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If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying documents to the stockbroker or other agent through whom you made the sale or transfer for transmission to the purchaser.

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# **Millennium & Copthorne Hotels plc**

## **PROPOSED ADOPTION OF NEW ARTICLES OF ASSOCIATION**

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Notice of the Annual General Meeting of the Company to be held at the Millennium Hotel London Mayfair, Grosvenor Square, London, W1K 2HP on 7 May 2008 at 10.00 am is set out in the accompanying annual report and accounts.

# Millennium & Copthorne Hotels plc

Corporate Headquarters  
Scarsdale Place  
Kensington  
London W8 5SR

4 April 2008

Dear Shareholder

You will see that in the notice of annual general meeting set out at the back of the accompanying annual report we are proposing as resolution number 16 that new articles of association should be adopted. I am writing to give you details of the main changes to our existing articles of association (the “**Current Articles**”) that the new articles of association (the “**New Articles**”) will make.

The Companies Act 2006 (the “**CA 2006**”) received Royal Assent on 8 November 2006. The CA 2006 repeals and restates the majority of the provisions in the Companies Act 2005 and makes various changes. The CA 2006 is being implemented in stages and a number of provisions have already come into force. Other provisions are being phased in during April 2008 and October 2008 and the Act will be fully implemented by October 2009.

The New Articles principally reflect certain provisions of the CA 2006 which are currently in force, but also reflect the new provisions on directors’ conflicts of interest in CA 2006 which will come into force on 1 October 2008. It is likely that we will be proposing further changes to our articles of association at a future annual general meeting to deal with future implementation of CA 2006 provisions. The New Articles also make a number of additional changes which are designed to reflect current market practice amongst listed companies.

A detailed summary of the main changes from our Current Articles is set out in the appendix to this letter. The directors believe that the proposal to adopt the New Articles is in the best interests of the Company and its shareholders and they recommend that you vote in favour of the proposed resolution for its adoption. The directors will be voting their own shareholdings in favour of that resolution.

Yours faithfully

Millennium & Copthorne Hotels plc



Kwek Leng Beng  
Chairman

## APPENDIX

The principal changes introduced in the New Articles are described below. In particular, changes which are of a minor, technical or clarifying nature, and also some more minor changes which merely reflect statutory provisions, have not been separately noted. In a number of places, the numbering in the New Articles varies from the numbering in the Current Articles (in part because the order of some of the articles has been changed for the sake of a more logical progression). The number identifying each article principally affected by the amendment corresponds to the numbering in the New Articles (unless otherwise indicated).

### **1. ARTICLES WHICH DUPLICATE STATUTORY PROVISIONS**

Provisions in the Current Articles which replicate provisions contained in CA 2006 are in the main amended to bring them into line with the CA 2006 in force on 6 April 2008. The main examples of provisions of this type are detailed below, including provisions as to the form of resolutions, the variation of class rights, the convening of general meetings and proxies. References in the Current Articles to statutory provisions in the Companies Act 1985 have also been amended to reflect the new statutory references under the CA 2006 where they are already in force or are to come into force in April 2008.

### **2. FORM OF SHAREHOLDER RESOLUTION (ARTICLES 2.4, 16.1, 58.3, 70 AND 187)**

The Current Articles contain a provision that, where for any purpose an ordinary resolution is expressed to be required, a special or extraordinary resolution is also effective and that, where for any purpose an extraordinary resolution is expressed to be required, a special resolution is also effective. This provision and other provisions in the Current Articles that refer to extraordinary resolutions are being amended as the concept of extraordinary resolutions has not been retained under the CA 2006. Broadly, special resolutions will be used in place of extraordinary resolutions.

### **3. VARIATION OF CLASS RIGHTS (ARTICLE 16)**

The Current Articles contain provisions regarding the variation of class rights. Certain requirements for a meeting to vary class rights (including the quorum requirements) are laid down in the CA 2006 and the relevant provisions will be amended in the New Articles in order to reflect those requirements.

### **4. CONVENING AND NOTICE OF GENERAL MEETINGS (ARTICLE 58)**

The provisions in the Current Articles dealing with convening general meetings and the length of notice required to convene general meetings are to be amended to reflect new provisions in the CA 2006. The New Articles reduce the minimum period for extraordinary general meetings from 21 days to 14 days (even where a special resolution is to be considered) in line with what is permitted by the CA 2006. Annual General Meetings must now generally be held within 6 months following the end of the financial year and the New Articles will reflect this shorter timetable.

### **5. QUORUM AT GENERAL MEETINGS (ARTICLE 67)**

As in the Current Articles, the quorum for a general meeting is two persons, each of whom is a member, a proxy or a corporate representative, but the New Articles clarify (in line with the position in the CA 2006) that persons who are proxies for the same member or representatives for the same corporation may be counted only once for the purpose of calculating the quorum.

### **6. ADJOURNMENT (ARTICLE 69)**

The provisions on adjournment of a general meeting are to be updated in the New Articles, to allow the Chairman to adjourn the meeting, without requiring the consent of the meeting if he considers in his reasonable opinion that an adjournment is necessary to protect the safety of any person attending the meeting or if it is, or is likely to become, impracticable to conduct the meeting in an orderly manner (for whatever reason).

### **7. AMENDMENTS TO RESOLUTIONS (ARTICLE 70)**

The New Articles update the provisions on amendments to resolutions to clarify the situations in which resolutions may be amended and to bring them more in line with current market practice among listed companies and case law on this subject.

## **8. PROXIES (ARTICLES 58, 86 TO 91)**

In line with the CA 2006, the New Articles will give proxies the right to vote at a general meeting on a show of hands as well as on a poll, whereas, under the Current Articles, a proxy is only entitled to vote on a poll. The New Articles will also give proxies the right to speak at general meetings, again reflecting the CA 2006. The enhanced rights of proxies under the CA 2006 affect a number of provisions in the New Articles.

The New Articles will specify that in order to be valid a proxy appointment must be received: (a) not less than 48 hours before the time appointed for holding the meeting (or such shorter time as the Board decides); or (b) in the case of a poll taken more than 48 hours after the meeting, not less than 24 hours (or such shorter time as the Board decides) before the time appointed for taking the poll; or (c) in the case of a poll taken following the conclusion of the meeting, or adjourned meeting, at which it was demanded but 48 hours or less after it was demanded, before the end of the meeting at which it was demanded (or such later time as the Board decides). Consistent with the CA 2006 the Company may, in setting the deadline for receipt of proxies, exclude non-working days, so that the time before a meeting or a poll by which a proxy must be received may, in certain cases, be greater than 48 or 24 hours. The latest time by which a proxy appointment may validly be revoked will also be updated in the New Articles to reflect what is permitted in the CA 2006 (the New Articles will provide that the Company must receive notice of the revocation by no later than the last time by which proxy notices can be received).

To reflect relevant new requirements of the Listing Rules, the New Articles state that the form of proxy sent by the Company to each member must provide for three-way voting on all resolutions, rather than the current provision for two-way voting.

The Current Articles provide that if the Company receives more than one proxy appointment in respect of the same shares, the appointment received last revokes each earlier appointment. The New Articles retain this concept, but provide that the Company may use a different method for determining which appointment is valid, if it thinks that it is more appropriate. This is in line with the suggestion made by ICSA that articles may need to provide greater flexibility in this regard in light of the ability of members to appoint multiple proxies.

## **9. CORPORATE REPRESENTATIVES (ARTICLE 92)**

In line with the CA 2006, a member which is a corporation may appoint multiple representatives to act (subject to the CA 2006) at a meeting of the Company.

## **10. CERTIFICATED SHARES - WARRANTS (ARTICLES 13 AND 22) AND SHARE TRANSFERS (ARTICLE 49)**

In line with the new provisions in the CA 2006 on the issue of share certificates upon the surrender of a share warrant, it is proposed that the New Articles will clarify that in fixing the terms on which a warrant is issued, the Board can specify the terms on which the share certificate for the relevant underlying shares will be delivered upon surrender of the warrant. It is also proposed that the New Articles will provide that, in the case of issue of a new share following the valid exercise of rights under a warrant, the Company will issue the relevant share certificate within one month after lodgement of the warrant for cancellation or as is otherwise provided by the terms of issue of the warrant.

From 6 April 2008, the CA 2006 has provided that if a company refuses to register a share transfer it must give reasons and notify the transferee as soon as practicable and in any event within two months. The Company proposes to amend the New Articles to reflect these requirements (previously, the Company did not have to provide reasons if it exercised its right to refuse to transfer a certificated share).

## **11. DIRECTORS' RETIREMENT AGE LIMIT (ARTICLE 78 OF THE CURRENT ARTICLES)**

The provisions relating to the 70 year age limit for directors in the Companies Act 1985 were repealed in April 2007. Accordingly the provisions in the Current Articles that deal with this are no longer necessary and will be deleted from the New Articles.

## **12. NON CA 2006 AMENDMENTS RELATING TO DIRECTORS (ARTICLES 94 TO 139)**

In addition to the change referred to in 11. above, which is motivated by the CA 2006, we propose to take this opportunity to make certain other amendments to Articles 94 -141 of the Current Articles, which deals with directors. These changes are intended to improve the clarity and

usefulness of the articles and to ensure consistency with common listed company practice, and none could be described as significant. The principal changes are noted below:

- (a) retirement by rotation: at the AGM each director who was appointed by the board since the previous AGM or was appointed at or before the AGM held three years previously must retire (although he is eligible for reappointment);
- (b) member's nomination of director for appointment: when a member nominates a director for appointment at a general meeting, his written notice must contain particulars about the nominee that the Company would need to include in the register of directors, were he appointed (for example, particulars of other directorships held by him);
- (c) categories of directors: the New Articles will include a new definition of "Non-executive Director", and will include separate provisions dealing with service contracts and remuneration for each of Executive and Non-executive Directors;
- (d) the New Articles include updated wording which expand the circumstances in which a director will cease to be a director if he becomes mentally ill. Under the new provisions, a director must vacate office if a registered medical practitioner is of the opinion that he has become mentally incapable of acting as a director and may remain so for more than 3 months or he becomes a patient for the purposes of any statute relating to mental health and, in each case, the Board decides that his office be vacated;
- (e) effect of ceasing to be a director: when a person ceases to be a director, the New Articles make clear that he automatically ceases to be a member of any Board committee;
- (f) alternate directors: (i) at a Board meeting, an alternate director has one vote for each director for whom he is an alternate (if that director is not present at the meeting) in addition to his own vote as a director (if he is also a director); (ii) the signature by an alternate director on a directors' written resolution is as effective as the signature of the director who appointed him, unless the terms of his appointment provide otherwise; (iii) the appointment of an alternate director terminates (in addition to the other grounds set out in the Current Articles) if an event occurs in respect of the alternate director, which, if it happened to the appointing director would result in his appointment being terminated;
- (g) quorum at Board meeting: an alternate director counts in the quorum only if the director who appointed him is not present;
- (h) directors' written resolution: a director who is not entitled to vote on a Board resolution (for example because he is interested in a transaction) is not required to agree to a written resolution in order for it to be effective;
- (i) delegation of directors' powers: the New Articles adopt the approach suggested in the draft statutory model articles for public companies and restate in a more simple way the broad power of the Board to delegate any of its powers to a committee, local board or one or more individuals;
- (j) director's power to make further procedural rules: the New Articles give the directors power to make further rules regarding how the Board takes, records and communicates decisions; and
- (k) common seal: the New Articles will make it clear that the Board may make regulations to set the number and identity of persons in whose presence the common seal is affixed, and this need not necessarily include a director.

### **13. DIRECTORS' FEES (ARTICLE 107)**

The Current Articles authorise the payment of an aggregate sum not exceeding £300,000 per annum by way of fees to non-executive directors. The current level of fees paid to non-executive directors is approaching this limit and, in the interests of giving the Board flexibility in attracting and retaining non-executive directors of a high calibre, the Company is proposing that this aggregate limit should be increased to £500,000 under the New Articles.

### **14. DIRECTORS CONFLICTS OF INTERESTS (PART E)**

The CA 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the CA 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The CA 2006 allows

directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The CA 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The amendments to the New Articles proposed to be adopted will take effect from 1 October 2008 and give the directors authority to approve such situations and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and second, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed to include provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors or is otherwise permitted by the articles. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers to authorise conflicts are operated effectively.

#### **15. DIVIDENDS AND DISTRIBUTIONS (ARTICLES 149 AND 152)**

Relatively minor changes are proposed to the section in the Current Articles dealing with dividends and distributions. These are not driven by the CA 2006, but are intended to clarify certain points. The principal changes are:

- (a) in line with the existing provisions in the Current Articles, the New Articles make it clear that no interest is payable by the Company on any dividend unless otherwise provided by the terms on which the share was issued or allotted or in an agreement between the shareholder and the Company; and
- (b) a dividend recipient may waive his entitlement to a dividend payment by giving written notice to the Company, although the Company is not bound to act on such a notice.

#### **16. REGISTERS AND RECORDS (ARTICLES 184 AND 187)**

The provisions in the Current Articles dealing with the maintenance and availability of Company registers for inspection will be simplified in the New Articles to ensure consistency with the CA 2006 (including the repeal in April 2007 of provisions in the Companies Act 1985 relating to the register of directors' interests in shares).

The provisions relating to document retention and destruction in the Current Articles are retained, but provision will be added in the New Articles to permit the destruction of old proxy appointments, after one year has elapsed since the meeting or adjourned meeting to which it relates.

#### **17. SENDING OF NOTICES, DOCUMENTS ETC (INCLUDING ELECTRONIC AND WEB COMMUNICATIONS) (ARTICLES 167 TO 183)**

The New Articles contain detailed provisions as to how notices, documents and other information may be sent to or by the Company and extend the new company communication provisions of the CA 2006 to any document or information sent by the Company. Provisions in the CA 2006, which came into force in January 2007, enable companies to communicate with shareholders by electronic and website communications. The New Articles allow communications by the Company to shareholders in electronic form (provided that the shareholder has agreed, generally or specifically, to this) and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. As provided by the CA 2006, before the Company can communicate with a shareholder by means of a website, the shareholder must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website and the Company must either have received a positive response or have received no response within 28 days (in which case the Company may take that as consent by the member to receive communications in this way). When the Company makes a document or information available on its website, it must notify the shareholder of this. A shareholder who has received a document or information by electronic form or by website can always request a hard copy of the document or information.

In line with the CA 2006, a shareholder may communicate with the Company by electronic communication if the Company has agreed that the document or information can be sent or supplied in electronic form (but then only in the type of electronic form that the Company has agreed to). In certain circumstances, the CA 2006 will deem the Company to have agreed that shareholders may send documents or other information electronically.

The changes proposed to be made to the Current Articles to reflect the new company communications regime of the CA 2006 require a number of conforming changes in the New Articles, including in the Interpretation section.

Article 182 sets out when notices, documents and other information given or sent by the Company to its shareholders are deemed to be received. A document or information sent by electronic means is deemed to have been received on the same day as it is sent (notwithstanding a failure in transmission) and a document or information made available on a website is deemed to have been received when the intended recipient has been notified (in accordance with the New Articles) of its availability on the website.

Article 176.2 of the New Articles provides that anything to be agreed or specified in relation to a document or information to be sent to the holder of a share that is held by joint holders (this would include, for example, agreement to receive electronic communications) may be agreed or specified by the first named holder on the register, and that this will be binding on all other joint holders.

Article 177 of the New Articles clarifies that a shareholder who has no registered address in the United Kingdom is not entitled to have a document or other information sent to him unless he provides the Company with a postal address in the United Kingdom or the Company and the shareholder agrees to the use of electronic communications and the shareholder provides the Company with an address for that purpose. However, the Company is not obliged to agree to provide electronic communications to a shareholder, and may, for example, refuse to do so where it is concerned that the sending of the document or information to such address using electronic means would or might cause legal or practical problems arising in respect of the laws of, or the requirements of a regulatory body or stock exchange or other authority in, any territory.

Article 179 is a new provision which sets out how the Company will deal with the sending of notices, documents and other information to untraced shareholders. This provision is not primarily driven by the CA 2006, but is a provision commonly included in listed company articles and will assist with company administration.

#### **18. INDEMNITY (ARTICLE 190)**

The CA 2006 has in some respects widened the scope of the powers of a company to indemnify directors. In particular, a director of a pension trustee company can be indemnified against liability incurred in connection with that company's activities as trustee of the scheme, by the pension trustee company itself or by an associated company. The indemnity cannot extend to liabilities to pay criminal or regulatory fines or to defending criminal proceedings in which the director is convicted. Article 190 of the New Articles updates the indemnity provisions in the Current Articles by providing that the Company may indemnify each officer of the Company or an associated company to the extent permissible by the CA 2006.

A copy of the New Articles is available for inspection at Atlantic House, Holborn Viaduct, London EC1A 2FG and at the registered office of the Company on any weekday (public holidays excepted) until the time of the AGM.

