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# ANNUAL REPORT

## CORPORATE PROFILE

**Kingsgate International Corporation Limited** was incorporated as a public limited company on 9 July, 1965 and listed in October that year. Its assets are in Sydney, Australia and include the 390 room Millennium Hotel Sydney, the Kingsgate Shopping Centre, the Birkenhead Point Shopping Centre, the Birkenhead Point Marina and the Birkenhead Quays Project

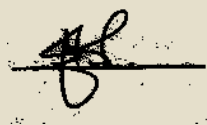
## + FINANCIAL CALENDAR

ANNUAL REPORT MAILED	08 APRIL 2003
HALF YEAR END	30 JUNE 2003
INTERIM PROFIT ANNOUNCEMENT	AUGUST 2003
INTERIM REPORT MAILED	SEPTEMBER 2003
FINANCIAL YEAR END	31 DECEMBER 2003
ANNUAL PROFIT ANNOUNCEMENT	FEBRUARY 2004
ANNUAL REPORT MAILED	MARCH 2004

## KINGSGATE INTERNATIONAL CORPORATION LIMITED

The directors are pleased to present the Annual Report of Kingsgate International Corporation Limited for the year ended 31 December 2002.

Signed for and on behalf of the Board of Directors



J Wilson  
Chairman  
5 March 2003



JM Tsang  
Director  
5 March 2003

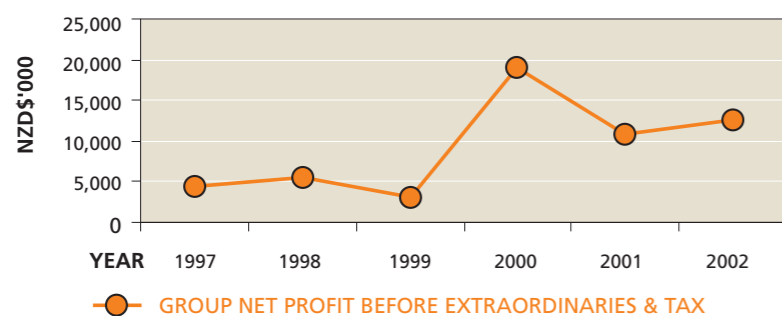


FINANCIAL SUMMARY

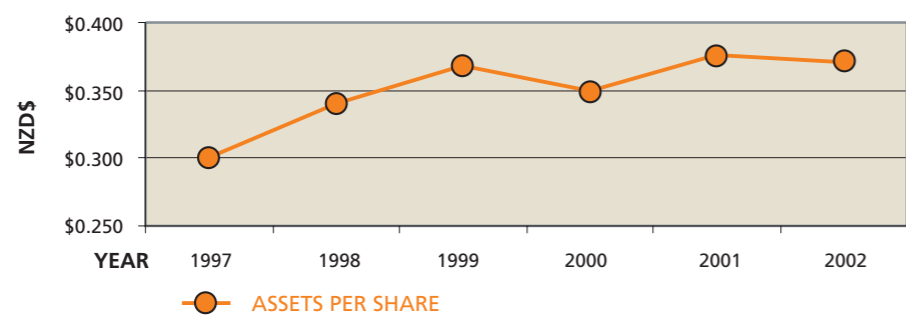
FOR THE YEAR ENDED 31 DECEMBER KINGSGATE INTERNATIONAL CORPORATION LIMITED

DOLLARS IN THOUSANDS	1997	1998	1999	2000	2001	2002
Total Revenue	35,885	87,193	40,438	117,522	76,382	50,851
Profit (Before Tax)	4,395	5,626	3,185	19,087	10,814	12,514
Group Net Profit (After Tax)	4,395	5,626	3,185	6,804	10,814	10,204
Earnings Per Share	1.1c	1.4c	0.8c	1.7c	2.75c	2.60c
Net Asset Backing Per Share (Excluding Minority Interest)	\$0.300	\$0.340	\$0.368	\$0.350	\$0.376	\$0.371
Total Liabilities: Total Assets Ratio	42.0%	53.6%	47.5%	57.6%	32.5%	25.9%
Total Assets	205,155	287,062	275,860	324,998	219,059	196,540
Group Equity	119,041	133,301	144,754	137,760	147,966	145,801

KIC - GROUP NET PROFIT BEFORE EXTRAORDINARIES & TAX



NET ASSETS BACKING PER SHARE



- The launch of the "FreshPoint at Birkenhead Point" marketing campaign and "Win an MG" competition proves such a huge success that annual sales in this precinct increase by 64% (March 2002).
- The refurbishment of the Birkenhead Point Marina is completed at a cost of A\$2.7million improving the capacity, appearance, operation and income stream of the marina significantly (September 2002).
- For the second year in a row, Birkenhead Point Shopping Centre receives the "Excellence in Shopping Centre Marketing NSW" award from the Australian Marketing Institute (September 2002).
- All prior year income tax losses available to the Australian group are fully absorbed, thus bringing KIC into a tax payable position (September 2002).
- The land for the development of Birkenhead Quays Residential Project Stage 3 is sold to a developer, thus completing the sale of Stages 1, 2 and 3 of the residential project (October 2002).
- The encouraging cashflow from all operations over the past 12 months sees the Company reduce its borrowings by 33% (December 2002).
- KIC announces a \$12.5 net profit before tax for the twelve months ended 31 December 2002, an increase of 16% when compared to the same period the previous year. Exchange rate losses between the AUD\$ and NZD\$ diminished the result by 4.7% (March 2003).
- The directors of KIC plan to convert the Millennium Hotel Sydney into luxury strata-titled apartments (March 2003).

## FINANCIAL PERFORMANCE

The Directors of Kingsgate International Corporation Limited ("KIC") announce an audited operating profit before tax of \$12.5 million for the twelve months ended 31 December 2002, compared with \$10.8 million for the equivalent period the previous year. For many years, KIC has had considerable income tax losses available to it and hence has not paid income taxes. However, during 2002, all Australian income tax losses available to the group were fully absorbed, thus bringing KIC into a tax payable position. KIC's operating profit after tax of \$10.2 million compares with \$10.8 million last year. The earnings per share is 2.60 cents (2001: 2.75 cents). Total operating revenue of \$50.9 million was down 33% from \$76.4 million in 2001. Revenue attributable to the sale of apartments and land at Birkenhead Quays was \$12.6 million (2001: \$37.2 million). With the sale of the last unit in February 2003, Stages 1, 2 and 3 of the residential development project are essentially complete.

Revenue from normal operations in Australia was up 4.4%. Hotel revenue was up 3.2% compared to last year whilst revenue from Birkenhead Point Shopping Centre and Kingsgate Shopping Centre increased 4.3% and 1.1% respectively. The refurbished Birkenhead Point Marina's revenue increased 11.1% compared to the same period last year. Due to the strengthening NZ\$, conversion of Australian revenues and expenses into NZ\$ caused a 4.7% exchange fluctuation loss this financial year. Thus, in NZ\$ terms, revenue from normal operations was down 0.2% to \$38.3 million (2001: \$39.2 million).

The encouraging cashflow from all operations over the past 12 months saw KIC reduce its borrowings by 33% from \$65 million at 31 December 2001 to \$43 million at 31 December 2002. Shareholders' funds as at 31 December 2002 totalled \$145,801,000, a decrease of 1.5% since 31 December 2001. Group profits contributed a 6.9% increase to equity and asset revaluations a 5.1% increase. However, exchange fluctuation losses caused through conversion of Australian Balance Sheets into NZ\$ contributed a 13.5% decline in shareholders' funds. The net tangible asset value was 37 cents per share compared to 38 cents as at 31 December 2001.



## THE ENCOURAGING

cashflow from all operations over the past 12 months saw KIC reduce its borrowings by 33% .



ZENITH, SYDNEY

#### MILLENNIUM HOTEL SYDNEY

The gross revenue of the Millennium Hotel Sydney for the year ended 31 December 2002 was up 3.2% compared to last year. Although occupancy of 77.7% for 2002 was down on last year's 80.4%, the average room rate increased 6.4% to bring in more revenue per room.

Last year, the board indicated that it was considering whether to refurbish or restructure the hotel to enhance its value. During the year, the decision was made to convert part of the hotel into apartments. The hotel will cease its operations on 31 March 2003. The tower block of the existing hotel comprising of 250 rooms has been renamed Zenith for the purposes of this development. The Zenith development comprises 97 residential apartments. Initial expressions of interest in over 50% of these apartments have been most encouraging.

#### KINGSGATE SHOPPING CENTRE

The Kingsgate Shopping Centre continued to show an improved performance during the period under review. Its turnover for 2002 was 1.1% higher than that in the previous year, a good result notwithstanding approximately 1,000 square metres of floor-space was held back mid-year pending development. In an environment of increased competition, the average rental rate per square meter decreased by 1%. However, average occupancy increased 4.2% to 84.5%. The major anchor tenants at the shopping centre continue to perform very well.

#### BIRKENHEAD POINT SHOPPING CENTRE

After strong growth in recent years, the Birkenhead Point Shopping Centre continued its upward trend to report further increased revenues (4.3%) and profits (6%) for the twelve months ended 31 December 2002. This result was excellent considering the difficulties experienced with a flat retail market in Australia throughout 2002 and with the opening of a competitive factory outlet centre. Average occupancy in the retail space during the 12 months ended 31 December 2002 increased to 98% (2001:97%) and the centre achieved a 6% increase in the Australian dollar average rental rate per square meter compared to the previous year.

#### BIRKENHEAD POINT MARINA

The refurbishment of the Birkenhead Point Marina was completed in September 2002 at a cost of A\$2.7 million. This has contributed to an increase in revenue for the last quarter of the year under review of around 20% to 25%. This flowed into the full year performance that saw revenue up 11.1% on last year. Occupancy at year end was an excellent 98% on those 177 available berths demonstrating a high demand for such a facility in Sydney.

#### BIRKENHEAD QUAYS

The sale of all the apartments of the Birkenhead Quays residential project is now completed. During the 12 months ended 31 December 2002, 11 units were sold with the last remaining unit sold in February 2003. In October 2002, the land and the Development Approval originally allocated to Stage 3 of the project were sold to an unrelated Sydney developer.



#### DIVIDEND

The Company will not be paying any dividend this year.

#### BOARD

There were no changes to the Company's Board during the period under review.

#### OUTLOOK

The outlook for hotel operations in 2003 is challenging. The return on the Millennium Hotel Sydney has been quite low for some time. The hotel's age and tired appearance makes it difficult to compete (especially on room rate) with the many new or refurbished 4 and 5 star hotels in the CBD and Darling Harbour area. In recent years, Kings Cross and nearby suburbs have seen former hotels convert to residential apartments as the area demographics change from tourism-dependent to community housing. The Directors of KIC have spent the past year analysing various assets models for the site. The directors plan to convert part of the hotel component of the site into luxury strata-titled apartments. These should sell at a premium due to the building's unique design and its spectacular views. The Kingsgate Shopping Centre (including the famous Coca Cola sign) will be retained but upgraded by the Company due to its excellent return to shareholders.

Strong retail occupancy, quality anchor tenants and tailored marketing programmes will ensure that the solid revenue base of the Birkenhead Point Shopping Centre consolidates further in 2003. No major capital works are planned for the Centre during 2003 although management continues to examine the available options for continued improvements to the Centre. Revenue and profits should improve considerably at the Birkenhead Point Marina in 2003 as it takes full advantage of the new refurbishment.

Barring unforeseen circumstances and events, the Directors anticipate a satisfactory 2003 results.

J Wilson  
Chairman  
March 5, 2003



**AFTER** strong growth in recent years, the Birkenhead Point Shopping Centre continued its upward trend to report further increased revenue (4%) and profits (6%) for the twelve months ended 31 December 2002.

## MILLENNIUM HOTEL SYDNEY

The gross revenue of the Millennium Hotel Sydney for the year ended 31 December 2002 was up 3.2% compared to last year. Although occupancy of 77.7% for 2002 was down on last year's 80.4%, the average room rate increased 6.4% to bring in more revenue per room. The Soccer World Cup in Korea and Japan diverted much of the inbound business from Asia and UK in the early part of the year, while the continuing world terrorism threats have also impacted on inbound travel to Australia, especially from New Zealand and Europe. In the second half of the year, the sales team has been successful in growing the domestic leisure and dot com business, and taking advantage of the return of the Japanese FIT traveller to the Australian market.

The decline in conference and catering business across the Sydney industry during 2001 and 2002 failed to produce room nights and negatively impacted on the food and beverage operations of the hotel. Food revenues were slightly up on last year's poor performance whilst beverage revenues fell. Through tight control of overhead expenses, cost savings of 6% were achieved over 2001 levels. Although 2002 was a tough year in the hotel industry worldwide, The Millennium Hotel Sydney managed to increase revenue and decrease costs, resulting in a very pleasing 49% increase in operating profit before recharges above last year's result.

Last year the board indicated it was considering whether to refurbish the hotel or restructure it to enhance its value. During the year the decision was made to convert part of the hotel into apartments. The hotel will cease operation on 31 March 2003. The tower block of the existing hotel comprising of 250 rooms has been renamed Zenith for the purposes of this development. Zenith development comprises 97 apartments. Initial expressions of interest in over 50% of the apartments have been noted and this is most encouraging.

## KINGSGATE SHOPPING CENTRE

The Kingsgate Shopping Centre at the Hotel continued to show an improved performance during the period under review. Its turnover for 2002 was 1.1% higher than that in the previous year, a good result notwithstanding approximately 1,000 sqm of floor-space was held back mid-year pending redevelopment, plus the revenue stream from the lease of the communications tower ceased in September.

Occupancy stands at 95.3% of available space to let during the last quarter of the period under review, whilst average YTD occupancy for 2002 was 84.5% compared to 80.3% in 2001. Talks are continuing with the tenants regarding the impact of the redevelopment on the shopping centre. Various shopping centre services (air conditioning, fire etc) will have to be relocated as part of the project. The planned refurbishment of the building will give opportunities to improve the external facade and internal appearance of the shopping centre. The major anchor tenants at the shopping centre continue to perform very well.

## BIRKENHEAD POINT SHOPPING CENTRE

After strong growth in recent years, the Birkenhead Point Shopping Centre continued its upward trend to report further increased revenues (4.3%) and profits (6%) for the twelve months ended 31 December 2002. This result was excellent considering the difficulties experienced with a flat retail market in Australia throughout 2002 and with the opening of a competitive factory outlet centre. Management continued to reposition the centre as a major destination for "Labels, Leisure and Lifestyle" with the new leasing of stores such as Kathmandu, Bayswiss and Calvin Klein Jeans. Average occupancy in the retail space during the 12 months ended 31 December 2002 increased to 98% (2001: 97%) and the centre achieved a 6% increase in the Australian dollar average rental rate per square metre compared to the prior year.

## Operations

The major overhaul of the fire services to bring them up to the required compliance standards is now complete. Ongoing repairs and maintenance in some areas is being addressed. The Fire Contractor has issued a compliance certificate and this has been forwarded to the Fire Authorities and Council.

Occupational Health and Safety requirements in the centre were reviewed in 2002 due to the introduction of new government legislation. A proposal for escalator upgrade/safety works in compliance with this new legislation is being reviewed.

Continual upgrading of the centre is being undertaken to counter the age of the buildings and in keeping with industry standards. This primarily involves repairs, painting, lighting,

high pressure cleans and upgrading of old fixtures and fittings throughout the centre.

## Leasing

Leasing activity for the 12 months to December 2002 has been substantial; this has resulted in improved rental growth and a better retail mix of tenants in the centre.

New tenants to the centre in the last quarter of the period under review include Gee Whiz for Kids, Maggie T, My Pantry, Ally Fashion, Rumours Communication, Larry Adler Ski & Outdoor and Splat.

## Marketing

A huge part of Birkenhead Point Shopping Centre's 2002 success can be attributed to the relaunch of the "FreshPoint" fresh food precinct of the shopping centre. The successful marketing campaign launched early last year to attract local shoppers back to Birkenhead, not only helped to improve tenant's annual sales in this precinct by 64%, the campaign also won a major award for "Excellence in Shopping Centre Marketing NSW 2002" by the Australian Marketing Institute. This is the second year in a row that the award has been won by the centre.

In July, our VIP Fresh Club was introduced, offering local customers incentives to shop at the FreshPoint precinct. A VIP menu has been marketed to boat-owners at the marina to encourage their use of the fresh food area. With over 850 members to date, the VIP Fresh Club is seen as an ongoing resource to encourage repeat visitations to the centre.

Two thirty-second TV commercials "Get to The Point, Birkenhead Point" were launched on 3 free-to-air channels (7, 9 and 10) from August through December. Aimed at the "Labels, Leisure and Lifestyle" market, the response to the campaign has been very successful with increased sales and customer traffic being experienced. This television campaign will continue into 2003.

## Retail Market Overview

While retail sales were less than expected throughout 2002, they remain positive in a global context. However, the continuing drought in Australia and growing conflict in the Middle East (and associated share market fluctuations) are likely to test consumers' confidence in the months ahead.

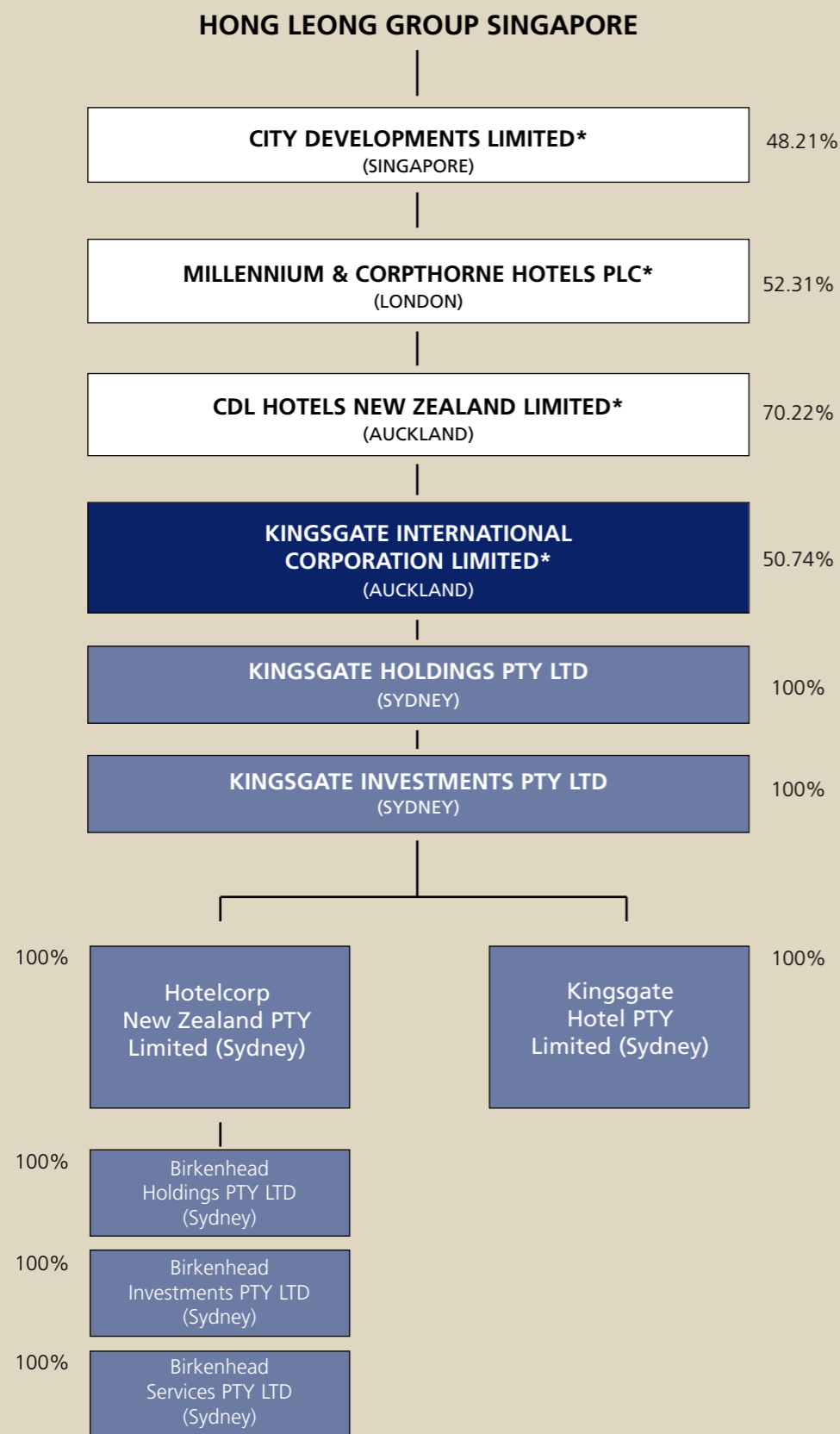
## BIRKENHEAD POINT MARINA

The refurbishment of the Birkenhead Point Marina was completed in September 2002 at a cost of A\$2.7 million. For the twelve months ended 31 December 2002 the revenue of the Birkenhead Point Marina increased by 11.1% on last year. Year end occupancy in December 2002, was an excellent 98% of 177 available berths demonstrating a high demand for such a facility in Sydney. Of these 88.2% were permanently let and the remaining 11.8% were filled with casual leaseings. Some difficulties were experienced during the year with the late completion of the refurbishment works, the complicated re-allocation of berths for existing vessels and the leasing of the vacant berths. By year end, these problems have all been addressed and we begin 2003 with a new and exciting marina that will bring a much improved return.

## BIRKENHEAD QUAYS RESIDENTIAL PROJECT

2002 saw the completion of the sale of Stages 1, 2 and 3 of the Birkenhead Quays residential project. During the 12 months ended 31 December 2002, 11 units were sold with the last remaining unit sold in February 2003. In October 2002, the land and architectural drawings for Stage 3 were sold to an unrelated Sydney developer for a profit. The fourth and final stage of the project is now in planning stage, although no commitment has yet been made by the Company to this project. The Birkenhead Quays Residential Project has made a significant contribution to the Company's profits in recent years and has been applauded a great success.





\* Public listed companies

**JOHN WILSON**

61, non-executive Chairman of the Company, appointed in August 1999 is also the Chief Executive Officer of Millennium & Copthorne Hotels Plc ("M&C"). He held various posts during the 25 years that he was with the Ladbroke Group and Hilton International. His last position before joining M&C was Chief Operating Officer and Senior Executive Vice President of Hilton International where he was responsible for the operations of 167 hotels in 48 countries. In August 2000, he was conferred a honorary Doctorate of Business Administration from the Robert Gordon University of Aberdeen in recognition of his contribution to the international hotel industry. In January 2002, Mr Wilson was elected as the Chairman of the British Hospitality Association.

**TSANG JAT MENG**

70, was appointed as a Director of the Company in July 2001. He is the Managing Director of CDL Hotels New Zealand Limited and CDL Investments New Zealand Limited. Prior to his appointment to the board, Mr Tsang was a senior partner and shareholder of a stockbroking company, Tsang & Ong of Singapore. In 1983, Mr Tsang was appointed Deputy Chairman of the Singapore Stock Exchange for a 5-year term.

**WONG HONG REN**

51, non-executive Director of the Company, was appointed in May 1994. He is an executive Director of M&C. Mr Wong was appointed non-executive director of CDL Hotels New Zealand Limited when the Hong Leong Group of Singapore first invested in New Zealand. He is also a non-executive director of CDL Investments New Zealand Limited. Mr Wong is the Group Investment Manager for the Hong Leong Group in Singapore.

**VINCENT WEE ENG YEO**

34, non-executive Director of the Company, was appointed in May 1994 on acquisition of the Company by CDL Hotels New Zealand Limited. In February 1998 he was transferred to London to take up the position of Executive Director of M&C with special responsibilities in sales and marketing. In June 2001, he returned to Asia to assume the role of Chief Executive of City e-Solutions Limited, a listed subsidiary of City Developments Limited. In October 2001, he also assumed the role of Chief Operating Officer of Millennium and Copthorne Hotels Asia Pacific Region.

**HO SIM GUAN**

77, non-executive Director of the Company, was appointed in June 1982. Mr Ho is involved in various investment activities in Australia, Singapore, Malaysia and China.

**JOHN HENDERSON**

56, non-executive Director, was appointed to the Board in October 2000. He also sits on the Board of CDL Hotels New Zealand Limited and CDL Investments New Zealand Limited. He has held various positions during his 28 years with the Starwood Hotels and Resorts Group. His last position before returning to New Zealand was Regional Vice President (Operations) for Asia Pacific Division where he had direct responsibility for 29 Sheraton and Westin Hotels in China, Japan, Korea, Taiwan and Guam. Mr Henderson was also a director for Starwood Joint Ventures in Tokyo, Hong Kong and Beijing and Chairman of the China Hotel Development Company. Between May 1986 and May 1990, Mr Henderson was the Chief Executive of the Sheraton Group in New Zealand and Area Manager of the South Pacific region.

**CALVIN HAN LEONG HO**

51, non-executive Director, was appointed to the Board in May 1994. Mr Ho is involved in various investment activities in Singapore, Malaysia, Australia and China.

The Board of Directors of Kingsgate International Corporation Limited is responsible for the corporate governance of the Company. This responsibility includes setting the direction of the Company's business enterprise, being accountable to shareholders for its business performance and overseeing compliance with relevant legal obligations and standards of performance and conduct.

This responsibility includes such areas of stewardship as to the identification and control of the Group's business risks, the integrity of management systems and reporting to shareholders.

The principal objective of the Company and its subsidiaries (the Group) is to operate as a successful business and to be:

- as profitable and efficient as comparable businesses;
- a good employer i.e. an employer operating personnel policies which contain provisions generally accepted as necessary for the fair and equitable treatment of employees in all aspects of their employment;

The Board establishes the Group's principal objectives, determines major strategies for achieving those objectives, and provides the policy framework within which the Group operates and monitors management's performance within that framework.

Each year management submits to the Board a proposed annual budget for approval prior to the commencement of each financial year.

Major policies, which are subject to the Board's approval and review, include capital expenditure, treasury policy, guidelines for the appointment of senior staff and delegated authority limits.

The Board also compares actual business results to forecasts and to budget at Board meetings.

The Group does not have a formally constituted audit committee. However, the parent company, CDL Hotels New Zealand Limited does have such a committee and matters pertaining to the Group as a whole eg audits (both internal and external) and certain risk management strategies are discussed at that committee.

The Board comprises of the non-executive Chairman, 1 Executive Director, 4 non-executive Directors and 1 independent Director. Further details about each of the Directors are set out on page 11 of this report.

The Company's constitution requires that Directors stand for re-election to the Board at the Annual Meeting of Shareholders once every three years.

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**FINANCIAL**  
REPORT



#### To the Shareholders of Kingsgate International Corporation Limited

We have audited the financial statements on pages 3 to 14. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 31 December 2002. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

#### DIRECTORS' RESPONSIBILITIES

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and Group as at 31 December 2002 and of the results of their operations and cash flows for the year ended on that date.

#### AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

#### BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the Company and certain subsidiaries in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the Company and Group on normal terms within the ordinary course of trading activities of the business of the Company and Group. These matters have not impaired our independence as auditors of the Company and Group. The firm has no other relationships with, or interest in, the Company or any of its subsidiaries.

#### UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company and Group as far as appears from our examination of those records; and
- the financial statements on pages 3 to 14:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Company and group as at 31 December 2002 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 5th March 2003 and our unqualified opinion is expressed as at that date.

KPMG Chartered Accountants Auckland

FOR THE YEAR ENDED 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS	NOTE	2002	2001	2002	2001
Hotel Revenue		17,899	18,201	-	-
Development Property Revenue		12,612	37,213	-	-
Rental Revenue		20,340	20,968	-	-
Management Fee received		-	-	600	600
<b>Total Revenue</b>		<b>50,851</b>	<b>76,382</b>	<b>600</b>	<b>600</b>
Operating Profit/(Loss) before Taxation	2	12,514	10,814	151	(1,435)
Taxation	3	(2,310)	-	-	-
<b>Net Profit/(Loss) After Taxation</b>		<b>10,204</b>	<b>10,814</b>	<b>151</b>	<b>(1,435)</b>
Earnings per Share (cents)					
- Primary		2.60	2.75	-	-
- Fully Diluted		2.60	2.75	-	-

Primary and fully diluted earnings per share is based on the net profit after taxation attributable to ordinary shareholders and weighted average number of ordinary shares on issue during the year.

## STATEMENTS OF MOVEMENTS IN EQUITY

KINGSGATE INTERNATIONAL CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS	NOTE	2002	2001	2002	2001
Equity at Start of Year		147,966	137,760	147,966	137,760
Net Profit/(Loss) After Taxation	5	10,204	10,814	151	(1,435)
Revaluation/(Writedown) of Investments in Subsidiaries	5	-	-	(2,316)	11,641
Revaluation of Investment Property	5	7,614	2,842	-	-
Movement in Foreign Currency Translation Reserve	5	(19,983)	(3,450)	-	-
Total Recognised Revenues and Expenses for the Year		(2,165)	10,206	(2,165)	10,206
<b>Equity at End of Year</b>		<b>145,801</b>	<b>147,966</b>	<b>145,801</b>	<b>147,966</b>

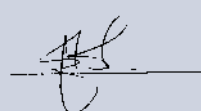
The attached notes on pages 7 to 14 form part of, and are to be read in conjunction with, these Financial Statements.

## STATEMENTS OF FINANCIAL POSITION

KINGSGATE INTERNATIONAL CORPORATION LIMITED

AS AT 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS	NOTE	2002	2001	2002	2001
<b>EQUITY</b>					
Share Capital	4	162,931	162,931	162,931	162,931
Reserves	5	(17,130)	(14,965)	(17,130)	(14,965)
<b>Total Equity</b>		<b>145,801</b>	<b>147,966</b>	<b>145,801</b>	<b>147,966</b>
<b>NON CURRENT LIABILITIES</b>					
Term Borrowing	6	42,804	64,582	-	-
Provision for Deferred Taxation	3	1,081	-	-	-
<b>Total Non Current Liabilities</b>		<b>43,885</b>	<b>64,582</b>	<b>-</b>	<b>-</b>
<b>CURRENT LIABILITIES</b>					
Accounts Payable and Accruals		5,849	5,737	80	189
Employee Entitlements		574	657	-	-
Provision for taxation	3	302	-	-	-
Related Parties	7	129	117	97	22
<b>Total Current Liabilities</b>		<b>6,854</b>	<b>6,511</b>	<b>177</b>	<b>211</b>
<b>Total Equity and Liabilities</b>		<b>196,540</b>	<b>219,059</b>	<b>145,978</b>	<b>148,177</b>
<b>NON CURRENT ASSETS</b>					
Fixed Assets	8	73,289	84,002	-	-
Investment Properties	9	111,291	114,729	-	-
Development Properties for Resale	10	42	1,725	-	-
Investment In Subsidiaries	11	-	-	107,110	110,120
<b>Total Non Current Assets</b>		<b>184,622</b>	<b>200,456</b>	<b>107,110</b>	<b>110,120</b>
<b>CURRENT ASSETS</b>					
Cash and Bank Deposits		2,536	3,810	7	29
Accounts Receivable		4,784	4,200	7	-
Property Debtors		3,719	3,135	-	-
Inventories		142	201	-	-
Development Properties for Resale	10	568	7,257	-	-
Related Parties	7	169	-	38,854	38,028
<b>Total Current Assets</b>		<b>11,918</b>	<b>18,603</b>	<b>38,868</b>	<b>38,057</b>
<b>Total Assets</b>		<b>196,540</b>	<b>219,059</b>	<b>145,978</b>	<b>148,177</b>

The attached notes on pages 7 to 14 form part of, and are to be read in conjunction with, these Financial Statements.



J Wilson  
Chairman  
March 5, 2003



JM Tsang  
Director  
March 5, 2003

## STATEMENTS OF CASH FLOWS

KINGSGATE INTERNATIONAL CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS		2002	2001	2002	2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Receipts from Customers		47,691	150,173	549	600
Interest Received		126	587	1	-
		<b>47,817</b>	<b>150,760</b>	<b>550</b>	<b>600</b>
<b>Cash was applied to:</b>					
Payments to Suppliers and Employees		(25,494)	(31,676)	(572)	(2,011)
Income Tax Paid		(790)	-	-	-
Interest Paid		(3,134)	(8,269)	-	(1,542)
		<b>(29,418)</b>	<b>(39,945)</b>	<b>(572)</b>	<b>(3,553)</b>
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>		<b>18,399</b>	<b>110,815</b>	<b>(22)</b>	<b>(2,953)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>Cash was applied to:</b>					
Purchase of Fixed Assets		(1,424)	(509)	-	-
Purchase of Investment Property		(4,378)	(1,176)	-	-
<b>Net Cash Outflow from Investing Activities</b>		<b>(5,802)</b>	<b>(1,685)</b>	<b>-</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>Cash was provided from:</b>					
Proceeds from Related Parties		-	-	-	42,816
<b>Cash was applied to:</b>					
Repayment of Long Term Liabilities		(13,376)	(68,642)	-	-
Repayment of Preference Shares		-	(39,758)	-	(39,864)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<b>(13,376)</b>	<b>(108,400)</b>	<b>-</b>	<b>2,952</b>
Net Increase/(Decrease) in Cash		(779)	730	(22)	(1)
Opening Cash Balance		3,810	2,703	29	36
Exchange Difference in Opening Cash Balance		(495)	377	-	(6)
<b>Closing Cash</b>		<b>2,536</b>	<b>3,810</b>	<b>7</b>	<b>29</b>

The attached notes on pages 7 to 14 form part of, and are to be read in conjunction with, these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2002

GROUP

PARENT

DOLLARS IN THOUSANDS

	2002	2001	2002	2001
<b>Reconciliation of Cash Flows from Operating Activities</b>				
Net Profit/(Loss) after Taxation	10,204	10,814	151	(1,435)
<b>Adjusted for Non-Cash Items:</b>				
Depreciation	1,574	1,400	-	-
<b>Adjusted for Movements in Working Capital:</b>				
(Increase)/Decrease in Receivables	(3,033)	74,378	(7)	-
Increase/(Decrease) in Payables	805	(4,055)	(109)	(1,518)
Decrease in Related Parties	-	-	(57)	-
Increase/(Decrease) in Provision for Employee Entitlements	3	(187)	-	-
Increase in Taxation Due	1,383	-	-	-
Decrease in Development Properties	7,430	27,790	-	-
Decrease in Inventory	33	675	-	-
<b>Cash Inflow/(Outflows) from Operating Activities</b>	<b>18,399</b>	<b>110,815</b>	<b>(22)</b>	<b>(2,953)</b>

The attached notes on pages 7 to 14 form part of, and are to be read in conjunction with, these Financial Statements.

FOR THE YEAR ENDED 31 DECEMBER 2002

## 1 STATEMENT OF ACCOUNTING POLICIES

### REPORTING ENTITY

Kingsgate International Corporation Limited is a public company registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Group consists of Kingsgate International Corporation Limited and its subsidiaries. Kingsgate International Corporation Limited is an issuer for the purposes of the Financial Reporting Act 1993.

### STATUTORY BASE

These financial statements have been prepared in accordance with the Companies Act 1993 and the Financial Reporting Act 1993.

### MEASUREMENT SYSTEM

The measurement base adopted is that of historical cost, except in the case of certain assets which have been revalued.

#### a) Group Accounts

The consolidated financial statements are prepared from the accounts of the Parent Company and its subsidiary companies as at 31 December 2002. The results of subsidiaries acquired or disposed of during the period are included in the Statement of Financial Performance of the Group from the date of acquisition or up to the date of disposal. All significant transactions between Group companies have been eliminated on consolidation. The purchase method of consolidation has been applied. Goodwill arising on consolidation is capitalised and amortised over the period of benefit expected to accrue. Discount on acquisition is accounted for by reducing the values of the acquired company's non monetary assets.

#### b) Investments

Investments in subsidiaries are stated at net asset value. Revaluations are taken directly to the Investment in Subsidiary Revaluation Reserve except where the revaluation is below cost, in which case it is taken to the Statement of Financial Performance. Revaluations are also taken to the Statement of Financial Performance to the extent they offset a previous decrease in value recognised in the Statement of Financial Performance.

#### c) Foreign Currency

Overseas assets and liabilities are translated to New Zealand dollars using the rate of exchange ruling at balance date. The revenues and expenses are translated at the average exchange rate for the year. Exchange gains and losses resulting from translation of the opening net overseas investment, revenue and expenses, at rates different to the rates at which assets and liabilities are translated, are recognised in the Foreign Currency Translation Reserve.

Foreign currency transactions are recorded at the exchange rates in effect at the date of transaction except where forward currency contracts have been taken out to cover forward currency commitments. Where forward currency contracts have been taken out the trading transactions or overseas borrowings are valued at contract rates. Gains and losses due to currency fluctuations on these items are included in the Statement of Financial Performance, except where monetary liabilities are identified as a hedge against foreign operations in which case the gain/loss is credited to the Foreign Currency Translation Reserve.

Other exchange gains and losses are included in the Statement of Financial Performance.

#### d) Fixed Assets

Land and buildings are stated at valuation as determined by an independent registered valuer in December 1993. Subsequent additions are recorded at cost.

#### e) Investment Properties

Investment properties under development are carried at the lower of cost or net current value. Cost includes the carrying value of the properties at commencement of the development and all direct development costs, including interest for the period of the development.

Completed investment properties are stated at valuation as determined by an independent registered valuer in December 2002.

Property revaluations are taken directly to the Property Revaluation Reserve except where the devaluation exceeds the increase previously recognised in equity, in which case they are taken to the Statement of Financial Performance.

FOR THE YEAR ENDED 31 DECEMBER 2002

**f) Development Properties for Resale**

Development property for resale is stated at cost plus profit recognised to date less provision for foreseeable losses and less progress billings. Cost includes the cost of acquisition, development, and holding costs such as interest and rates. Interest and other holding costs incurred after completion of development are expensed as incurred. Revenue and profit is not recognised on development properties until the point of formal unconditional contract for sale.

**g) Depreciation of Fixed Assets**

Fixed assets other than land are depreciated on a straight line basis so as to write down the cost or valuation of the fixed assets to their estimated residual value. The depreciation rates used are:

Building	1%
Plant, Equipment and Furniture	10%-20%
Motor Vehicles	14%

**h) Taxation**

The taxation charge for the year is the estimated charge in respect of the profit after allowance for permanent differences. The Group follows the partial liability method of accounting for deferred taxation. Future taxation benefits, to the extent they exceed related deferred taxation liabilities, are not recognised unless realisation of the asset is virtually certain.

**l) Inventory**

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis.

**J) Accounts Receivable**

Trade and sundry debtors are stated at expected realisable value after making adequate provision for bad debts.

**k) Financial Instruments**

The Group operates primarily in Australia and therefore is subject to foreign exchange risk. The Group manages its foreign exchange and interest rate risks based on its assessment of current and forecast market conditions and its facilities available. Surplus funds on hand from time to time are lodged with recognised banks, principally the Group's bankers. Any financial instruments entered into to protect Group exposure are accounted for on the same basis as the underlying exposure and revenue or costs are brought to account accordingly.

**l) Changes in Accounting Policy**

There have been no changes in accounting policies. All policies have been applied on a consistent basis with the previous year.

**2 OPERATING PROFIT**

**The operating profit/(loss) is arrived at after (crediting) and charging:**

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2002	2001	2002	2001
Depreciation	1,574	1,400	-	-
(Profit) on the sale of Development Properties	(1,813)	(6,020)	-	-
Auditors' Remuneration:				
Audit Fees	79	83	9	11
Fees for Non-audit Services	238	135	29	23
Directors' Remuneration:				
Fees	24	25	10	10
Leasing and Rental Charges	397	407	109	121
Provision for Bad Debts:				
Provision Made/(Released) During the Year	(87)	150	-	-
Debts Written Off	174	-	-	-
Interest Expense	3,134	5,895	-	1,542
Interest Income	(126)	(587)	(1)	(8)

**3 TAXATION**

**The taxation expense has been calculated as follows:**

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2002	2001	2002	2001
Net Profit/(Loss) Before Taxation	12,514	10,814	151	(1,435)
Prima Facie Taxation at 33% (2001: 33%)	4,130	3,569	50	(474)
<b>Adjusted for Taxation effect of:</b>				
Permanent differences	585	-	-	-
Taxation Losses not previously recognised	(3,211)	(3,244)	(50)	474
Prior year deferred tax liability now recognised	1,182	-	-	-
Tax Rates other than 33%	(376)	(325)	-	-
<b>Taxation Expense</b>	<b>2,310</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>The income taxation expense is comprised of:</b>				
Current Taxation	1,128	-	-	-
Deferred Taxation	1,182	-	-	-
	<b>2,310</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>The deferred taxation liability is comprised of:</b>				
Opening Balance	-	-	-	-
Current Year	1,182	-	-	-
Foreign Exchange difference	(101)	-	-	-
<b>Closing Balance</b>	<b>1,081</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Group has Nil Australian taxation losses (2001: \$ 1.3 million) available for utilisation against future Australian taxable profits. The Group has \$1.0 million (2001: NIL) imputation credits available as at 31 December 2002.

The Group has \$6.2 million New Zealand taxation losses (2001: \$ 6.3 million) available for utilisation against future NZ taxable profits. The ability of the Group to utilise these losses depends on the generation of sufficient assessable income in the respective tax jurisdiction and compliance with the requirements of local tax authorities.

The company has adopted the partial basis of calculating deferred tax, and therefore tax has not been provided for on the revaluation of investment property as the property is not intended for resale. The amount not provided is approximately \$2.3m

**NOTES TO THE FINANCIAL STATEMENTS (CONT)**

KINGSGATE INTERNATIONAL CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS		2002	2001	2002	2001
<b>4</b>	<b>SHARE CAPITAL</b>				
	393,180,992 Ordinary Shares (2001: 393,180,992)	162,931	162,931	162,931	162,931

All shares are fully paid, carry equal voting rights and rank pari passu with regard to residual assets of the Company.

FOR THE YEAR ENDED 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS		2002	2001	2002	2001
<b>5</b>	<b>RESERVES</b>				
	<b>INVESTMENT PROPERTY REVALUATION RESERVE</b>				
	Balance at Beginning of Year	7,836	4,994	-	-
	Revaluation of Investment Properties 9	7,614	2,842	-	-
	Balance at End of Year	15,450	7,836	-	-
	<b>INVESTMENT IN SUBSIDIARIES REVALUATION RESERVE</b>				
	Balance at Beginning of Year	-	-	28,304	16,663
	Revaluation of Investment In Subsidiaries	-	-	(2,316)	11,641
	Balance at End of Year	-	-	25,988	28,304
	<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>				
	Balance at Beginning of Year	7,070	10,520	-	-
	Exchange Variation on Net Investment in Foreign Subsidiaries	(19,983)	(3,450)	-	-
	Balance at End of Year	(12,913)	7,070	-	-
	<b>RETAINED LOSSES</b>				
	Balance at Beginning of Year	(29,871)	(40,685)	(43,269)	(41,834)
	Net Profit/(Loss) After Taxation	10,204	10,814	151	(1,435)
	Balance at End of Year	(19,667)	(29,871)	(43,118)	(43,269)
	<b>Total Reserves</b>	(17,130)	(14,965)	(17,130)	(14,965)

FOR THE YEAR ENDED 31 DECEMBER 2002		GROUP		PARENT	
DOLLARS IN THOUSANDS		2002	2001	2002	2001
<b>6</b>	<b>TERM BORROWINGS</b>				
	Borrowings	42,804	64,582	-	-
	Less Amounts Classified as Current Liabilities	-	-	-	-
	<b>Term Borrowings</b>	42,804	64,582	-	-

Interest rates on Term Borrowings range from 5.1% to 5.75% per annum (2001: 4.39% to 6.38%).

Borrowings and Bank Overdrafts are secured by mortgages over all assets of the Group. The term borrowings are repayable 31 December 2004.

FOR THE YEAR ENDED 31 DECEMBER 2002

**7 RELATED PARTY**

Kingsgate International Corporation Limited is a 50.74% owned subsidiary of CDL Hotels New Zealand Limited. CDL Hotels New Zealand Limited is 70.22% owned by CDL Hotels Holdings New Zealand Limited, which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc. The ultimate parent company is Hong Leong Investment Holdings Pte Limited.

During the year Kingsgate International Corporation Limited entered into the following transactions with subsidiaries and related parties:

- Management fees received from its subsidiary Kingsgate Investments Pty Limited of \$600,000 (2001: \$600,000).
- Management fees of \$188,000 (2001: \$227,000) paid to Hospitality Services Limited, a subsidiary of CDL Hotels New Zealand Limited.
- Franchise fees of \$126,000 (2001: \$129,000) paid to CDL Hotels New Zealand Limited.
- Reimbursement of costs of \$232,000 (2001: \$230,000) paid to Millennium & Copthorne Hotels plc.

No related party debts have been written off or forgiven during the year.

FOR THE YEAR ENDED 31 DECEMBER 2002		2002			2001		
DOLLARS IN THOUSANDS		COST OR VALUATION	ACCUMULATED DEPRECIATION	NET BOOK VALUE	COST OR VALUATION	ACCUMULATED DEPRECIATION	NET BOOK VALUE
<b>8</b>	<b>FIXED ASSETS - GROUP</b>						
	<b>Land</b>						
	Freehold at valuation	19,262	-	19,262	22,143	-	22,143
	<b>Buildings</b>						
	Freehold at valuation	44,192	5,626	38,566	50,781	6,740	44,041
	Freehold at cost	14,263	554	13,709	16,396	664	15,732
		58,455	6,180	52,275	67,177	7,404	59,773
	<b>Plant, Equipment &amp; Furniture</b>						
	At cost	22,658	22,128	530	25,833	23,750	2,083
	<b>Motor Vehicles</b>						
	At cost	36	36	-	41	38	3
	<b>Capital Work in Progress</b>						
	At cost	1,223	-	1,223	-	-	-
	<b>Total</b>	101,633	28,344	73,289	115,194	31,192	84,002

The fixed assets consisting of the Millennium Hotel Sydney and Kingsgate Shopping Centre (including plant, equipment and furniture) were valued by Oscar Westerlund Registered Valuer of CB Richard Ellis Australia. The latest valuation was performed in December 2001, where the valuation was confirmed at \$86.0 million (A\$70.0 million) based on the open market value of the properties as a going concern.

Capital Work in Progress consists of the costs incurred to date in the proposed part redevelopment of the Millennium Hotel Sydney to residential apartments. Feasibility costs involved in the Millennium Hotel Sydney redevelopment were first incurred in June 2002. The Millennium Hotel Sydney will cease operations as a Hotel on 31 March 2003.

**NOTES TO THE FINANCIAL STATEMENTS (CONT)**

KINGSGATE INTERNATIONAL CORPORATION LIMITED

FOR THE YEAR ENDED 31 DECEMBER 2002

GROUP

PARENT

DOLLARS IN THOUSANDS

**9 INVESTMENT PROPERTIES**

	GROUP		PARENT	
	2002	2001	2002	2001
Investment Properties - Completed	111,228	114,403	-	-
Investment Properties - Under Development	63	326	-	-
	111,291	114,729	-	-

The Investment Property at Birkenhead Point, Sydney, was valued by Michael Steur Registered Valuer CB Richard Ellis Australia. The Investment Property consists of a shopping centre and a marina.

The valuation was performed in December 2002 and the valuation given was \$111.3 million (A\$104 million) (2001: \$114.4 million (A\$93.0 million)).

**10 DEVELOPMENT PROPERTY FOR RESALE**

	GROUP		PARENT	
	2002	2001	2002	2001
Residential Development	610	8,982	-	-
Less expected to settle within one year	(568)	(7,257)	-	-
	42	1,725	-	-

Development Property for Resale comprises the residential development known as Birkenhead Quays which commenced construction in July 1997. Construction of Stage 2 of the residential development was fully completed in December 2000.

**11 SUBSIDIARY COMPANIES**

LIST OF SUBSIDIARIES	PRINCIPAL ACTIVITY	BALANCE DATE	% OWNERSHIP AS AT 31/12/2002
Kingsgate Hotels Limited	Dormant company	31 December	100%
Kingsgate Holdings Pty Limited	Holding Company	31 December	100%
Kingsgate Investments Pty Limited	Hotel and Shopping Centre Operator Company	31 December	100%
Kingsgate Hotel Pty Limited	Service Company	31 December	100%
Hotelcorp New Zealand Pty Limited	Holding Company	31 December	100%
Birkenhead Holdings Pty Limited	Holding Company	31 December	100%
Birkenhead Investments Pty Limited	Shopping Centre, Marina, Residential Development Operator Company	31 December	100%
Birkenhead Services Pty Limited	Service Company	31 December	100%
Millennium & Copthorne Hotels Pty Ltd	Naming rights company	31 December	100%

FOR THE YEAR ENDED 31 DECEMBER 2002

**12 CAPITAL COMMITMENTS**

At 31 December 2002 the Group had outstanding capital commitments of \$0.7 million (2001: \$3.2 million). The Directors are not aware of any material contingent liability not otherwise disclosed in these accounts.

**13 OPERATING LEASE OBLIGATIONS - GROUP**

	GROUP	
DOLLARS IN THOUSANDS	2002	2001
Obligations payable after balance date on non-cancellable operating leases are:		
Within One Year	95	134
One to Two Years	46	114
Two to Five Years	38	52
	179	300

**14 SEGMENT INFORMATION**
**(a) Industry Segments**

The Group operates primarily in the hotel and property industries.

	HOTEL		PROPERTY		CONSOLIDATED	
DOLLARS IN THOUSANDS	2002	2001	2002	2001	2002	2001
Segment Revenue	17,899	18,201	32,952	58,181	50,851	76,382
Profit/(Loss) for the period before taxation	(487)	241	13,001	10,573	12,514	10,814
Segment Assets	76,410	86,057	120,130	133,002	196,540	219,059

**(b) Geographic Segments**

The Group operates only in Australia.

FOR THE YEAR ENDED 31 DECEMBER 2002

**15 FINANCIAL INSTRUMENTS**

Exposure to currency, interest and credit risk arises in the normal course of the Group's business.

**Credit Risk**

No collateral is required in respect of financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all credit customers over a certain amount.

Reputable financial institutions are used for investing and cash handling purposes. At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset in the Statement of Financial Position.

Maximum credit exposure at balance date is as follows:

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2002	2001	2002	2001
Cash and Deposits	2,536	3,810	7	29
Debtors	4,784	4,200	7	-
Property Debtors	3,719	3,135	-	-

**Concentration of Credit Risk**

The Certificates of deposit are placed with a registered bank. There are no other material concentrations of credit risk.

**Currency Risk**

Substantially all of the Group's operations are denominated in Australian dollars. Substantially all assets and liabilities, except the related party loans and equity, are in Australian dollars. Exchange gains and losses resulting from translation of the net investment in foreign subsidiaries are carried forward in the Foreign Currency Translation Reserve.

At balance date, the Group has net assets totalling \$145.8 million (2001: \$147.88 million) that are not hedged. The Group does not have any other foreign currency monetary assets or monetary liabilities that are not hedged for the lessor of the next twelve months and the period until settlement.

**Interest Rate Risk**

Interest rates on floating rate borrowings are periodically reset to market rates, every 1 to 3 months. Interest on the borrowing facility is accounted for on an accrual basis over the life of the borrowing.

The Group has entered into interest rate swap transactions to manage its floating rate exposure under its borrowing facilities. Interest on the interest rate swaps are accounted for on a settlement basis of the interest rate swap. The principal or contract amounts of interest rate swaps outstanding at balance date were:

DOLLARS IN THOUSANDS	GROUP		PARENT	
	2002	2001	2002	2001
Interest rate swaps	-	24,600	-	-

**Fair Value**

Cash, accounts receivable, accounts payable, inventories - The carrying amount for these balances approximates their fair value because of the short maturities of these items.

Shares in companies and other investments - The carrying amount for these balances represents the Directors' estimates of their fair values.

Borrowings - The carrying amount for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 3 months. The interest rate swap agreements calculated on a net present value at market interest rates for the unexpired term as at balance date have an approximate fair value of \$NIL (2001: (\$481,000)).

**TWENTY LARGEST SHAREHOLDERS**

as at 28 February 2003

NAME OF SHAREHOLDER	NUMBER OF SHARES	%
1 CDL Hotels New Zealand Limited	199,515,434	50.74
2 Frasers Nominees (Pte) Limited	125,011,692	31.79
3 United Overseas Bank Nominees (HK) Limited	28,639,158	7.28
4 Arthur Christopher Pegler	2,384,389	0.60
5 Sterling Nominees Limited	2,013,791	0.51
6 Citibank Nominees (New Zealand) Limited	1,606,159	0.40
7 DHS (Hong Kong) Limited	1,560,000	0.39
8 Gwan Ying Wu	1,500,000	0.38
9 Raymond John Randolph French & Alys Gay Christabel French	1,314,823	0.33
10 Darshan Singh Kler	1,140,000	0.28
11 Liok Wan Thye	1,000,000	0.25
12 Tai Tak Securities Pte Limited	960,959	0.24
13 Kee Pan Mok & Schut Fung Mok	873,600	0.22
14 Tak Suan Lee	820,000	0.20
15 Contemporara Holdings Private Limited	750,000	0.19
16 Macquarie Equities Custodians Limited	710,000	0.18
17 Bruce George Parker	700,000	0.17
18 Han Leong Calvin Ho	688,600	0.17
19 Geok Loo Goh	600,000	0.15
20 Mark Campbell Lillingston	600,000	0.15
Total	372,388,605	94.62

## DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

as at 28 February 2003	SECURITY HOLDERS		SECURITIES	
	NUMBER	%	NUMBER	%
1 - 999	389	19.80	193,794	0.05
1,000 - 1,999	313	15.93	420,987	0.11
2,000 - 9,999	958	48.75	3,360,186	0.85
10,000 - 49,999	199	10.13	3,781,016	0.96
50,000 and over	106	5.39	385,425,009	98.03
	1,965	100%	393,180,992	100%

## DOMICILE OF SECURITY HOLDERS

as at 28 February 2003	SECURITY HOLDERS		SECURITIES		
	COUNTRY	NUMBER	%	NUMBER	%
	New Zealand	1,792	91.20	223,264,864	56.78
	Australia	105	5.34	1,639,572	0.42
	Others	68	3.46	168,276,556	42.80
	Total	1,965	100.00	393,180,992	100.00

## DIRECTORS' SHAREHOLDINGS

AS AT 28 FEBRUARY 2003	EQUITY SECURITIES HELD	
	(DIRECT AND INDIRECT HOLDINGS)	2002
SG Ho and CHL Ho	125,972,651	125,972,651
SG Ho	600,000	600,000
CHL Ho	1,032,100	1,032,100
J Wilson	NIL	NIL
JM Tsang	NIL	NIL
HR Wong	NIL	NIL
VWE Yeo	NIL	NIL
J Henderson	NIL	NIL

The holding of SG Ho and CHL Ho is, as to 125,972,651 shares, in shares which are beneficially owned by companies in which they have an interest. SG Ho holds 600,000 shares on behalf of an Associated Person (as that expression is defined in the New Zealand Stock Exchange Listing Rules).

The holding of CHL Ho is, as to 688,600 shares, in shares of which he is the beneficial owner and, as to 343,500 shares, in shares held by an Associated Person (as that expression is defined in the New Zealand Stock Exchange Listing Rules).

## SUBSTANTIAL SECURITY HOLDERS

AS AT 28 FEBRUARY 2003

The following persons are deemed to be substantial security holders in accordance with section 26 of the Securities Amendment Act 1988.

HOLDER	NUMBER OF VOTING SECURITIES	%
CDL Hotels New Zealand Limited	199,515,434	50.74
Tai Tak Holdings Pte Limited	52,741,997	13.41
Tai Tak Securities Pte Limited	73,230,654	18.62
Fairview Investment Company Limited	28,639,158	7.28

The total number of voting securities of the Company (as defined in the Securities Amendment Act 1988) on issue at 28 February 2003 was 393,180,992.

## INTERESTS REGISTER RECORD

The following entries were recorded in the interests register of the Company and its subsidiaries during the year ended 31 December, 2002:

## Directors' Interest in transactions

DISCLOSURE DATE	DIRECTOR	NATURE OF INTEREST
5 March 2002	HR Wong	2 apartments were purchased for a total price of A\$1,416,360.

## Share dealings of Directors

There was no record of any share transactions by Directors of the Company in the Company or its subsidiaries during the accounting period.

## GENERAL DISCLOSURE OF INTEREST BY DIRECTORS

In accordance with Section 140(2) of the Companies Act 1993, directors have made general disclosures of the following companies.

DIRECTOR	POSITION	COMPANY		
J Wilson	Chairman	CDL Investments New Zealand Limited		
		CDL Hotels New Zealand Limited		
	Director	CDL (New York) L.L.C		
		CDL (NYL) Limited		
		CDL Hotels (Korea) Limited		
		CDL Hotels USA, Inc		
		CDL Management L.L.C.		
		CDL West 45th Street L.L.C.		
		M&C Hotels Holdings USA Limited		
		Millennium & Copthorne (Austrian Holdings) Limited		
New Plaza Associates, L.L.C.				
JM Tsang	Chief Executive Officer	NPA/DIT Limited Partnership		
		Plaza Operating Partners Ltd		
		Republic Hotels & Resorts Limited		
		SI Komplex II Gastronomiebetriebsgesellschaft mbH		
		Millennium & Copthorne Hotels plc		
		CDL Investments New Zealand Limited		
		CDL Hotels New Zealand Limited		
		Quantum Limited		
		HR Wong	Director	Millennium and Copthorne plc Limited
				City e-Solutions Limited
CDL Hotels Holdings New Zealand Limited				
		CDL Investments New Zealand Limited		
		Republic Hotels and Resorts Limited		
		Quantum Limited		
		CDL Hotels New Zealand Limited		

**GENERAL DISCLOSURE OF INTEREST BY DIRECTORS (CONT)**

DIRECTOR	POSITION	COMPANY
VWE Yeo	Director	Amarin Plaza Public Company Limited
		CDL Hotels New Zealand Limited
		CDL Investments New Zealand Limited
		City e-Solutions Limited
		Millennium & Copthorne Hotels Limited
		SWAN Inc
J Henderson	Director	Wrep Thailand Holdings
	President	CDL Hotels Holdings New Zealand Limited
	President	SWAN Holdings Limited
J Henderson	Director	CDL Investments New Zealand Limited
		CDL Hotels New Zealand Limited

**DIRECTORS' REMUNERATION\***

The total remuneration and other benefits received by each Director or former Director during the year are as follows:

	DIRECTORS' FEES	OTHER BENEFITS
J Wilson	-	-
JM Tsang	-	-
HR Wong	-	-
SG Ho	-	-
CHL Ho	14	-
VWE Yeo	-	-
J Henderson	10	-

**INDEMNITY AND INSURANCE**

In accordance with the Company's constitution, the Company has insured all its Directors and the Directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

**INFORMATION USED BY DIRECTORS**

During the year, the Board received no notices from any Directors of the Company requesting the use of Company information which they would have received in their capacity as Directors which would not otherwise have been available to them.

**BOARD OF DIRECTORS OF SUBSIDIARY COMPANIES**

The names of persons holding office as Directors of the subsidiaries as at 31 December 2002 and the names of any persons who ceased to hold office as Directors of the Company during the accounting period are as follows:

SUBSIDIARIES	DIRECTORS
Kingsgate Holdings Pty Limited	HR Wong
	R Bobb
	K Arasaratnam
Hotelcorp New Zealand Limited	JM Tsang (appointed 1 November 2002)
	HR Wong
	R Bobb
	K Arasaratnam
Kingsgate Hotel Pty Limited	JM Tsang (appointed 1 November 2002)
	HR Wong
	R Bobb
	K Arasaratnam
Birkenhead Holdings Pty Limited	JM Tsang (appointed 1 November 2002)
	HR Wong
	K Bobb
	K Arasaratnam
Birkenhead Services Pty Limited	JM Tsang (appointed 1 November 2002)
	HR Wong
	R Bobb
	K Arasaratnam
Kingsgate Investments Pty Limited	JM Tsang (appointed 1 November 2002)
	HR Wong
	R Bobb
	K Arasaratnam
Birkenhead Investments Pty Limited	CHL Ho
	JM Tsang (appointed 1 November 2002)
	HR Wong
	R Bobb
	K Arasaratnam
	CHL Ho
	JM Tsang (appointed 1 November 2002)

With the exception of CHL Ho, the Directors of these subsidiaries do not receive any Directors' fees or other benefits from these companies.

**EXECUTIVE EMPLOYEES' REMUNERATION**

The number of employees or former employees of the Company and its subsidiaries\* who received remuneration and any other benefits in their capacity as employees, the value of which was or exceeded NZ\$100,000 per annum during the accounting period are as follows:

REMUNERATION AND VALUE OF OTHER BENEFITS (NZ\$ PER ANNUM)	NUMBER OF EMPLOYEES
100,001 to 110,000	1
110,001 to 120,000	1
120,001 to 130,000	-
130,001 to 140,000	-
140,001 to 150,000	1
150,001 to 160,000	1
160,001 to 170,000	-
170,001 to 180,000	-
180,001 to 190,000	-
190,001 to 200,000	-
200,001 to 210,000	-
210,001 to 220,000	-
220,001 to 230,000	1

**DONATIONS**

During the year the Company and its subsidiaries made only a small donation to charity.

**AUDIT FEES**

During the year, the following amounts were payable to the auditors of the Company:

DOLLARS IN THOUSANDS	2001	2001
Audit	79	83
Other services	238	135

NOTICE IS HEREBY GIVEN that the THIRTY SEVENTH ANNUAL MEETING of the shareholders of Kingsgate International Corporation Limited will be held at Quality Hotel Logan Park, Totara Room, 187 Campbell Road, Greenlane, Auckland on Tuesday, May 13, 2003 at 2.00 pm.

**AGENDA**

**1. ANNUAL REPORT**

To receive the annual report for the year ended December 31, 2002;

**2. DIRECTORS**

To consider the election of Directors:

J Wilson and SG Ho retire in accordance with Clause 28.6 of the Company's constitution and being eligible offer themselves for re-election.

**3. AUDITORS**

To record the re-appointment of KPMG as Auditors of the Company and to authorise the Board of Directors to fix the Auditors' remuneration for the ensuing year;

**4. AMENDMENT TO THE CLAUSE 27.2 OF THE COMPANY'S CONSTITUTION**

In line with the recent changes made to the New Zealand Stock Exchange Listing Rules, to consider, and if thought fit, to pass the following special resolution:

*That the constitution of the Company be amended by the addition in clause 27.2 of the words "or a related series of transactions" after the words "a transaction".*

**5. GENERAL**

To deal with any other business that may properly be brought before the meeting.

By Order of the Board

K Arasaratnam

Group Company Secretary

April 8, 2003

**EXPLANATORY NOTES TO NOTICE OF ANNUAL MEETING**

- The first three items on the Agenda are self-explanatory. These Explanatory Notes are intended to explain the effect of the special resolution proposed in item 4 of the Agenda.
- The effect of the resolution is to amend clause 27.2 of the Company's Constitution. Set out below are clauses 27.1 and 27.2 of the Constitution with the addition in clause 27.2 underlined:

**27. Transactions with Related Parties**

**27.1 Restriction**

*The Company shall not enter into a Material Transaction if a Related Party is, or is likely to become:*

- a direct or indirect party to the Material Transaction, or to at least one of a related series of transactions of which the Material Transaction forms part; or*
- in the case of a guarantee or other transaction of the nature referred to in paragraph (c) of clause 27.2, a direct or indirect beneficiary of such guarantee or other transaction,*

*unless that Material Transaction is approved by an Ordinary Resolution.*

**EXPLANATORY NOTES TO NOTICE OF ANNUAL MEETING (CONT)**

**27.2 Definition of Material Transaction**

For the purposes of clause 27.1, "Material Transaction" means a transaction or a related series of transactions whereby the Company:

- (a) purchases or otherwise acquires, gains, leases (as lessor or lessee) or sells or otherwise disposes of, assets having an Aggregate Gross Value in excess of 5% of the lesser of Shareholders' Funds or the Average Market Capitalisation of the Company;
- (b) borrows, lends, pays or receives, money, or incurs an obligation, of an amount in excess of 5% of the lesser of Shareholders' Funds or the Average Market Capitalisation of the Company;
- (c) enters into any guarantee, indemnity, or similar obligation, or gives any security, for or of obligations which could expose the Company to liability in excess of 5% of the lesser of Shareholders' Funds or the Average Market Capitalisation of the Company;
- (d) provides or obtains any services (including without limitation the underwriting of Securities or services as an employee) in respect of which the actual gross cost to the Company in any financial year (ignoring any returns or benefits in connection with such services) is likely to exceed an amount equal to 0.5% of the lesser of Shareholders' Funds or the Average Market Capitalisation of the Company; or
- (e) amalgamates, except for amalgamations of a wholly owned Subsidiary of the Company with another wholly owned Subsidiary of the Company or with the Company.

3. The effect of this amendment is to make it clear that the restriction in clauses 27.1 and 27.2 extends not only to a single transaction but also to a series of related transactions. This change has been required by the New Zealand Stock Exchange as a result of recent amendments to the Listing Rules.

**NOTES:**

- 1. All shareholders are entitled to attend the meeting.
- 2. A shareholder entitled to vote at the Annual Meeting may appoint a proxy/representative to attend and vote on behalf of the shareholder.
- 3. A proxy/representative need not be a shareholder of the Company. A proxy/representative form is enclosed. Instructions for completing and mailing the form are set out thereon.
- 4. If the proxy form is signed under a Power of Attorney, this must be produced for noting by the Company, if not already noted. A declaration of non-revocation of the Power of Attorney must be attached.
- 5. In the case of a shareholder that is a company or body corporate, a representative can be appointed to attend the meeting.
- 6. Completed proxies must be lodged at Computershare Registry Services Limited, Private Bag 92119, Auckland not later than 2.00 pm on May 11, 2003.

For use at the Annual Meeting of the Company to be held on Tuesday, May 13, 2003 and at any adjournment thereof.

I / We \_\_\_\_\_  
(Full Name)

of \_\_\_\_\_  
(Address)

Shareholder No \_\_\_\_\_

Being a shareholder (s) of KINGSGATE INTERNATIONAL CORPORATION LIMITED hereby appoint

\_\_\_\_\_ of \_\_\_\_\_  
(Full Name of Proxy / Representative) (Address of Proxy / Representative)

Or failing him / her \_\_\_\_\_ of \_\_\_\_\_

as my / our proxy / representative to vote for me / us on my / our behalf at the Annual Meeting of the Company to be held on Tuesday, May 13, 2003 at 2.00 pm and at any adjournment thereof.

Unless otherwise directed below my / our proxy / representative may vote as he / she thinks fit or abstain from voting.

**RESOLUTIONS**

(Please indicate with a tick in the appropriate box)

	FOR	AGAINST
<b>Ordinary Resolutions</b>		
1. To elect Directors		
J Wilson	<input type="checkbox"/>	<input type="checkbox"/>
SG Ho	<input type="checkbox"/>	<input type="checkbox"/>
2. To record the re-appointment of KPMG Auckland as auditors and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
<b>Special Resolution</b>		
3. To change the constitution of the Company by the addition in clause 27.2 of the words "or a related Transaction" after the words "a transaction".	<input type="checkbox"/>	<input type="checkbox"/>

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2003

Usual signature/s of Shareholder (s) \_\_\_\_\_

**NOTES:**

- 1. If you wish you may appoint, as your proxy, the chairperson of the meeting.
- 2. If the form is returned without direction as to how the proxy/representative shall vote on any particular resolution, the proxy/representative will exercise its discretion as to whether to vote and, if so, how.
- 3. This form must be signed by the appointor or his/her/their attorney duly authorised in writing or if the appointor is a corporation, under the hand of a signatory/s or attorney duly authorised. Joint holders of shares must each sign this form. In the case of a company, the form must be signed by a duly authorised officer of that company or an attorney duly authorised by that company.
- 4. In the case of a shareholder that is a company or body corporate, a representative can be appointed to attend the meeting.
- 5. This form, the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of the power of authority and a certificate of non-revocation of the power of attorney must be lodged at Computershare Registry Services Limited, Private Bag 92119, Auckland not later than 2.00pm on May 11, 2003.

**Mailing Instructions**

PLEASE DETACH AND PUT IN A STAMPED ADDRESSED ENVELOPE TO:

Computershare Registry Services  
Private Bag 92119  
Auckland 1020

**Board of Directors**

J Wilson	Chairman
JM Tsang	Director
HR Wong	Director
SG Ho	Director
CHL Ho	Director
VWE Yeo	Director
J Henderson	Director

**Group Company Secretary**

First Admiral (ret'd)  
Kasinather Arasaratnam

**Registered Office**

Level 13, 280 Queen Street  
Auckland, New Zealand

PO Box 5640  
Wellesley Street  
Auckland  
New Zealand

Telephone	64 9 373 2266
Facsimile	64 9 913 8051
DX	CX10036 Auckland
Website	www.mcqhotels.co.nz

**Auditors**

KPMG

**Bankers**

ANZ Bank, Sydney

**Share Registry**

Computershare Registry Services  
159 Hurstmere Road  
Takapuna, Auckland  
New Zealand  
Private Bag 92119, Auckland 1020  
Telephone 64 9 488 8700  
Facsimile 64 9 488 8787

**Operating Subsidiaries & Business**

Kingsgate Investments Pty Limited  
Kingsgate Hotel Pty Limited  
Birkenhead Investments Pty Limited  
Birkenhead Services Pty Limited  
Birkenhead Point Shopping Centre  
Centre Management Office

**Birkenhead Point Shopping Centre**

Roseby St, Drummoyne  
NSW 2047  
PO Box 272  
Drummoyne, NSW 1470  
Telephone 61 2 9181 3922  
Facsimile 61 2 9819 7541

KINGSGATE INTERNATIONAL CORPORATION LIMITED