



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT

17 June 2016

GRAND MILLENNIUM AUCKLAND TO OPEN IN SEPTEMBER 2016

Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK) is pleased to announce that the hotel at 71 Mayoral Drive, Auckland (currently the Rendezvous Grand Auckland Hotel) will join the Millennium, Copthorne and Kingsgate portfolio of hotels as the Grand Millennium Auckland Hotel from 7th September 2016.



The hotel, the largest in New Zealand with a total of 452 guestrooms, will be the first Grand Millennium Hotel in New Zealand. A true international quality hotel, Grand Millennium Auckland will join the other Grand Millennium Hotels located in Beijing, Shanghai, Al Wahda, Amman, Dubai, Muscat, Sulaimani, Kuala Lumpur and the international network of Millennium and Copthorne hotels in Asia, Europe, Middle East and the USA. The hotel boasts 1,619 square metres of conference space comprising an 830 square metre ballroom and various meeting venues. It also has two restaurants, a lounge bar, swimming pool, gym and covered carparks.

As New Zealand's truly world-class city, Auckland's diverse range of events, world class shows and business growth has seen a lift in demand for high quality hotel accommodation not only from the domestic sector but also from steadily increasing international visitors to the city and the region. We are seeing a more consistent city occupancy versus the "highs and lows" over weekdays and weekends. Increased airline capacity with international linkages and the initiatives by Auckland Tourism, Events & Economic Development (ATEED) and Tourism New Zealand have helped Auckland's reputation as a global destination.

The central location of Grand Millennium Auckland has it conveniently close to the Aotea Centre, Auckland Town Hall and the city's main arterial routes. The development in the immediate vicinity of the New Zealand International Convention Centre and the City Rail Link and Aotea Square Station will also add significant value to the hotel in the coming years.

MCK Managing Director Mr. BK Chiu said, "Guests will immediately know that they have walked into a purpose built world class hotel when they enter the Grand Millennium Auckland.

The grand atmosphere of the hotel as well as its sought after location will make it a significant part of the MCK hotel network. It will give MCK further competitive advantages and operational efficiencies. In the current tourism market, we believe that the addition of the Grand Millennium Auckland will only help to expand options for our guests travelling around New Zealand. From our smallest hotel, the 33 room Copthorne Hotel & Resort Hokianga (which is uniquely located on the water's edge of the historic Hokianga Harbour) to the Grand Millennium and Millennium hotels in Auckland, Rotorua, Taupo and Queenstown, our customers will be able to experience the country in many unique ways across our fifteen locations.

MCK Managing Director Mr. BK Chiu said that MCK had been awarded a three year management lease (the "Lease") of the hotel commencing 7th September, 2016 after a competitive tender process run by the hotel's owner, CDL Hospitality Real Estate Investment Trust. The Lease provides for two renewal terms, each renewal term is for a period of 3 years and subject to mutual agreement between the Landlord and the Tenant.

Under the agreement the Tenant will pay rent equivalent to the Net Operating Profit of the Hotel, subject to an annual base rent of NZ\$6.0 million (excluding GST). The Net Operating Profit shall mean the Gross Operating Profit of the Hotel less all property rates, premium payable on the Landlord's insurances, and fees retained by the Tenant. The Landlord is responsible for furniture, fixtures and equipment as well as capital expenditures of the Hotel for the duration of the agreement. The Tenant retains earnings from a fee structure that includes a management fee, franchise fee and incentive fee.

The financial impact to MCK from the Lease will start to be seen in the fourth quarter of 2016 and is expected be accretive to MCK's group consolidated profits.

MCK applied for, and has been granted, a waiver from the requirement under Rule 9.2.1 of the NZX Main Board Listing Rules to obtain the prior approval of MCK shareholders in relation to the management lease. NZX Regulation will announce that waiver decision today. A waiver was required because the owner of the hotel and its manager, M&C REIT Management Limited, are Related Parties of MCK for the purposes of the NZX Main Board Listing Rules.

As a condition of the waiver, MCK obtained an independent report from Horwath HTL in relation to the management lease. A copy of the Horwath HTL's independent report is attached. Certain commercially sensitive information has been redacted from that report.

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Limited

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Private and Confidential

16 June 2016

NZX Limited
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Wellington

To: Waivers and Rulings

**Millennium & Copthorne Hotels New Zealand Limited (MCK) –
Independent Opinion in relation to a waiver of Listing Rule 9.2.1**

Background

We are advised that MCK has been shortlisted to enter into a lease of the hotel at 71 Mayoral Drive, Auckland from the owner, CDL Hospitality Real Estate Investment Trust ("CDL") (managed by M&C REIT Management Limited ("M&C RML"), an indirect wholly owned subsidiary of Millennium & Copthorne Hotels plc)). CDL and M&C RML are each a Related Party of MCK and entry into the lease is a Material Transaction (as defined in the Listing Rules).

As a condition of a waiver from Listing Rule 9.2.1 MCK has obtained from NZX in relation to the proposed transaction, MCK was required to obtain an independent review of the commercial terms of the proposed lease transaction from the perspective of MCK.

Scope of Work

We have been requested to provide an independent opinion to NZX about whether the terms of the proposed lease transaction are:

- on "arm's length" terms
- within normal market parameters for a transaction of this nature, and
- fair to MCK's shareholders who are not Associated Persons of CDL and M&C RML, in terms of the overall package of key commercial terms of the proposed lease.

In forming our view we have referred to the following documents:

- Request for Proposals issued by CDL
- the proposal submitted by MCK dated 29 February 2016
- the final version of the proposed lease, including the commercial terms contained in Third Schedule of that lease

- information regarding the financial performance of MCK's hotel operations in New Zealand.

We have taken into consideration our knowledge of the key commercial terms involved in hotel management agreements and leases in New Zealand, and have consulted with Horwath HTL colleagues in Sydney and Singapore regarding these terms internationally.

Our Conclusions

“Arm’s length” Terms

Based on the documents we have reviewed, and the information and explanations provided to us by MCK and M&C RML, the transaction appears to have been negotiated on an “arm’s length” basis.

We are satisfied with the content of the RFP and we have seen evidence of the outcome of negotiations which have occurred as would normally be expected between MCK and CDL.

Within Normal Market Parameters

Even though a lease such as proposed is not common in New Zealand, the commercial terms as drafted are consistent with hotel management agreements that would be negotiated in a transaction of this type, for this hotel, in the market at this time.

The key commercial terms of the lease are:

- base management fee █% of Total Revenue)
- incentive management fee █% of Total Revenue, providing the profit threshold is achieved), and
- franchise fee █% of rooms revenue.

We believe that the total quantum of management fees at █% of Total Revenue are reasonable for a transaction of this type, for this hotel, in the market at this time. This is given the significance of the subject hotel at 71 Mayoral Drive as the largest hotel in New Zealand, and in the context of its strategic location in Auckland, New Zealand’s key gateway city.

The short lease term and potential termination without cause can also be accepted as having been negotiated on an “arm’s length” basis.

Accordingly, we believe that the terms of proposed lease are within normal market parameters for a transaction of this nature.

Fairness of the terms to Minority Shareholders

Taking into account all of the aspects of the proposed commercial arrangements, we believe that the proposed transaction represents good value for MCK's shareholders who are not Associated Persons of CDL and M&C RML. This is based on the quantum of fees projected to be earned by MCK, the allocation of risk and return between the owner and MCK, and the minimal entry cost into the lease agreement for MCK.

We believe that MCK's ability to recover any costs incurred in the case of a termination (perhaps in lieu of compensation payable) is reasonable.

The value for MCK's shareholders is further enhanced by the significant synergies and other benefits which will be achieved by MCK if this transaction occurs.

Accordingly, we believe that the terms of the proposed lease are fair to MCK shareholders who are not Associated Persons of CDL and M&C RML.

Disclaimers

It is not intended that this opinion should be used or relied upon for any purpose other than as an expression of Horwath HTL Limited's ('Horwath') opinion as to the merits of the lease agreement. Horwath expressly disclaims any to any person who relies or purports to rely on this opinion for any other purpose.

This opinion has been prepared by Horwath with care and diligence and the statements and opinions given by Horwath in this opinion are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading.

However, no responsibility is accepted by Horwath or any of its officers or employers for errors or omissions however arising in the preparation of this opinion, provided that this shall not absolve Horwath from liability arising from an opinion expressed recklessly or in bad faith.

Independence

Horwath and its related entities do not have any shareholding in or other relationship or conflict of interest with MCK or CDL or M&C RML that could affect its ability to provide an unbiased opinion in relation to the commercial terms of the proposed lease. Horwath had no part in the formation of the lease terms. Its only role has been the preparation of this opinion. Horwath will receive a fixed fee for the preparation of this opinion. This fee is not contingent on the outcome of the lease agreement.

An advance draft of this opinion was provided to the Directors of MCK for their comments as to factual accuracy of the contents of the opinion. Changes made as a result of the circulation of the draft have not changed our conclusions.

Information

Horwath has obtained all the information that it believes is desirable for the purposes of preparing this opinion, including requesting all relevant information which is or should have been known to any Director of MCK and made available to the Directors.

Horwath confirms that in its opinion the information provided by MCK and contained within this opinion is sufficient to enable Horwath to provide this opinion.

The following non-public information was used and relied upon in preparing this report:

- the Request for Proposals issued by CDL
- the proposal submitted by MCK dated 29 February 2016
- the most recent proposed lease terms, including the commercial terms set out in Third Schedule of that lease
- financial performance information from MCK's management reports regarding MCK's hotel operations in New Zealand and in particular its Millennium branded hotels.

Yours sincerely
HORWATH HTL LIMITED



Stephen Hamilton
Director