

CDL Hotels New Zealand Limited

CHAIRMAN'S REVIEW

FOR THE HALF YEAR ENDED 30 JUNE 2004

FINANCIAL PERFORMANCE

The Directors of CDL Hotels New Zealand Limited ("CDL") are pleased to announce an unaudited operating profit after tax of \$13,425,000 for the six month period ended 30 June 2004, an increase of 16.1% from the corresponding period in the previous year. The operating profit before tax and minorities was \$18,897,000 (2003: \$15,757,000) with the New Zealand hotel operations contributing 45.0%, CDL Investments New Zealand Limited ("CDLI") 38.0% and Kingsgate International Corporation Limited ("KIC") 17.0%.

Total operating revenue of \$85 million was in line with the corresponding period in the previous year. The New Zealand hotel operations growth of 8.3% compensated for the loss of revenue attributed to the operations of the Millennium Hotel Sydney in 2003 which is now closed. The New Zealand hotel operations contributed 73.9% to the 2004 turnover while that of CDLI and KIC contributed 14.8% and 11.3% respectively.

Shareholders' funds, including minority interests, as at 30 June 2004 were \$334,387,000 (31 December 2003: \$352,524,000). Total assets were \$447,243,000 compared to \$460,697,000 a year earlier. Net tangible asset value (excluding minority interest) as at 30 June 2004 was 68.9 cents per ordinary share (31 December 2003: 68.9 cents).

NEW ZEALAND HOTEL OPERATIONS

The total revenue from the New Zealand hotel operations for the first six months of the year was \$61,832,000 compared to \$57,107,000 for the corresponding period in the previous year. In spite of the absence of the America's Cup, which we enjoyed the previous year and the negative exchange rate fluctuations at the start of the year, occupancy was up 7.5% with a yield gain of 8.5% on last year.

All the six operating regions recorded increases in both total room revenue and yield. The Auckland hotels increased occupancy by 10.1% year on year due to a sustained sales and marketing effort. Queenstown continues to lead as the major resort location with an 11.6% increase in yield over last year.

The strategy of the Board to press on with the refurbishment programme commenced in 2001 continues to pay dividends with the recently refurbished Copthorne Hotel Christchurch, Durham Street achieving yield growth in excess of 25%.

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All three brands of Millennium, Copthorne and Kingsgate have performed above expectation. The Millennium and Copthorne brands both enjoyed substantial yield growth of 9.0% and 10.1% respectively. The recently re-launched Kingsgate Hotels also showed good growth of 6.0% in a highly competitive environment.

The contribution from the global sales offices of Millennium & Copthorne Hotels plc continues to enhance the New Zealand group's exposure in its international markets. In addition, the New Zealand corporate and leisure markets continue to play a major role in our growth strategies.

CDL INVESTMENTS NEW ZEALAND LIMITED

CDLI, the 60.12% owned subsidiary of CDL, announced an unaudited operating profit after tax for the six months ended 30 June 2004, of \$4,734,000 up 28% from the corresponding period in the previous year. Total revenue was \$12,385,000, a decrease of 15% from last year. The lift in the after tax profit is due to the proportion of high-value, high-margin section sales from the company's premium sites at Waimanu Bay, Redoubt Park and Ashmore. By comparison, earnings in the previous year were driven mainly by strong sales of mid-value, low margin sections at Flagstaff and Ashmore.

Shareholders' funds as at 30 June 2004 were \$53.2 million (31 December 2003: \$51.3 million) and total assets stood at \$56.2 million (31 December 2003: \$53.0 million). The net tangible asset value was unchanged at 26.5 cents per ordinary share (31 December 2003: 25.7 cents).

KINGSGATE INTERNATIONAL CORPORATION LIMITED

KIC, commenced the period as the 50.74% owned subsidiary of CDL. In May 2004, CDL entered into an agreement with an unrelated third party, which used to be a substantial shareholder of KIC, to form KIN Holdings Limited which has successfully made a takeover offer for all the shares in KIC.

AUSTRALIAN OPERATIONS

Total operating revenue was \$9,459,000 (2003: \$13,690,000). The 2003 operating revenue included \$3,539,000 attributable to the operations of Millennium Hotel Sydney, which closed on 31 March 2003.

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FUTURE OUTLOOK

The performance of the Group in the first half of 2004 has exceeded our expectations with the New Zealand hotel operations continuing to achieve significant revenue growth on the back of a strong international market. Barring any major global events influencing world travel patterns, our hotel operations should continue to trade well in the second half of the year.

While CDLI has posted a good set of earnings for the reporting period, there are signs that the favourable market conditions that underpinned the performance are slowing down. This may be read as a good sign for a sustainable growth in the property market. The unseasonably wet summer has caused considerable delays in completing subdivisions presently underway in Auckland, Hamilton, Tauranga, Hastings and Queenstown.

As for the Australian operation, the KIC group has entered into agreements for the sale of the Bayswater Tower, Kingsgate Shopping Centre and Commercial complex, including the Coca Cola sign. The construction of the Zenith Residences has commenced. These property disposals and redevelopment program would contribute earnings when the sales are completed. The Birkenhead Point Shopping Centre and Marina continue to trade ahead of our expectations.

Overall, the Board expects a sound financial result in the 2004 year.

*HR Wong
Chairman
5 August 2004*

Any inquiries please contact:

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