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**Miscellaneous**

\* Asterisks denote mandatory information

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**>> Announcement Details**

The details of the announcement start here ...

Announcement Title \* Announcement by Subsidiary Company, Millennium & Copthorne Hotels plc on Update concerning Chinese Joint Venture

Description Please refer to the attached announcement issued by Millennium & Copthorne Hotels plc on 5 January 2011.

**Attachments**
 [05012011\\_FirstSponsorUpdate.pdf](#)

Total size = **25K**  
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**For Immediate Release**

**5 January 2011**

**Millennium & Copthorne Hotels plc (“M&C”)**

**Update concerning Chinese Joint Venture**

The following announcement was released earlier today by M&C’s subsidiary, Millennium & Copthorne Hotels New Zealand Limited (“MCHNZ”), which is listed on the New Zealand Stock Exchange. M&C has a 70.2% interest in MCHNZ. M&C’s effective interest in First Sponsor Capital Limited (“FSCL”) is 39.8%.

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**Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) issues the following update with regard to its interest in its Chinese Joint Venture:**

The Board of MCK is pleased to advise that progress has been achieved in the asset recovery efforts by First Sponsor Capital Limited (“**FSCL**”) in relation to its Guangdong investments made through Idea Valley Investment Holdings Ltd (“**IVIHL**”) and its China subsidiaries (collectively the “**Idea Valley Entities**”). The recovery actions were undertaken as a result of the actions of Cheung Ping Kwong (“**Cheung**”) during March and April 2010. Negotiations between FSCL and Cheung have resulted in agreements being entered into on 31 December 2010 (the “**Settlement Agreements**”) under which, *inter alia*, Cheung and his related company are obliged to carry out certain transactions. Completion of these transactions will result in the objectives of the asset recovery efforts being met, and the full and final settlement of all outstanding issues in relation to the Idea Valley Entities.

Under the terms of the Settlement Agreements, the key transactions are:

1. The transfer by Cheung of his entire approximate 20% shareholding interest in IVIHL to FSCL. This transfer was effected on 31 December 2010. FSCL’s equity interest in IVIHL has therefore increased from approximately 75% to 95% and Cheung no longer has any further interest in the IVIHL group.
2. The repurchase by the IVIHL group of the following interests which Cheung had previously purportedly disposed of:
  - (a) 80% equity interest and its associated intercompany balance in the Idea Valley Entity which owns a mixed used development project in Humen Town, Dongguan City, Guangdong Province (“**Humen Entity Interest**”); and
  - (b) 85% equity interest and its associated intercompany balances in the Idea Valley Entity which owns two parcels of development land in Huizhou City, Guangdong Province (“**Huizhou Entity Interest**”).

These assets will be repurchased at the same price for which they were previously purportedly sold by Cheung on behalf of the IVIHL group. The relevant sale and purchase

agreements were executed on 31 December 2010. Completion of these repurchase transactions is pending the formal registration of the transfer of equity interests with the respective authorities in China.

3. The payment by Cheung and his related company due on 6 January 2011 of a sum of RMB23.96 million (equivalent to NZD 4.73 million, based on a RMB/NZD exchange rate of 5.07 as at 5 January 2011) to the IVIHL group. This payment will be applied to reduce the acquisition cost of a 49% equity interest in a Dongguan company ("**Dongguan Entity Interest**") committed by Cheung on behalf of the IVIHL group.
4. After completion of the above transactions, FSCL will then in effect transfer to Cheung or his nominees the Dongguan Entity Interest, and the entire equity interest in an Idea Valley Entity which owns an industrial property in Xi'an City, Shaanxi Province ("**Xi'an Entity**"), all bought by Cheung on behalf of the IVIHL group with the proceeds from the various purported sales transactions which he had previously undertaken.

Upon the full completion of the transactions and obligations by Cheung and his related company as set out in the Settlement Agreements, the Strategic Co-Operation Agreement entered into between MCK, Tai Tak Industries Pte Ltd, Cheung and his related company on 27 September 2007 will be terminated. All legal actions commenced by all parties will be withdrawn thereafter.

The financial impact of the Settlement Agreements on MCK will only be quantified after the completion of the various transactions and obligations. It is anticipated that some of the losses and/or provisions made earlier in 2010 may be reduced or written back on 31 December 2010. The completion of the Settlement Agreements will in substance allow the FSCL group to recover without any net cash outlay, two out of the four assets (namely the Humen Entity Interest and the Huizhou Entity Interest) purportedly sold by Cheung. The remaining two assets, being the Idea Valley Entities, one of which owns the West Coast Resort Hainan Hotel in Hainan Province, and the other a landscaping business with a plantation nursery, will not be repurchased by the IVIHL group. The disposal of these two assets is expected to result in a net gain on disposal for the IVIHL group. Meanwhile, the transfer of the Dongguan Entity Interest and the Xi'an Entity is expected to be more than compensated by the receipt of Cheung's entire stake in IVIHL by FSCL. MCK believes that the Settlement Agreements represent a favourable outcome and are in the best interests of MCK's shareholders.

As at 31 December 2010, FSCL has already regained control of all the existing Idea Valley Entities and their assets. New legal representatives have already been appointed and new corporate seals and business licences have been issued. FSCL also controls the Idea Valley corporate office located in Dongguan City.

FSCL's operations in Chengdu, Sichuan Province remain secure. The development of the Cityspring project in Chengdu is on track and since June 2010, 5 out of 6 residential blocks have been formally launched with 520 sale and purchase agreements totaling approximately US\$72 million and 43 option agreements signed as at 3 January 2011. This represents a sale rate of 93% out of the total 608 units formally launched. Revenue and profit recognition for this project is expected by the end of 2011. The Cityspring project also includes a hospitality-related component which is expected to be completed in 2012.

Separately, FSCL will be raising new funds in the amount of US\$100 million to finance its proposed acquisition of another piece of land in Chengdu for property development purposes which will include a hospitality-related component. MCK, through a subsidiary of the KIN Holdings group in Australia, funded US\$4.2 million towards the first phase of this fund raising exercise in December 2010.

MCK expects to announce its 2010 full year results around mid-February 2011 at this stage.

Background information:

MCK's Chinese Joint Venture came into being on 27 September 2007 when the Strategic Co-Operation Agreement was entered into between MCK, Tai Tak Industries Pte Ltd, Cheung and his related company Guangdong Huiying Group Limited. Cheung was the founder of Idea Valley Group Limited ("IVGL"). The Strategic Co-Operation Agreement provided for First Sponsor Capital Limited, MCK's associate company, to own a controlling interest in Idea Valley Investment Holdings Ltd ("IVIHL") and for IVIHL to in turn own 100% interest in IVGL which would carry out property-related businesses in Guangdong and Hainan Province, China.

**ENDS**

Issued by Millennium & Copthorne Hotels New Zealand Ltd

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