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Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	05-Aug-2010 17:27:16
Announcement No.	00079

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited on Results for the Half Year Ended 30 June 2010
Description	Please refer to the attached announcement issued by Millennium & Copthorne Hotels New Zealand Limited on 5 August 2010.
Attachments	MCHNZ_H1_2010.pdf Total size = **1093K** (2048K size limit recommended)

Close Window

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

Results for announcement to the market

Reporting Period	6 months to 30 June 2010
Previous Reporting Period	6 months to 30 June 2009

	Amount (000s)	Percentage change
Revenue from ordinary activities	NZ$ 60,121	Up 13.2%
Profit (loss) from ordinary activities after tax attributable to security holders	NZ$ (20,188)	Down (475.5%)
Net profit (loss) attributable to security holders	NZ$ (20,188)	Down (475.5%)

Interim/Final Dividend	Amount per security	Imputed amount per security
Not Applicable	Not Applicable	Not Applicable

Record Date	Not Applicable
Dividend Payment Date	Not Applicable

Comments:	Please refer to the attached Chairman's Review.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Interim Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2010 DOLLARS IN THOUSANDS	NOTE	Unaudited 6 months to 30/6/10	Unaudited 6 months to 30/6/09
Revenue		60,121	53,103
Cost of sales		(25,624)	(22,542)
Gross profit		34,497	30,561
Administrative expenses		(14,295)	(13,904)
Other operating expenses		(10,459)	(9,433)
Operating profit before finance income		9,743	7,224
Finance income		909	1,367
Finance costs		(846)	(1,209)
Net finance income		63	158
Share of profit/(loss) of associate	8	(5,269)	657
Profit before income tax		4,537	8,039
Income tax expense	3	(28,197)	(1,977)
Profit/(loss) for the period		(23,660)	6,062
Profit/(loss) for the period attributable to:			
Equity holders of the parent		(20,188)	5,376
Non-controlling interests		(3,472)	686
Profit/(loss) for the period		(23,660)	6,062
Basic earnings per share (cents)	4	-5.78c	1.54c
Diluted earnings per share (cents)	4	-5.78c	1.54c

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

Consolidated Interim Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2010 DOLLARS IN THOUSANDS	Unaudited 6 months to 30/6/10	Unaudited 6 months to 30/6/09
Profit/(loss) for the period	(23,660)	6,062
Other comprehensive income		
Movement in revaluation reserve		
- Tax expense on revaluation reserve	(107)	-
Movement in post acquisition reserves in associate	5	-
Movement in exchange translation reserve		
- Recognised in equity	(2,360)	(5,790)
- Tax (expense)/credit on foreign exchange	249	(611)
Total comprehensive income/(expense) for the period	(25,873)	(339)
Total comprehensive income/(expense) for the period attributable to:		
Equity holders of the parent	(21,924)	(2,421)
Non-controlling interests	(3,949)	2,082
Total comprehensive income/(expense) for the period	(25,873)	(339)
DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES :		
Amortisation of intangibles	(34)	(38)
Audit fees	(164)	(146)
Depreciation	(3,591)	(3,845)
Interest income	884	1,355
Net foreign exchange gain	25	12
Interest expense	(846)	(1,209)
Leasing and rental expenses	(3,824)	(3,512)
Net gain/(loss) on disposal of property, plant and equipment	(50)	6

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

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Consolidated Interim Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2010	Attibutable to Equity Holders of the Parent							
DOLLARS IN THOUSANDS	Unaudited Share Capital	Unaudited Revaluation Reserves	Unaudited Exchange Reserves	Unaudited Accumulated Losses	Unaudited Treasury Stock	Unaudited Total	Unaudited Non-controlling Interests	Unaudited Total Equity
Balance at 1 January 2009	430,330	95,056	25,405	(116,200)	(85)	434,506	95,327	529,833
Movement in exchange translation reserve	-	-	(7,797)	-	-	(7,797)	1,396	(6,401)
Income and expense recognised directly in equity	-	-	(7,797)	-	-	(7,797)	1,396	(6,401)
Profit for the period	-	-	-	5,376	-	5,376	686	6,062
Total comprehensive income/(expense) for the period	-	-	(7,797)	5,376	-	(2,421)	2,082	(339)
Dividends paid to:								
Equity holders of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(179)	(179)
Movement in non-contolling interests	-	-	-	(103)	-	(103)	-	(103)
Supplementary dividends	-	-	-	(651)	-	(651)	-	(651)
Foreign investment tax credits	-	-	-	651	-	651	-	651
Balance at 30 June 2009	430,330	95,056	17,608	(115,118)	(85)	427,791	97,230	525,021
Balance at 1 January 2010	430,330	93,447	9,838	(108,448)	(85)	425,082	98,798	523,880
Movement in revaluation reserve	-	(229)	-	-	-	(229)	122	(107)
Movement in post acquisition reserves in associate				5		5	-	5
Movement in exchange translation reserve	-	-	(1,512)	-	-	(1,512)	(599)	(2,111)
Income and expense recognised directly in equity	-	(229)	(1,512)	5	-	(1,736)	(477)	(2,213)
Loss for the period	-	-	-	(20,188)	-	(20,188)	(3,472)	(23,660)
Total comprehensive income/(expense) for the period	-	(229)	(1,512)	(20,183)	-	(21,924)	(3,949)	(25,873)
Dividends paid to:								
Equity holders of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(1,335)	(1,335)
Movement in non-contolling interests	-	-	-	-	-	-	444	444
Supplementary dividends	-	-	-	(527)	-	(527)	-	(527)
Foreign investment tax credits	-	-	-	527	-	527	-	527
Balance at 30 June 2010	430,330	93,218	8,326	(132,822)	(85)	398,967	93,958	492,925

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

Consolidated Interim Statement of Financial Position

AS AT 30 JUNE 2010		Unaudited as at	Audited as at	Unaudited as at
DOLLARS IN THOUSANDS	NOTE	30/06/10	31/12/09	30/06/09
SHAREHOLDERS' EQUITY				
Issued capital		430,330	430,330	430,330
Reserves		(31,278)	(5,163)	(2,454)
Treasury stock		(85)	(85)	(85)
Non-controlling interests		93,958	98,798	97,230
Total equity		492,925	523,880	525,021
Represented by:				
NON CURRENT ASSETS				
Property, plant and equipment		324,525	326,243	332,084
Development properties		142,755	138,748	144,685
Intangible assets		3,780	3,814	3,854
Investment in associates	8	77,636	78,722	85,993
Total non-current assets		548,696	547,527	566,616
CURRENT ASSETS				
Cash and cash equivalents		30,995	31,345	27,483
Trade and other receivables		19,153	21,603	18,945
Inventories		1,431	1,654	1,500
Income tax receivable		796	123	1,285
Development properties		3,427	8,507	2,040
Total current assets		55,802	63,232	51,253
Total assets		604,498	610,759	617,869
NON CURRENT LIABILITIES				
Interest-bearing loans and borrowings		47,735	49,051	50,269
Provisions		552	407	822
Deferred tax liabilities		45,869	20,589	19,870
Total non-current liabilities		94,156	70,047	70,961
CURRENT LIABILITIES				
Interest-bearing loans and borrowings		-	3,600	6,700
Trade and other payables		13,086	12,540	11,940
Related parties	7	4,157	517	225
Provisions		174	175	3,022
Total current liabilities		17,417	16,832	21,887
Total liabilities		111,573	86,879	92,848
Net assets		492,925	523,880	525,021

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

Consolidated Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2010 DOLLARS IN THOUSANDS	NOTE	Unaudited 6 months to 30/6/10	Unaudited 6 months to 30/6/09
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		62,607	58,509
Interest received		873	1,342
		63,480	59,851
Cash was applied to:			
Payments to suppliers and employees		(42,531)	(46,675)
Interest paid		(652)	(1,371)
Income tax paid		(3,416)	(2,416)
		(46,599)	(50,462)
Net cash inflow from operating activities		16,881	9,389
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of property, plant and equipment		-	189
		-	189
Cash was applied to:			
Purchase of property, plant and equipment		(1,929)	(1,326)
Pro-rata funding of investment in the associate	8	(4,743)	-
		(6,672)	(1,326)
Net cash outflow from investing activities		(6,672)	(1,137)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Repayment of borrowings		(4,916)	(5,383)
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd		(4,191)	(4,191)
Dividends paid to non-controlling interests		(1,335)	(179)
Net cash outflow from financing activities		(10,442)	(9,753)
Net decrease in cash and cash equivalents		(233)	(1,501)
Add opening cash and cash equivalents		31,345	28,033
Exchange rate adjustment		(117)	951
Closing cash and cash equivalents		30,995	27,483

Consolidated Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2010 DOLLARS IN THOUSANDS	NOTE	Unaudited 6 months to 30/6/10	Unaudited 6 months to 30/6/09
RECONCILIATION OF NET PROFIT/(LOSS) FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the period		(23,660)	6,062
Adjusted for non cash items:			
Amortisation of intangibles		34	38
Depreciation		3,591	3,845
Income tax expense	3	28,197	1,977
Net loss/(gain) on disposal of property, plant and equipment		50	(6)
Share of profit/(loss) of associate	8	5,269	(657)
Adjustments for movements in working capital:			
Decrease in receivables		2,450	5,381
Decrease in inventories		223	243
Increase in development properties		(187)	(1,215)
Increase / (decrease) in payables		1,342	(2,539)
Increase in related parties		3,640	47
Cash generated from operations		20,949	13,176
Interest paid		(652)	(1,371)
Income tax paid		(3,416)	(2,416)
Net cash inflow from operating activities		16,881	9,389

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

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 an issuer in terms of the Financial Reporting Act 1993. The consolidated interim financial statements of the Company for the six months ended 30 June 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

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

The consolidated interim financial statements were authorised for issuance on 5 August 2010.

(a) Statement of compliance

The consolidated 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 consolidated interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies applied by the Group in these consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2009.

2. Segment reporting

Segment information is presented in the consolidated 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 and commercial property development, comprising the development and sale of residential apartment units and commercial office units.

Geographical segments
The Group consisted of the following main geographic segments:

- New Zealand
- Australia
- Asia

2. **Segment reporting** - continued

(a) Operating Segments	**Hotel Operations**		**Residential Land Development**		**Residential and Commercial Property Development**		**Group**	
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	6 months	6 months	6 months	6 months	6 months	6 months	6 months	6 months
Dollars in thousands	to 30/06/10	to 30/06/09	to 30/06/10	to 30/06/09	to 30/06/10	to 30/06/09	to 30/06/10	to 30/06/09
External revenue	53,123	51,037	5,608	799	1,390	1,267	60,121	53,103
Finance income	210	392	97	111	602	864	909	1,367
Finance expense	(808)	(1,186)	-	-	(38)	(23)	(846)	(1,209)
Depreciation and amortisation	(3,601)	(3,859)	(1)	(1)	(23)	(23)	(3,625)	(3,883)
Segment profit before income tax	6,823	6,514	2,378	(29)	605	897	9,806	7,382
Share of profit/(loss) of associates	-	-	-	-	(5,269)	657	(5,269)	657
Profit before income tax	6,823	6,514	2,378	(29)	(4,664)	1,554	4,537	8,039
Income tax expense	(27,324)	(1,588)	(693)	(2)	(180)	(387)	(28,197)	(1,977)
Segment assets	344,636	351,832	94,093	90,977	87,337	87,782	526,066	530,591
Tax assets	369	1,172	32	329	395	(216)	796	1,285
Investment in associates	-	-	2	2	77,634	85,991	77,636	85,993
Total assets	345,005	353,004	94,127	91,308	165,366	173,557	604,498	617,869
Segment liabilities	(57,510)	(71,293)	(225)	(188)	(7,969)	(1,497)	(65,704)	(72,978)
Tax liabilities	(43,385)	(17,685)	(292)	(351)	(2,192)	(1,834)	(45,869)	(19,870)
Total liabilities	(100,895)	(88,978)	(517)	(539)	(10,161)	(3,331)	(111,573)	(92,848)
Capital expenditure	1,922	1,325	1	-	6	1	1,929	1,326

2. Segment reporting - continued

(b) Geographic Segments

	New Zealand		Australia		Asia		Group	
Dollars in thousands	Unaudited 6 months to 30/06/10	Unaudited 6 months to 30/06/09	Unaudited 6 months to 30/06/10	Unaudited 6 months to 30/06/09	Unaudited 6 months to 30/06/10	Unaudited 6 months to 30/06/09	Unaudited 6 months to 30/06/10	Unaudited 6 months to 30/06/09
External revenue	58,731	51,836	1,390	1,267	-	-	60,121	53,103
Finance income	316	507	593	860	-	-	909	1,367
Finance expense	(846)	(1,207)	-	(2)	-	-	(846)	(1,209)
Depreciation and amortisation	(3,602)	(3,860)	(23)	(23)	-	-	(3,625)	(3,883)
Segment profit before income tax	9,101	6,619	705	763	-	-	9,806	7,382
Share of profit/(loss) of associates	-	-	-	-	(5,269)	657	(5,269)	657
Profit before income tax	9,101	6,619	705	763	(5,269)	657	4,537	8,039
Income tax expense	(27,986)	(1,630)	(211)	(347)	-	-	(28,197)	(1,977)
Segment assets	439,305	443,100	86,761	87,491	-	-	526,066	530,591
Tax assets	788	1,367	8	(82)	-	-	796	1,285
Investment in associates	2	2	-	-	77,634	85,991	77,636	85,993
Total assets	440,095	444,469	86,769	87,409	77,634	85,991	604,498	617,869
Segment liabilities	(64,705)	(71,998)	(999)	(980)	-	-	(65,704)	(72,978)
Tax liabilities	(44,278)	(18,036)	(1,591)	(1,834)	-	-	(45,869)	(19,870)
Total liabilities	(108,983)	(90,034)	(2,590)	(2,814)	-	-	(111,573)	(92,848)
Capital expenditure	1,923	1,325	6	1	-	-	1,929	1,326

3. Income tax expense

Recognised in the income statement

Dollars In Thousands	Unaudited 6 months to 30/06/10	Unaudited 6 months to 30/06/09
Current tax expense		
Current year	2,726	1,696
Adjustments for prior years	77	864
	2,803	2,560
Deferred tax expense		
Origination and reversal of temporary difference	74	472
Adjustment for reduction in tax rate	(821)	-
Adjustment for loss of deductibility of building depreciation	26,797	-
Adjustment for prior years	(656)	(1,055)
	25,394	(583)
Total income tax expense in interim income statement	28,197	1,977

The significant increase in the deferred tax expense is due to the change announced in the recent government budget which removed the ability to depreciate buildings for tax purposes.

4. Earnings per share

The basic earnings per share of -5.78 cents (30 June 2009: earnings per share of 1.54 cents) are based on the loss attributable to ordinary shareholders of $20.19m (30 June 2009: profit of $5.38m) and weighted average number of ordinary shares outstanding during the period ended 30 June 2010 of 349,268,439 (30 June 2009 349,268,439). The calculation of diluted earnings per share of -5.78 cents (30 June 2009: earnings per share of 1.54 cents) is the same as basic earnings per share.

5. Material events subsequent to the end of the interim period

For a summary of material events in relation to investments in associate companies please refer to the 'Offshore investments China' section of the Chairman's Review.

6. 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 month period ended 30 June 2010 (30 June 2009: Nil). There are no contingent liabilities as at 30 June 2010 (30 June 2009: Nil)

7. Related party transactions

Millennium & Copthorne Hotels New Zealand Limited is a 70.22% 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 Ltd in Singapore.

During the six month period ending 30 June 2010, costs amounting to $125,000 (30 June 2009: $125,000) have been recorded in the Income Statement in respect of fees payable to Millennium & Copthorne International Limited (a subsidiary of Millennium & Copthorne Hotels plc) for the provision of management and marketing support.

As at balance date $125,000 was outstanding and payable to Millennium & Copthorne International Limited (2009: $125,000).

In June 2010 CDL Hotels Holdings New Zealand Limited lent $3.5 million to Millennium & Copthorne Hotels New Zealand Limited. The interest rate is fixed at 3% until it is reviewed on 10 September 2010. The unsecured loan is repayable on demand.

8. Associate companies

Associate	Principal Activity	% Holding by MCHNZ Investments Limited 30 June 2010	% Holding by MCHNZ Investments Limited 30 June 2009
First Sponsor Capital Ltd	Investment Holding	34.21%	34.21%
		% Holding by CDL Land New Zealand Limited 30 June 2010	**% Holding by CDL Land New Zealand Limited 30 June 2009**
Prestons Road Ltd	Service Provider	33.33%	33.33%

First Sponsor Capital Ltd has a 31 December balance date and Prestons Road Ltd has a 31 March balance date.

Movements in the carrying value of associates

Dollars In Thousands	First Sponsor Capital Ltd		Prestons Road Ltd	
	2010	**2009**	**2010**	**2009**
Balance at 1 January	78,720	95,444	2	-
Pro rata funding of investment in associate	4,743	-	-	2
Share of post acquisition movement in foreign exchange reserves for the period	(560)	(10,110)	-	-
Share of profit/(loss) for the period	(5,269)	657	-	-
Balance at 30 June	77,634	85,991	2	2

During the period, the Group provided pro-rata funding of $4.7 million (US$3.4 million) to the First Sponsor Capital Group to, inter alia, fund the ongoing residential and commercial development at Chengdu City, Sichuan Province, China.

9. Capital commitments

As at 30 June 2010, the Group entered into contracts to purchase property, plant and equipment with a value of $1,888,000 (2009: $293,000).

CHAIRMAN'S REVIEW

Financial Performance:

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") announced an unaudited loss after tax and non-controlling interests of $20.19 million for the six month period ended 30 June 2010 (2009: $5.38 million profit). Profit before income tax and non-controlling interests was $4.54 million (2009: $8.04 million).

The result is primarily attributable to two major factors – the first being changes to the depreciation of buildings which were announced in May 2010 as part of the New Zealand Government's Budget and the second being the current situation with the Group's Chinese Joint Venture. Further commentary on both of these issues appears below.

These factors notwithstanding, Group revenue and other income for the period under review increased to $61.03 million (2009: $54.47 million). Gross profit increased to $34.50 million (2009: $30.56 million) reflecting increased revenue, ongoing cost savings and productivity improvements.

As at 30 June 2010, shareholders' funds excluding non-controlling interests totaled $398.97 million (2009: $427.79 million) with total assets at $604.50 million (2009: $617.87 million). These figures also reflect the factors referred to above. Net asset backing (excluding non-controlling interests) per share as at 30 June 2010 now stands at 114.1 cents per share (2009: 122.4 cps) and has also been affected by the tax and accounting changes relating to building depreciation.

Effect of the May 2010 Budget on the Group's financial position:

On 20 May 2010 the New Zealand Government announced a reduction in the corporate tax rate from 30 percent to 28 percent and also announced the removal of the ability to depreciate buildings for tax purposes, with effect from 1 January 2011. The Company released a statement to the NZX on 28 July 2010 outlining the effect of these changes, notably an increase in its deferred tax liability.

Although from an accounting perspective, this is a one-off, non-cash adjustment required under International Financial Reporting Standards, the adjustment and the corresponding deferred tax liability has had an effect on the Group's year to date profitability by $26.80 million. This will be reflected again in the full year results. The changes have had a disproportionate effect on the Group because of its policy favouring ownership of its core assets rather than leasing of same.

From 1 January 2011 the net impact of the removal of building depreciation together with the reduction in the corporate tax rate will be to increase the total tax paid by the MCK Group by an estimated $1 million per annum.

The Government has also announced that it will undertake a review of the definition of "*building structure*" for tax purposes. Of particular concern to the Group is the treatment of building fitout which is yet to be determined. Due to high usage, the refurbishment or renewal of hotel room fitouts is generally undertaken in cycles of less than ten years. Based on what is known currently, unless the review clarifies the treatment of building structure and excludes interior fittings and fitout items (such as lifts, bathroom fitout, air conditioning and chillers), the outcome of this review is almost certain to increase the tax paid in future periods as well as resulting in a further adjustment to the Group's deferred tax liability. These adjustments will negate any beneficial effects from the reduction in corporate tax rates and will require the Group to reevaluate its future refurbishment and investment plans.

New Zealand Hotel Operations:

Total revenue for the New Zealand hotel operations (17 owned or leased and operated hotels excluding 13 franchised properties) for the period under review was $53.33 million (2009: $51.43 million). Occupancy for those owned / leased hotels for the period was 68.1% (2009: 63.0%) across the Group.

While key international markets continue to be soft, some signs of recovery have been seen in domestic leisure markets and the Group has been quick to adjust its marketing initiatives accordingly. However, price competition has been notable in certain areas, notably the South Island and this is likely to continue for the foreseeable future.

The Group is currently undertaking a refurbishment of the Kingsgate Hotel Terraces Queenstown and works are scheduled to be completed in the second half of the year.

CDL Investments New Zealand Limited ('CDLI'):

CDLI announced an unaudited operating profit after tax for the six months ended 30 June 2010 of $1.68 million (2009: $31,000 loss). This result reflects more positive sales activity carried through from 2009. CDLI has reported that sales activity for the remainder of the year is not likely to be as positive as for the first half but is on track to remain profitable for the full year and is well positioned for a market upturn.

Offshore investments – Australia and China:

In Australia, occupancy at the Zenith Residences now exceeds 97% with the majority of the unsold units on short-term leases. The units still owned by the Group are being marketed for sale. While no sales have been achieved in the year to date, interest is increasing as market conditions slowly improve.

In relation to the Chinese Joint Venture, the Company released detailed statements on 12 and 15 April 2010 in which it reported that First Sponsor Capital Limited ("FSCL") (a 34% associate company) had encountered certain difficulties arising from actions initiated by one of its Chinese joint venture partners, Cheung Ping Kwong, vis-à-vis Idea Valley Group Limited ("Idea Valley"), its subsidiaries and two of its related companies (collectively the "Idea Valley Entities").

In March 2010, Cheung seized unilateral control of the corporate seals of all (but one) of the Idea Valley Entities and terminated the employment of FSCL's various appointees without authority. He also unlawfully took control of the Idea Valley corporate office and denied FSCL and its appointees their rights to access the Idea Valley Entities' accounts, records, bank statements and other information. As soon as this was discovered, Cheung was removed from his appointments as Chairman, director and legal representative of the relevant Idea Valley Entities. The corporate seals of the relevant Idea Valley Entities which had been seized by him were rendered void by the relevant boards of these entities.

Between 8 April 2010 to 13 April 2010, FSCL learned that Cheung had made the following disposals, without any authority from the relevant Idea Valley Entities' boards:

(1) a 100% interest in the Idea Valley Entity that owned the West Coast Resort Hainan Hotel in Hainan province, to a party which had commenced litigation actions in the Hainan courts in connection with the hotel. Cheung had also used intimidation and forceful tactics to seize the seals and other corporate documents of the Idea Valley Entity which owned the hotel, and that of another Idea Valley Entity which operated and managed the hotel;

(2) an 80% interest in an Idea Valley Entity which owns a development project in Dongguan, Guangdong province, to his close associate;

(3) an 85% interest in an Idea Valley Entity which owns two parcels of development land in Huizhou, Guangdong province; and

(4) a 70% interest in an Idea Valley Entity which carries on a landscaping business and owns various plantation nurseries.

The FSCL Group continues to seek all available legal remedies to assert its rights including *inter alia*, voidance of all unauthorised sales made by Cheung and protect its interests in the Idea Valley Entities. Police reports have been filed with the relevant official authorities and investigations are currently still ongoing. Cheung's unauthorised actions have also been reported to the Chinese governmental authorities. Since the April announcements, some progress has been made in regaining control of some of the Idea Valley Entities. To-date, the local registration process for the replacement of legal representatives and corporate seals has been completed for four Idea Valley Entities (including the entities owning the Cityspring developments located in Fuogang and Lianzhou counties in Qingyuan). These four Idea Valley Entities constitute approximately 20% of FSCL Group's net assets as at 30 June 2010. Efforts are ongoing to complete the registration process for the remaining five Idea Valley Entities in Dongguan (which have not been the subject of Cheung's illegal disposals) which constitute another 9% of FSCL Group's net assets as at 30 June 2010.

A significant portion of the sale proceeds from the aforementioned illegal disposals received by the Idea Valley Group had been transferred to parties believed to be controlled by or affiliated with Cheung during March and April 2010. For the period to 30 June 2010, FSCL Group recorded a net loss, the company's share of which is NZ$5.3 million. The loss was mainly due to the write-off of fees and monies believed to have been misappropriated by Cheung and provision for debtors which FSCL believes it is unlikely to recover due to Cheung's actions.

FSCL management has obtained legal advice which states that it has a basis to recover all assets illegally sold by Cheung. Various actions have been taken under civil and criminal law for the purposes of such recovery and are ongoing. Based on the unaudited management accounts of FSCL Group as at 30 June 2010 which has taken into account the abovementioned write-offs and provisions, FSCL Group's aggregate exposure to the four assets illegally disposed is approximately US$44.9 million or approximately 28% of its net assets as at 30 June 2010. The current market value of these assets illegally disposed is higher than that of its carrying book value. MCK's attributable share of this exposure is approximately US$15.4 million (NZ$21.5 million based on current exchange rates). No provision for this exposure has been made as at 30 June 2010 on the basis of the legal opinion obtained and the ongoing legal actions. However, as the success of the asset recovery efforts of FSCL and the Idea Valley Group continue to be heavily dependent on the assistance and cooperation from all the relevant official authorities, this position will be reviewed on an ongoing basis. The FSCL Group's overall results for the year will hence be determined by the progress of its asset recovery exercise. Should the asset recovery exercise in respect of the illegal disposal of the four assets be unsuccessful, the FSCL Group will need to provide for its exposure to these four assets in its income statement and MCK will then need to correspondingly account for its attributable share of such a provision.

FSCL's operations in Chengdu, Sichuan province remain secure and development and construction of the Cityspring project there are proceeding as planned. The marketing and sale of two blocks of residential apartments commenced in June. Sales made to-date have been encouraging. The Chengdu operations constitute approximately 41% of FSCL Group's net assets as at 30 June 2010. The other offshore assets of the FSCL Group which constitute approximately 2% of FSCL Group's net assets as at 30 June 2010 are also secure.

Outlook:

While the New Zealand Hotel operations and CDLI will continue to show some improvement and remain profitable, the Group's overall profitability for 2010 will be determined by the effect of the tax changes as outlined and whether the FSCL Group is able to regain control of the five Idea Valley Entities in Dongguan as well as recover and restore the assets illegally seized and sold by Cheung Ping Kwong. As the situation regarding both of these factors remains fluid, it is not possible to provide any meaningful guidance at this point in time as to the Group's overall profitability for the remainder of the year.

The Board will be monitoring both factors very closely and will use all reasonable endeavours to try and obtain the best possible outcomes in the interests of all shareholders.

Wong Hong Ren
Chairman
5 August 2010

5 August 2010

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND PROFITS HIT BY INCREASED TAX LIABILITY

New Zealand's largest hotel owner / operator, Millennium & Copthorne Hotels New Zealand Limited ("MCK"), today announced its (unaudited) results for the six months to 30 June 2010.

- Average hotel occupancy across the Group — 68.1% (2009: 63.0%)
- Group Revenue and other income — $61.03 million (2009: $54.47 million)
- Profit before income tax and non-controlling interests — $4.54 million (2009: $8.04 million).
- Loss after tax and non-controlling interests — $20.19 million (2009: $5.38 million profit).

MCK's Managing Director Mr. B K Chiu said that the Group's revenue grew by 12% while gross operating profit had actually increased by 13% to $34.50 million from $30.56 million in 2009. The Board was therefore disappointed to announce a loss.

"Although the Chinese Joint Venture made a loss in the first half of 2010, there has been some progress regarding our Chinese Joint Venture since our releases in April and we have regained control of two development sites. However, by far and away the most significant factor that has caused this result is the policy change regarding the depreciation of buildings which was announced as part of the Government's Budget in May", he said.

Mr. Chiu said that this policy change, which necessitated a one-off, non-cash adjustment of $26.80 million did not impact on the company's overall cash position. However, it did have a major and immediate impact on the company's results and will have significant ongoing effects.

"The Government is also reviewing the definition of building fitout. Unless the review clarifies the treatment of building structure and excludes interior fittings and fitout items, we will be looking at paying an additional $1million in tax per year from 2011. That's an additional 30 percent plus on our tax bill. And this is on top of the estimated $1million tax increase with the removal of the building depreciation. Any gains from the 2 percent reduction in corporate tax are completely wiped out", he said.

Mr. Chiu said that refurbishment and development was critical not only for the company's medium to long term growth but also impacted on the company's ability to attract guests to our New Zealand hotels now and in the future.

"International visitors and inbound tourism are critical planks of our economy and I hope that a business-friendly attitude and policy on depreciation will prevail", he said.

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Ltd

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