

**CHAIRMAN'S REVIEW**  
**CDL HOTELS NEW ZEALAND LIMITED**  
**Chairman's Statement**

The Directors of CDL Hotels New Zealand Limited ("CDL") announce an unaudited operating profit after tax of \$6,510,000 for the six month period ended 30 June 2002. This is an increase of 36.1% on the equivalent period of the previous year. The operating profit before tax and minorities was \$13,882,000 (2001: \$9,248,000) with the New Zealand Hotel operations contributing 37.7%, CDL Investments New Zealand Limited ("CDLI") 27.7% and Kingsgate International Corporation Limited ("KIC") 34.6%. Total operating revenue of \$93 million was 6.2% down on the equivalent period last year mainly due to the reduced number of residential apartments that were available for sale. The New Zealand hotel operations contributed 60.1% to this turnover while that of CDLI and KIC were 13.0% and 26.9% respectively.

Shareholders' funds, including minority interests, as at 30 June 2002 were \$313,592,000 (31 December 2001: \$320,281,000). Total assets were \$457,974,000 compared to \$515,511,000 a year earlier. Net tangible asset value (excluding minority interest) as at 30 June 2002 was 61.3 cents per ordinary share (31 December 2001 : 62.5 cents).

**NEW ZEALAND HOTEL OPERATIONS**

The total revenue from the New Zealand Hotel operations for the first six months of the year was \$56,152,000 which was 6.7% higher than that of the equivalent period last year. Average occupancy was up 4.8% and yield gain was up 9.5% on last year despite the ongoing negative impact of the September 11 tragedy on international travel.

All the six operating regions recorded increases in both total room revenue and yield. The Auckland hotels increased occupancy by 8% year on year due to a sustained sales and marketing effort. Queenstown continues to lead as the major resort location with a 13.3% increase in growth over last year.

The strategy of the Board to proceed with the refurbishment programme in year 2001 has paid dividends with all three hotels namely Millennium Hotel Rotorua, Copthorne Hotel & Resorts Queenstown Lakefront and the Copthorne Resort Bay of Islands all registering growth in revenue and yield.

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All three brands of Millennium, Copthorne and Quality have done well. The Millennium and Copthorne brands enjoyed substantial yield growth of 10.7% and 12.7% respectively. The Quality brand also showed good growth in a highly competitive environment.

The contribution from the global sales offices of Millennium & Copthorne Hotels plc continue to benefit the New Zealand Group's worldwide exposure. Its sales strategies are continuing to have direct influence on the growth of our New Zealand operations. In addition, the domestic tourist market continues to play a major role in our growth strategies.

#### **CDL INVESTMENTS NEW ZEALAND LIMITED**

CDL Investments New Zealand Limited ("CDLI"), the 60.12% owned subsidiary of the Company, announced an unaudited operating profit after tax for the six months ended 30 June 2002, of \$2,587,000 up 90% from the corresponding period in the previous year. Total revenue was \$12,114,000, an increase of 7.6% from last year. The increase in the after tax profit is due to the fact that the majority of the sections sold were of mid-value sections from Highfields and Waimanu Bay, whereas last year's results were influenced by section sales in the low value groups.

Shareholders' funds as at 30 June 2002 were \$41.8 million (31 December 2001: \$39.2 million) and total assets stood at \$53.8 million (31 December 2001: \$51.5 million). The net tangible asset value was unchanged at 22.3 cents per ordinary share.

#### **KINGSGATE INTERNATIONAL CORPORATION LIMITED**

Kingsgate International Corporation Limited ("KIC"), the 50.74% owned subsidiary, announced an unaudited operating profit after tax of \$5,543,000 for the six months ended 30 June 2002 a 64% increase when compared with the equivalent period the previous year. The earnings per share is 1.41 cents (2001: 0.86 cents). Total operating revenue was \$25,026,000 (2001: 35,077,000). Included in this turnover was \$5,588,000 (2001: \$15,610,000) attributable to the sale of residential apartments. There has been a 2.4% growth in revenue from normal operations (excluding apartment sales) during this six month period, however, these revenue gains were lost in exchange rate variances caused by the strengthening NZD against the AUD.

Shareholders' funds as at 30 June 2002 totalled \$143,519,000 which was a 3% increase from that of the full year ended 31 December 2001. The net tangible asset value was 36.5 cents per share (31 December 2001: 37.6 cents).

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## **OUTLOOK**

The performance of the group in the first half of 2002 has exceeded our expectations with the New Zealand hotel operations showing very significant profit growth on the back of a strong ski season. Barring unforeseen circumstances, our Hotel operations should show similar growth patterns in the second half of the year.

Though CDLI has enjoyed good growth in the period under review, residential sales have stabilised. The company plans to release a further 60 new sections in Auckland and Hamilton shortly and it is confident of achieving reasonable sales.

The outlook for Kingsgate is more challenging. The Company is currently reviewing the direction of Millennium Hotel Sydney and conceptual plans for the conversion of the Millennium Tower into residential apartments have been drawn up as the Company considers its options. KIC's retail business faces some challenges in the second half of the year. In particular, Birkenhead Point Shopping Centre needs to negotiate new leases due to the termination of the leases of some of its major tenants. However, an active marketing campaign should see the introduction of some new major retailer brands. It is expected that the two remaining apartments in Stage 2 will be sold by the end of the year and the sale of the site allocated for Stage 3 completed by that time.

Overall the Board expects a sound financial result in the 2002 year. We believe that the continuing new initiatives being adopted by the Company will enable CDL to continue to extend its share of the market and improve its overall profitability.

J Wilson  
Chairman  
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