CDL HOTELS NEW ZEALAND LIMITED

CHAIRMAN'S REVIEW

FOR THE HALF YEAR ENDED 30 JUNE 2003

FINANCIAL PERFORMANCE

The Directors of CDL Hotels New Zealand Limited ("the Company") announce an unaudited operating profit after tax of $8,166,000 for the six months ended 30 June 2003. This is an increase of 25.4% on the first half of the previous year. The operating profit before tax and minority interests was $15,757,000 (2002: $13,882,000), with the New Zealand Hotels operation contributing 53.9%, CDL Investments New Zealand Limited ("CDLI") 31.0% and Kingsgate International Corporation Limited ("KIC") 15.1%.

Total operating revenue of $86 million was down 7.3% on the equivalent period last year. This fall was mainly attributable to KIC, which closed the Millennium Hotel Sydney for redevelopment and also had fewer residential apartments available for sale. The New Zealand hotels operation contributed 67.1% to this turnover, while CDLI and KIC contributed 17.0% and 15.9% respectively.

Shareholders' funds, including minority interests, were $341,941,000 at 30 June 2003 (31 December 2002: $325,943,000). Total assets were $460,697,000, compared to $457,974,000 a year earlier. Net tangible asset value (excluding minority interests) was 64.7 cents per ordinary share at 30 June 2003 (31 December 2002: 61.3 cents).

NEW ZEALAND HOTEL OPERATIONS

The total revenue from the New Zealand Hotels operation for the first six months of the year was $57,612,000, which was 2.5% higher than that of the equivalent period last year. Whilst average occupancy was similar to 2002 levels, the overall yield was up 5.0%. This was despite the significant impact on trading, during the second quarter, of both the Iraq conflict and SARS.

Queenstown was the only one of the six operating regions to experience a reduction in yield (- 1.2%). Being a prime tourist destination, it suffered from the drop in international visitor arrivals that occurred as a result of the aforementioned Iraq conflict and SARS. Christchurch increased yield by 12%, while Auckland and the other provincial regions increased their yield by more than 7%. Of particular note, our operations in the Bay of Islands achieved a creditable 23% increase in yield over the corresponding period last year.

The strategy of the Board and management to continue with the hotels refurbishment programme in the 2002 year has paid dividends. The outstanding examples of this were the Copthorne Hotel Christchurch Central and Quality Hotel Rotorua, both of which registered substantial growth in revenue and yield.

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All three brands - Millennium, Copthorne and Quality - have performed beyond expectations given the circumstances. The Copthorne group recorded a yield growth of 11% and Quality 4%. The Millennium group, as a result of its resort locations, also performed well under very difficult market conditions.

The contribution from the global sales offices of Millennium & Copthorne Hotels plc continues to benefit the New Zealand group. Its global sales strategies have a direct influence on the growth of our New Zealand operations. In addition, the domestic market continues to play a major role in the growth strategies of the New Zealand hotels operation and we are continuing to see increased support from both the meetings and incentives and corporate sectors of the market.

CDL INVESTMENTS NEW ZEALAND LIMITED

CDLI, the 61.48% (31 December 2002: 60.12%) owned subsidiary of the Company, announced an unaudited operating profit after tax for the six months ended 30 June 2003 of $3,686,000. This is an increase of 42.5% on the corresponding period in the previous year. Total revenue was $14,601,000, up 20.5%. Operationally, the lift in net profit after tax was due to an increase in section sales and an improvement in gross margins in the mid-value range from Ashmore, Highfields and Waimanu Bay developments..

Shareholders' funds were $48.4 million at 30 June 2003 (31 December 2002: $45.2 million) and total assets stood at $50.7 million (31 December 2002: $51.8 million). The net tangible asset value was 24.3 cents per ordinary share (31 December 2002: 24.1 cents).

KINGSGATE INTERNATIONAL CORPORATION LIMITED

KIC, the 50.74% owned subsidiary, announced an unaudited operating profit after tax of $1,838,000 for the six months ended 30 June 2003, – a 66.8% decrease when compared with the equivalent period the previous year. Earnings per share were 0.47 cents (2002: 1.41 cents) and total operating revenue was $13,750,000 (2002: $25,026,000). Revenue included $748,000 (2002: $5,588,000) attributable to the sale of residential apartments and $3,578,000 (2002: $8,773,000) attributable to the Millennium Hotel Sydney, which was closed on 31 March 2003.

Shareholders' funds totaled $158,513,000 at 30 June 2003, which was an 8.7% increase since 31 December 2002. The net tangible asset value was 40.3 cents per share (31 December 2002: 37.6 cents).

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OUTLOOK

The performance of the Group in the first half of 2003 exceeded our expectations, with the New Zealand hotels operation recording improved profit ratios in spite of extremely challenging trading conditions. A strong ski season, and the absence of international events such as those experienced in the second quarter, will see our hotels operation achieve further profit growth during the second half of the year.

The reduction of interest rates over the past six months, with speculation of further reductions, has helped maintain confidence levels in the residential property market, which has certainly benefited CDLI. Given current conditions we expect demand for residential sections and property to continue.

The outlook for KIC for the rest of the year will be challenging. The start of construction of the Zenith residences in May this year on the now closed Millennium Hotel Sydney site will have a short-term negative impact; however, significant profits from that project should have a positive impact on the group's result in the second half of 2003 and throughout 2004. The other components of KIC, namely Kingsgate Shopping Centre, Birkenhead Point Shopping Centre and Birkenhead Point Marina, will attempt to maintain their respective profitability levels as in 2002.

Overall, the Board expects a sound financial result in 2003. 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
7 August 2003

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