
| Equity holders of the parent | | 24,233 | 23,791 |
| Non-controlling interests | | 7,608 | 5,920 |
| Profit for the period | | 31,841 | 29,711 |
| Basic earnings per share (cents) | 4 | 15.32c | 15.04c |
| Diluted earnings per share (cents) | 4 | 15.32c | 15.04c |

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Comprehensive Income

For the six months ended 30 June 2017

| Dollars in thousands | Note | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 |
|---|------|--------------------------------------|--------------------------------------|
| Profit for the period | | 31,841 | 29,711 |
| Other comprehensive income | | | |
| Items that are or may be reclassified to profit or loss | | | |
| Fair value movement of assets held for sale | | - | (12) |
| Movement in exchange translation reserve | | | |
| - Recognised in equity | | 330 | (727) |
| Total comprehensive income for the period | | 32,171 | 28,972 |
| Total comprehensive income for the period attributable to: | | | |
| Equity holders of the parent | | 24,563 | 23,052 |
| Non-controlling interests | | 7,608 | 5,920 |
| Total comprehensive income for the period | | 32,171 | 28,972 |

DETAILS OF SPECIFIC RECEIPTS/OUTLAYS,
REVENUES/EXPENSES :

| | | |
|--|---------|---------|
| Other income (Gain on insurance claim) | - | 4,311 |
| Audit fees | (154) | (146) |
| Depreciation | (3,048) | (2,922) |
| Interest income | 1,895 | 1,399 |
| Net foreign exchange gain/(loss) | (5) | 74 |
| Interest expense | (901) | (1,112) |
| Leasing and rental expenses | (1,168) | (1,154) |
| Release of provision for earthquake damage | - | 2,243 |
| Release of provision for FF&E | - | 757 |

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Changes in Equity

For the six months ended 30 June 2017

| Dollars in thousands | Note | Attributable to Equity Holders of the Group | | | | | Unaudited Total | Unaudited Non-controlling Interests | Unaudited Total Equity |
|--|------|---|--------------------------------|-----------------------------|------------------------------|--------------------------|-----------------|-------------------------------------|------------------------|
| | | Unaudited Share Capital | Unaudited Revaluation Reserves | Unaudited Exchange Reserves | Unaudited Accumulated Losses | Unaudited Treasury Stock | | | |
| Balance at 1 January 2016 | | 383,266 | 96,548 | (2,366) | (88,129) | (26) | 389,293 | 55,552 | 444,845 |
| Fair value movement of assets held for sale | | - | - | - | (12) | - | (12) | - | (12) |
| Movement in exchange translation reserve | | - | - | (727) | - | - | (727) | - | (727) |
| Income and expense recognised directly in equity | | - | - | (727) | (12) | - | (739) | - | (739) |
| Profit for the period | | - | - | - | 23,791 | - | 23,791 | 5,920 | 29,711 |
| Total comprehensive income/(loss) for the period | | - | - | (727) | 23,779 | - | 23,052 | 5,920 | 28,972 |
| Transactions with owners, recorded directly in equity : | | | | | | | | | |
| Dividends paid to: | | | | | | | | | |
| Equity holders of the parent | 5 | - | - | - | (4,430) | - | (4,430) | - | (4,430) |
| Non-controlling interests | | - | - | - | - | - | - | (2,336) | (2,336) |
| Movement of non-controlling interests without a change in control | | - | - | - | 71 | - | 71 | 480 | 551 |
| Supplementary dividends | 5 | - | - | - | (124) | - | (124) | - | (124) |
| Foreign investment tax credits | | - | - | - | 124 | - | 124 | - | 124 |
| Balance at 30 June 2016 | | 383,266 | 96,548 | (3,093) | (68,709) | (26) | 407,986 | 59,616 | 467,602 |
| Balance at 1 January 2017 | | 383,266 | 161,370 | (3,323) | (52,224) | (26) | 489,063 | 63,218 | 552,281 |
| Movement in exchange translation reserve | | - | - | 330 | - | - | 330 | - | 330 |
| Income and expense recognised directly in equity | | - | - | 330 | - | - | 330 | - | 330 |
| Profit for the period | | - | - | - | 24,233 | - | 24,233 | 7,608 | 31,841 |
| Total comprehensive income for the period | | - | - | 330 | 24,233 | - | 24,563 | 7,608 | 32,171 |
| Transactions with owners, recorded directly in equity : | | | | | | | | | |
| Dividends paid to: | | | | | | | | | |
| Equity holders of the parent | 5 | - | - | - | (7,911) | - | (7,911) | - | (7,911) |
| Non-controlling interests | | - | - | - | - | - | - | (3,142) | (3,142) |
| Movement in of non-controlling interests without a change in control | | - | - | - | 80 | - | 80 | 385 | 465 |
| Supplementary dividends | 5 | - | - | - | (221) | - | (221) | - | (221) |
| Foreign investment tax credits | | - | - | - | 221 | - | 221 | - | 221 |
| Balance at 30 June 2017 | | 383,266 | 161,370 | (2,993) | (35,822) | (26) | 505,795 | 68,069 | 573,864 |

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Financial Position

As at 30 June 2017

| Dollars in thousands | Note | Unaudited as at 30/06/2017 | Audited as at 31/12/2016 | Unaudited as at 30/06/2016 |
|---------------------------------------|------|----------------------------------|--------------------------------|----------------------------------|
| SHAREHOLDERS' EQUITY | | | | |
| Issued capital | 3 | 383,266 | 383,266 | 383,266 |
| Reserves | | 122,555 | 105,823 | 24,746 |
| Treasury stock | 3 | (26) | (26) | (26) |
| Non-controlling interests | | 68,069 | 63,218 | 59,616 |
| Total equity | | 573,864 | 552,281 | 467,602 |
| Represented by: | | | | |
| NON CURRENT ASSETS | | | | |
| Property, plant and equipment | | 427,016 | 422,603 | 326,021 |
| Development properties | | 130,461 | 135,136 | 140,388 |
| Intangible assets | | - | - | 2,823 |
| Investment in associates | 2 | 2 | 2 | 2 |
| Total non-current assets | | 557,479 | 557,741 | 469,234 |
| CURRENT ASSETS | | | | |
| Cash and cash equivalents | | 22,035 | 15,520 | 22,683 |
| Short term bank deposits | | 104,060 | 85,598 | 70,360 |
| Trade and other receivables | | 12,282 | 18,693 | 12,981 |
| Inventories | | 1,417 | 1,508 | 1,192 |
| Income tax receivable | | 656 | - | 635 |
| Development properties | | 28,522 | 34,845 | 32,859 |
| Assets held for sale | | - | - | 307 |
| Total current assets | | 168,972 | 156,164 | 141,017 |
| Total assets | | 726,451 | 713,905 | 610,251 |
| NON CURRENT LIABILITIES | | | | |
| Interest-bearing loans and borrowings | | 66,000 | 66,000 | 67,990 |
| Provision for deferred taxation | | 58,986 | 59,183 | 43,654 |
| Total non-current liabilities | | 124,986 | 125,183 | 111,644 |
| CURRENT LIABILITIES | | | | |
| Interest-bearing loans and borrowings | | - | 4 | 8 |
| Trade and other payables | | 20,371 | 24,957 | 21,775 |
| Trade payables due to related parties | 6 | 1,254 | 2,137 | 593 |
| Loans due to related parties | 6 | 2,800 | 5,800 | 5,800 |
| Income tax payable | | 3,176 | 3,543 | 2,829 |
| Total current liabilities | | 27,601 | 36,441 | 31,005 |
| Total liabilities | | 152,587 | 161,624 | 142,649 |
| Net assets | | 573,864 | 552,281 | 467,602 |

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Cash Flows

For the six months ended 30 June 2017

| Dollars in thousands | Note | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 |
|---|------|--------------------------------------|--------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash was provided from: | | | |
| Receipts from customers | | 111,329 | 94,703 |
| Interest received | | 1,123 | 1,323 |
| | | 112,452 | 96,026 |
| Cash was applied to: | | | |
| Payments to suppliers and employees | | (52,404) | (47,812) |
| Interest paid | | (806) | (1,121) |
| Income tax paid | | (13,285) | (10,188) |
| | | (66,495) | (59,121) |
| Net cash inflow from operating activities | | 45,957 | 36,905 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Cash was provided from/(applied to): | | | |
| Purchase of property, plant and equipment | | (7,461) | (12,490) |
| Proceed from material damage claim | | - | 4,492 |
| Increase in short term bank deposits | | (18,462) | (10,405) |
| Net cash outflow from investing activities | | (25,923) | (18,403) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Cash was provided from/(applied to): | | | |
| Repayment of borrowings | | (4) | (4,529) |
| Advance of loan from Parent company | 6 | (3,000) | 2,000 |
| Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd | 5 | (7,911) | (4,430) |
| Dividends paid to non-controlling interests | | (3,142) | (2,336) |
| Net cash outflow from financing activities | | (14,057) | (9,295) |
| Net increase in cash and cash equivalents | | 5,977 | 9,207 |
| Add opening cash and cash equivalents | | 15,520 | 14,021 |
| Exchange rate adjustment | | 538 | (545) |
| Closing cash and cash equivalents | | 22,035 | 22,683 |

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Cash Flows

For the six months ended 30 June 2017

| Dollars in thousands | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 |
|--|--------------------------------------|--------------------------------------|
| RECONCILIATION OF NET PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the period | 31,841 | 29,711 |
| Depreciation | 3,048 | 2,922 |
| Income tax expense | 12,071 | 11,372 |
| Gain on Insurance claim | - | (4,311) |
| Adjustments for movements in working capital: | | |
| Decrease in receivables | 6,411 | 3,150 |
| Decrease in inventories | 91 | 60 |
| Decrease in development properties | 11,249 | 6,032 |
| Decrease in payables | (3,685) | (684) |
| Decrease in related parties | (883) | (47) |
| Cash generated from operations | 60,143 | 48,205 |
| Interest expense | (901) | (1,112) |
| Income tax paid | (13,285) | (10,188) |
| Net cash inflow from operating activities | 45,957 | 36,905 |

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017 (unaudited)

1. Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is a Financial Markets Conduct Reporting Entity in terms of Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013. The condensed interim financial statements of the Company for the six months ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; residential development and sale of land in New Zealand; and development and sale of residential units in Australia.

The condensed interim financial statements were authorised for issuance on 4 August 2017.

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 Interim Financial Reporting. The condensed interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies and methods of computation applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2016.

2. Segment reporting

Segment information is presented in the condensed interim financial statements in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Operating segments

The Group consisted of the following main operating segments:

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of land.
- Residential property development, comprising the development and sale of residential apartments.

Geographical segments

The Group operates in the following main geographic segments:

- New Zealand
- Australia

Segment revenue is based on the geographical location of the asset. The Group has no major customer representing greater than 10% of the Group's total revenue.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017 (unaudited)

2. Segment reporting - continued

| | Hotel Operations | | Residential Land Development | | Residential and Commercial Property Development | | Group | |
|---|----------------------|----------------------|------------------------------|----------------------|---|----------------------|----------------------|----------------------|
| | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited | Unaudited |
| | 6 months to 30/06/17 | 6 months to 30/06/16 | 6 months to 30/06/17 | 6 months to 30/06/16 | 6 months to 30/06/17 | 6 months to 30/06/16 | 6 months to 30/06/17 | 6 months to 30/06/16 |
| Dollars in thousands | | | | | | | | |
| External revenue | 51,626 | 47,147 | 51,039 | 42,780 | 1,476 | 1,476 | 104,141 | 91,403 |
| Finance income | 833 | 1,046 | 1,000 | 347 | 67 | 80 | 1,900 | 1,473 |
| Finance expense | (911) | (1,112) | - | - | - | - | (911) | (1,112) |
| Depreciation and amortisation | (3,045) | (2,918) | (1) | (1) | (2) | (3) | (3,048) | (2,922) |
| Segment profit before income tax | 15,193 | 18,474 | 28,316 | 22,157 | 403 | 452 | 43,912 | 41,083 |
| Income tax expense | (4,028) | (5,039) | (7,928) | (6,204) | (115) | (129) | (12,071) | (11,372) |
| Other material/non-cash items: | | | | | | | | |
| Gain on insurance claim | - | 4,311 | - | - | - | - | - | 4,311 |
| Release of earthquake and FF&E provisions | - | 3,000 | - | - | - | - | - | 3,000 |
| Segment assets | 480,328 | 387,784 | 179,992 | 155,569 | 65,473 | 66,261 | 725,793 | 609,614 |
| Tax assets | - | - | - | - | 656 | 635 | 656 | 635 |
| Investment in associates | - | - | 2 | 2 | - | - | 2 | 2 |
| Total assets | 480,328 | 387,784 | 179,994 | 155,571 | 66,129 | 66,896 | 726,451 | 610,251 |
| Segment liabilities | (86,732) | (85,865) | (2,501) | (3,007) | (1,192) | (7,295) | (90,425) | (96,167) |
| Tax liabilities | (59,443) | (46,282) | (3,154) | (1,843) | 435 | 1,643 | (62,162) | (46,482) |
| Total liabilities | (146,175) | (132,147) | (5,655) | (4,850) | (757) | (5,652) | (152,587) | (142,649) |
| Capital expenditure | 7,461 | 27,930 | - | 7,892 | - | - | 7,461 | 35,822 |

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017 (unaudited)

2. Segment reporting - continued

| | New Zealand | | Australia | | Group | |
|---|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 | Unaudited 6 months to 30/06/17 | Unaudited 6 months to 30/06/16 |
| Dollars in thousands | | | | | | |
| External revenue | 102,665 | 89,927 | 1,476 | 1,476 | 104,141 | 91,403 |
| Finance income | 1,833 | 1,393 | 67 | 80 | 1,900 | 1,473 |
| Finance expense | (911) | (1,112) | - | - | (911) | (1,112) |
| Depreciation and amortisation | (3,046) | (2,919) | (2) | (3) | (3,048) | (2,922) |
| Segment profit before income tax | 43,485 | 40,610 | 427 | 473 | 43,912 | 41,083 |
| Income tax expense | (11,963) | (11,251) | (108) | (121) | (12,071) | (11,372) |
| Other material/non-cash items: | | | | | | |
| Gain on insurance claim | - | 4,311 | - | - | - | 4,311 |
| Release of earthquake and FF&E provisions | - | 3,000 | - | - | - | 3,000 |
| Segment assets | 660,320 | 548,596 | 65,473 | 61,018 | 725,793 | 609,614 |
| Tax assets | - | - | 656 | 635 | 656 | 635 |
| Investment in associates | 2 | 2 | - | - | 2 | 2 |
| Total assets | 660,322 | 548,598 | 66,129 | 61,653 | 726,451 | 610,251 |
| Segment liabilities | (89,265) | (88,900) | (1,160) | (7,267) | (90,425) | (96,167) |
| Tax liabilities | (62,600) | (48,126) | 438 | 1,644 | (62,162) | (46,482) |
| Total liabilities | (151,865) | (137,026) | (722) | (5,623) | (152,587) | (142,649) |
| Capital expenditure | 7,461 | 27,930 | - | 7,892 | 7,461 | 35,822 |

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017 (unaudited)

3. Share capital

| | Ordinary shares | | Redeemable preference shares | |
|---|-----------------|---------|------------------------------|---------|
| | Shares | \$ 000s | Shares | \$ 000s |
| Total ordinary shares issued - fully paid | | | | |
| Balance at 1 January 2016 | 105,578,290 | 350,048 | 52,739,543 | 33,218 |
| Balance at 31 December 2016 | 105,578,290 | 350,048 | 52,739,543 | 33,218 |
| Ordinary shares repurchased and held as treasury stock | | | | |
| Balance at 1 January 2016 | (99,547) | (26) | - | - |
| Balance at 31 December 2016 | (99,547) | (26) | - | - |
| Shares issued - fully paid | | | | |
| Balance at 1 January 2017 | 105,478,743 | 350,022 | 52,739,543 | 33,218 |
| Balance at 30 June 2017 | 105,478,743 | 350,022 | 52,739,543 | 33,218 |

At 30 June 2017, the authorised share capital consisted of 105,578,290 ordinary shares (2016: 105,578,290 ordinary shares) with no par value and 52,739,543 redeemable preference shares (2016: 52,739,543) with no par value.

4. Earnings per share

The basic earnings per share of 15.32 cents (30 June 2016: 15.04 cents) is based on the profit attributable to ordinary shareholders of \$24.23 million (30 June 2016: \$23.79 million) and weighted average number of ordinary shares and redeemable preference shares outstanding during the period ended 30 June 2017 of 158,218,286 (30 June 2016: 158,218,286).

The redeemable preference shares are included in the computation of earnings per share as they rank equally with ordinary shares in respect of distributions made by the Company except any distribution in the case of liquidation.

The calculation of diluted earnings per share of 15.32 cents (30 June 2016: 15.04 cents) is the same as basic earnings per share.

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017 (unaudited)

5. Dividends

The following dividends were paid during the interim periods:

| Dollars in thousands | Group | |
|--|-----------------------|-----------------------|
| | Unaudited 30/06/17 | Unaudited 30/06/16 |
| Ordinary dividend: 5.0 cents per qualifying share (2016: 2.8 cents) | 7,911 | 4,430 |
| Supplementary dividend: 0.5524 cents per qualifying share (2016: 0.49412 cents) | 221 | 124 |
| | 8,132 | 4,554 |

6. Related party transactions

Millennium & Copthorne Hotels New Zealand Limited is a 75.20% (2016: 75.20%) owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Limited in Singapore.

At balance date there were related party advances owing from/(owing to) the following related companies:

| Dollars in thousands | Nature of balance | Group | |
|--|---|-----------------------|---------------------|
| | | Unaudited 30/06/17 | Audited 31/12/16 |
| Trade payables and receivables due to related parties | | | |
| Millennium & Copthorne Hotels plc | Recharge of expenses | (434) | (558) |
| Millennium & Copthorne International Limited | Recharge of expenses & provision of management and marketing support | (135) | (31) |
| CDL Hotels Holdings New Zealand Limited | Recharge of expenses | - | (7) |
| CDLH (BVI) One Limited | Rent payment | (685) | (1,541) |
| | | (1,254) | (2,137) |
| Loans due to related parties | | | |
| CDL Hotels Holdings New Zealand Limited | Inter-company loan | (2,800) | (5,800) |
| | | (2,800) | (5,800) |

Notes to the Condensed Interim Financial Statements

For the six months ended 30 June 2017 (unaudited)

6. Related party transactions - continued

No debts with related parties were written off or forgiven during the year. No interest was charged on these payables during 2017 and 2016. There are no set repayment terms. During this period costs amounting to \$125,000 (2016: \$125,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

As at balance date, CDL Hotels Holdings New Zealand Limited has lent a total of \$2.80 million (31 December 2016: \$5.80 million) to Millennium & Copthorne Hotels New Zealand Limited. The interest rates are fixed at 2.06% (31 December 2016: 2.22% to 2.47%) until the loans are reviewed on 18 August 2017. The unsecured loans are repayable on demand.

7. Capital commitments

As at 30 June 2017, the Group has entered into contractual commitments for capital expenditure of \$2.36 million (2016: \$27.93 million) and development expenditure of \$8.73 million (2016: \$7.89 million) totalling \$11.09 million (2016: \$35.82 million).

8. Changes in contingent liabilities and contingent assets since last annual balance sheet date

There were no changes in contingent liabilities and contingent assets that would require disclosure for the six months period ended 30 June 2017 (2016: Nil). There are no contingent liabilities as at 30 June 2017 (2016: Nil).

Shareholder Information and Disclosures

20 Largest holders of Ordinary Shares (as at 25 August 2017)

| Rank | Name | Units | % of Units |
|--|--|-------------------|--------------|
| 1. | CDL HOTELS HOLDINGS NEW ZEALAND LIMITED | 74,139,077 | 70.22 |
| 2. | BNP PARIBAS NOMINEES (NZ) LIMITED - NZCSD | 5,962,409 | 5.65 |
| 3. | HSBC NOMINEES (NEW ZEALAND) LIMITED A/C STATE STREET - NZCSD <HKBN45> | 5,944,451 | 5.63 |
| 4. | ZETA BETA LIMITED | 1,987,168 | 1.88 |
| 5. | NATIONAL NOMINEES NEW ZEALAND LIMITED - NZCSD <NNLZ90> | 1,909,933 | 1.81 |
| 6. | SKY HILL LIMITED | 1,648,494 | 1.56 |
| 7. | ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40> | 1,580,084 | 1.50 |
| 8. | CITIBANK NOMINEES (NEW ZEALAND) LIMITED - NZCSD <CNOM90> | 1,479,268 | 1.40 |
| 9. | LENG BENG KWEK | 906,000 | 0.86 |
| 10. | GUARDIAN NOMINEES NO 2 A/C WESTPAC W/S ENHANCED CASH TRUST - NZCSD <W09340> | 723,625 | 0.69 |
| 11. | AMALGAMATED DAIRIES LIMITED | 684,980 | 0.65 |
| 12. | HONG REN WONG | 604,000 | 0.57 |
| 13. | KAY HONG CHIAM | 475,251 | 0.45 |
| 14. | CUSTODIAL SERVICES LIMITED <A/C 6> | 398,238 | 0.38 |
| 15. | MFL MUTUAL FUND LIMITED - NZCSD <MFLA90> | 363,297 | 0.34 |
| 16. | HSBC NOMINEES (NEW ZEALAND) LIMITED - NZCSD <HKBN90> | 302,726 | 0.29 |
| 17. | JALAE INVESTMENTS LIMITED | 268,977 | 0.25 |
| 18. | CASTLE POINT FUNDS - NZCSD | 209,275 | 0.20 |
| 19. | NICOLETTA MARIA BARTOLI | 179,447 | 0.17 |
| 20. | GEOK LOO GOH | 168,002 | 0.16 |
| TOTALS: TOP 20 HOLDERS OF ORDINARY SHARES | | 99,934,702 | 94.65 |

On 23 March 2017, NZX Limited (**NZX**) granted the Company a waiver from NZX Main Board Listing Rule (**Listing Rule**) 5.2.3 in respect of its preference shares for a period of twelve months from 23 March 2017 (the **Preference Shares Waiver**).

Listing Rule 5.2.3 provides that a class of securities will generally not be considered for quotation unless those securities are held by at least 500 members of the public, holding at least 25% of the number of securities of the class issued, with each member holding at least a minimum holding.

NZX granted the Preference Shares Waiver on the following conditions:

- that the directors of the Company certify to NZX Regulation that allowing the preference shares to remain quoted is in the best interests of the holders of the preference shares;
- that the Company clearly and prominently discloses the waiver, its conditions and the implications in its half-year and annual reports;
- that the Company consistently monitors the spread of its preference shares and provides NZX Regulation with quarterly updates during the period of the waiver; and
- that the Company notifies NZX Regulation of any material change to the spread of its preference shares.

On 13 April 2017, NZX also granted the Company a waiver from Listing Rule 5.2.3 in respect of its ordinary shares for a period of twelve months from 13 April 2017 (the **Ordinary Shares Waiver**).

NZX granted the Ordinary Shares Waiver on the following conditions:

- that the Company clearly and prominently discloses the waiver, its conditions and the implications in its half-year and annual reports;
- that the Company consistently monitors the spread of its ordinary shares and provides NZX Regulation with quarterly updates during the period of the waiver; and
- that the Company notifies NZX Regulation of any material change to the spread of its ordinary shares.

The implication of these waivers is that the Company's preference and ordinary shares may not be widely held and there may be reduced liquidity in both classes of shares.



MILLENNIUM
HOTELS AND RESORTS

Dear Valued Shareholder,

YOUR 2017/ 2018 SHAREHOLDER DISCOUNT CARD

Thank you for your continued support of our Millennium, Copthorne and Kingsgate Hotels and Resorts. I am pleased to enclose your 2017 / 2018 Shareholder Discount Card along with our 2017 Half Year Report.

In response to positive feedback, we are continuing the shareholder discount at **20 percent off our Best Available Fully Flexible Rate**. This discount is available year-round at our participating hotels and has no fees should you decide to cancel before the date of arrival. While we will be offering promotions that might be cheaper than this discounted price from time to time, such promotions have a strictly limited timeframe. We hope that you will find this an attractive discount and we do encourage you to use it.

In order to receive the discount, please make your bookings through our website www.millenniumhotels.com using promo code MCKSHR, by e-mail (central.res@millenniumhotels.co.nz) or via our Central Reservations Office on 0800 808 228 (within New Zealand only). Bookings cannot be made via the hotel directly.

In addition to the Shareholder Discount, we have a range of other special offers and promotions available. You can find these on www.millenniumhotels.com as well as www.besthoteldeals.co.nz.

To subscribe to our e-newsletter, please email emailoffers@millenniumhotels.co.nz.

We look forward to your custom at our Grand Millennium, Millennium, Copthorne, Kingsgate and M Social Hotels and Resorts throughout New Zealand in the near future.

Yours faithfully,

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

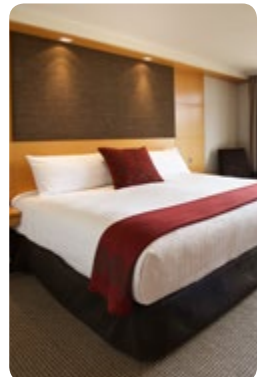
BK Chiu
Managing Director

2017/18 SHAREHOLDER DISCOUNT CARD

As a valued shareholder of Millennium & Copthorne Hotels New Zealand Limited, we are pleased to offer a shareholder discount of 20 percent off our Best Available Fully Flexible Rate applicable at the time of booking and **12.00pm check-out (subject to availability)** at participating Grand Millennium, Millennium, Copthorne, Kingsgate and M Social hotels in New Zealand.

Please note: the participating hotels are Millennium Hotel Rotorua / Queenstown; Copthorne Hotel & Resort Bay of Islands / Rotorua / Palmerston North / Auckland City / Wellington Oriental Bay / Queenstown Lakefront / Queenstown Lakeview; Kingsgate Hotel Greymouth / Te Anau / Dunedin / Grand Millennium Auckland / M Social Auckland

Terms and Conditions: Shareholder Discount is available to current shareholders of Millennium & Copthorne Hotels New Zealand Limited for private bookings (maximum 2 rooms) only. The discount is 20% off the Best Available Fully Flexible Rate applicable at time of booking and does not apply to any other previously discounted / special rate. Where available, a check-out time of 12.00pm may be requested. Reservations must be made via the internet (www.millenniumhotels.com), by e-mail to central.res@millenniumhotels.co.nz or by telephone (0800 808 228 within New Zealand). The promo code MCKSHR must be used. Please present this card upon check-in. Card is valid until 30 September 2018 or when you cease to be a shareholder, whichever is the earlier.





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