

Condensed Interim Income Statement

FOR THE SIX MONTHS ENDED 30 JUNE 2014		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/06/14	to 30/06/13
Revenue		66,918	55,404
Cost of sales		(30,544)	(24,177)
Gross profit		36,374	31,227
Other income		487	2,652
Administrative expenses		(10,047)	(9,609)
Other operating expenses		(9,439)	(9,429)
Operating profit before finance income		17,375	14,841
Finance income		1,935	2,233
Finance costs		(1,237)	(1,271)
Net finance income		698	962
Share of (loss)/profit of associate	7	(3,134)	204
Profit before income tax		14,939	16,007
Income tax expense		(5,304)	(4,445)
Profit for the period		9,635	11,562
Profit for the period attributable to:			
Equity holders of the parent		6,215	9,023
Non-controlling interests		3,420	2,539
Profit for the period		9,635	11,562
Basic earnings per share (cents)	4	1.40c	2.58c
Diluted earnings per share (cents)	4	1.40c	2.58c

Condensed Interim Statement of Comprehensive Income

FOR THE SIX MONTHS ENDED 30 JUNE 2014		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/6/14	to 30/6/13
Profit for the period		9,635	11,562
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Share of post acquisition reserves in associate	7	(934)	(39)
Movement in exchange translation reserve			
- Recognised in equity		(20,934)	4,503
- Tax credit on foreign exchange		185	714
Total comprehensive (loss)/income for the period		(12,048)	16,740
Total comprehensive income for the period attributable to:			
Equity holders of the parent		(14,534)	15,586
Non-controlling interests		2,486	1,154
Total comprehensive (loss)/income for the period		(12,048)	16,740
DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES :			
Other income (Business interruption income)	11	487	2,652
Audit fees		(155)	(172)
Depreciation		(3,421)	(3,247)
Interest income		1,851	2,233
Net foreign exchange gain/(loss)		83	(20)
Interest expense		(1,236)	(1,251)
Leasing and rental expenses		(1,082)	(976)
Net gain on disposal of property, plant and equipment		2	-

Condensed Interim Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 30 JUNE 2014	Attributable to Equity Holders of the Group								
	NOTE	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
		Share Capital	Revaluation Reserves	Exchange Reserves	Accumulated Losses	Treasury Stock	Unaudited Total	Non-controlling Interests	Total Equity
DOLLARS IN THOUSANDS									
Balance at 1 January 2013		430,330	73,624	1,170	(61,761)	(85)	443,278	98,516	541,794
Share of post acquisition reserves in associate		-	-	-	(38)	-	(38)	(1)	(39)
Movement in exchange translation reserve		-	-	6,601	-	-	6,601	(1,384)	5,217
Income and expense recognised directly in equity		-	-	6,601	(38)	-	6,563	(1,385)	5,178
Profit for the period		-	-	-	9,023	-	9,023	2,539	11,562
Total comprehensive income/(loss) for the period		-	-	6,601	8,985	-	15,586	1,154	16,740
Transactions with owners, recorded directly in equity :									
Dividends paid to:									
Equity holders of the parent		-	-	-	(8,382)	-	(8,382)	-	(8,382)
Non-controlling interests		-	-	-	-	-	-	(1,727)	(1,727)
Acquisition of non-controlling interests without a change in control		-	-	-	-	-	-	738	738
Supplementary dividends		-	-	-	(316)	-	(316)	-	(316)
Foreign investment tax credits		-	-	-	316	-	316	-	316
Balance at 30 June 2013		430,330	73,624	7,771	(61,158)	(85)	450,482	98,681	549,163
Balance at 1 January 2014		430,330	78,308	1,177	(43,303)	(85)	466,427	100,755	567,182
Share of post acquisition reserves in associate		-	-	-	(935)	-	(935)	1	(934)
Movement in exchange translation reserve		-	-	(19,814)	-	-	(19,814)	(935)	(20,749)
Income and expense recognised directly in equity		-	-	(19,814)	(935)	-	(20,749)	(934)	(21,683)
Profit for the period		-	-	-	6,215	-	6,215	3,420	9,635
Total comprehensive income/(loss) for the period		-	-	(19,814)	5,280	-	(14,534)	2,486	(12,048)
Transactions with owners, recorded directly in equity :									
Redeemable preference shares issued	3	111,230	-	-	-	-	111,230	-	111,230
Capital reduction in subsidiary		-	-	-	-	-	-	(2,470)	(2,470)
Provision for distribution in specie	6	-	-	-	(248,168)	-	(248,168)	-	(248,168)
Dividends paid to:									
Equity holders of the parent		-	-	-	(6,287)	-	(6,287)	-	(6,287)
Non-controlling interests		-	-	-	-	-	-	(2,054)	(2,054)
Acquisition of non-controlling interests without a change in control		-	-	-	54	-	54	354	408
Supplementary dividends		-	-	-	(198)	-	(198)	-	(198)
Foreign investment tax credits		-	-	-	198	-	198	-	198
Balance at 30 June 2014		541,560	78,308	(18,637)	(292,424)	(85)	308,722	99,071	407,793

Condensed Interim Statement of Financial Position

AS AT 30 JUNE 2014		Unaudited	Audited	Unaudited
		as at	as at	as at
DOLLARS IN THOUSANDS	NOTE	30/06/14	31/12/13	30/06/13
SHAREHOLDERS' EQUITY				
Issued capital	3	541,560	430,330	430,330
Reserves		(232,753)	36,182	20,237
Treasury stock		(85)	(85)	(85)
Non-controlling interests		99,071	100,755	98,681
Total equity		407,793	567,182	549,163
Represented by:				
NON CURRENT ASSETS				
Property, plant and equipment		294,997	293,719	283,735
Development properties		127,128	106,032	122,812
Intangible assets		2,823	2,823	2,823
Investment in associates	7	213,772	185,331	137,573
Total non-current assets		638,720	587,905	546,943
CURRENT ASSETS				
Cash and cash equivalents		98,878	82,085	103,600
Trade and other receivables		11,955	13,517	13,755
Inventories		1,162	1,379	1,323
Income tax receivable		1,863	1,087	2,233
Development properties		15,558	33,178	18,882
Total current assets		129,416	131,246	139,793
Total assets		768,136	719,151	686,736
NON CURRENT LIABILITIES				
Interest-bearing loans and borrowings		52,000	80,878	68,654
Provisions	6	757	742	701
Provision for deferred taxation		43,335	43,585	40,961
Total non-current liabilities		96,092	125,205	110,316
CURRENT LIABILITIES				
Trade and other payables		12,973	14,484	14,376
Trade payables due to related parties	5	867	537	1,138
Loans due to related parties	5	-	9,500	9,500
Provisions	6	250,411	2,243	2,243
Total current liabilities		264,251	26,764	27,257
Total liabilities		360,343	151,969	137,573
Net assets		407,793	567,182	549,163

Condensed Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2014		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/06/14	to 30/06/13
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		69,041	57,163
Interest received		1,861	2,046
		<u>70,902</u>	<u>59,209</u>
Cash was applied to:			
Payments to suppliers and employees		(47,279)	(46,636)
Purchase of development land		(4,522)	-
Interest paid		(1,312)	(1,245)
Income tax paid		(6,169)	(7,212)
		<u>(59,282)</u>	<u>(55,093)</u>
Net cash inflow from operating activities		<u>11,620</u>	<u>4,116</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was applied to:			
Purchase of property, plant and equipment		(4,700)	(2,451)
Return of surplus capital from associate	7	4,266	-
Purchase of investment in associate	7	(57,867)	-
Net cash outflow from investing activities		<u>(58,301)</u>	<u>(2,451)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from/(applied to):			
Drawdown of borrowings		77,000	3,075
Repayment of borrowings		(105,878)	-
Repayment of loan from Parent company	5	(9,500)	-
Proceeds from issuance of new shares	3	111,230	-
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd		(6,287)	(8,382)
Dividends paid to non-controlling interests		(2,054)	(1,727)
Net cash inflow/(outflow) from financing activities		<u>64,511</u>	<u>(7,034)</u>
Net increase/(decrease) in cash and cash equivalents		<u>17,830</u>	<u>(5,369)</u>
Add opening cash and cash equivalents		82,085	109,508
Exchange rate adjustment		(1,037)	(539)
Closing cash and cash equivalents		<u>98,878</u>	<u>103,600</u>

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Condensed Interim Statement of Cash Flows

FOR THE SIX MONTHS ENDED 30 JUNE 2014		Unaudited	Unaudited
		6 months	6 months
DOLLARS IN THOUSANDS	NOTE	to 30/6/14	to 30/6/13
RECONCILIATION OF NET PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		9,635	11,562
Adjusted for non cash items:			
Depreciation		3,421	3,247
Income tax expense		5,304	4,445
Net gain on disposal of property, plant and equipment		(2)	-
Share of loss/(profit) of associate	7	3,134	(204)
Adjustments for movements in working capital:			
Decrease in receivables		1,562	1,607
Decrease in inventories		217	131
Increase in development properties		(4,316)	(974)
Decrease in payables		(260)	(7,908)
Increase in related parties		330	673
Cash generated from operations		19,025	12,579
Interest expense		(1,236)	(1,251)
Income tax paid		(6,169)	(7,212)
Net cash inflow from operating activities		11,620	4,116

The attached notes form part of, and are to be read in conjunction with, these financial statements.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

1. Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is an issuer in terms of the Financial Reporting Act 1993. The condensed interim financial statements of the Company for the six months ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are; ownership and operation of hotels in New Zealand; residential development and sale of land in New Zealand; development and sale of residential units in Australia and associate investment in residential and commercial property development in China.

The condensed interim financial statements were authorised for issuance on 31 July 2014.

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with NZ IAS 34 *Interim Financial Reporting*. The condensed interim financial statements do not include all of the information required for full annual financial statements.

The accounting policies and methods of computation applied by the Group in these condensed interim financial statements are the same as those applied by the Group in its financial statements for the year ended 31 December 2013.

2. Segment reporting

Segment information is presented in the condensed interim financial statements in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Operating segments

The Group consisted of the following main operating segments:

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of land.
- Residential and commercial property development, comprising the development and sale of residential apartments and commercial properties.

Geographical segments

The Group operates in the following main geographic segments:

- New Zealand
- Australia
- Asia (pre-dominantly China)

Segment revenue is based on the geographical location of the asset. The Group has no major customer representing greater than 10% of the Group's total revenue.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

2. Segment reporting - continued

(a) Operating Segments	Hotel Operations		Residential Land Development		Residential and Commercial Property Development		Group	
	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13
<i>Dollars in thousands</i>								
External revenue	40,573	38,581	24,909	15,350	1,436	1,473	66,918	55,404
Finance income	973	1,268	580	465	382	500	1,935	2,233
Finance expense	(476)	(408)	-	-	(761)	(863)	(1,237)	(1,271)
Depreciation and amortisation	(3,412)	(3,231)	(1)	(1)	(8)	(15)	(3,421)	(3,247)
Segment profit/(loss) before income tax	6,814	8,089	11,412	7,962	(153)	(248)	18,073	15,803
Share of (loss)/profit of associate	-	-	-	-	(3,134)	204	(3,134)	204
Profit/(loss) before income tax	6,814	8,089	11,412	7,962	(3,287)	(44)	14,939	16,007
Income tax (expense)/credit	(2,098)	(2,283)	(3,195)	(2,229)	(11)	67	(5,304)	(4,445)
Business interruption insurance income	487	2,652	-	-	-	-	487	2,652
Segment assets	354,035	353,933	123,296	111,662	75,170	81,335	552,501	546,930
Tax assets	88	579	(996)	(116)	2,771	1,770	1,863	2,233
Investment in associates	-	-	2	2	213,770	137,571	213,772	137,573
Total assets	354,123	354,512	122,302	111,548	291,711	220,676	768,136	686,736
Segment liabilities	(313,744)	(45,325)	(172)	(135)	(3,092)	(51,152)	(317,008)	(96,612)
Tax liabilities	(43,921)	(39,823)	(132)	(220)	718	(918)	(43,335)	(40,961)
Total liabilities	(357,665)	(85,148)	(304)	(355)	(2,374)	(52,070)	(360,343)	(137,573)
Capital expenditure	4,697	2,450	-	-	3	1	4,700	2,451

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

2. Segment reporting - continued

(b) Geographic Segments

	<u>New Zealand</u>		<u>Australia</u>		<u>Asia</u>		<u>Group</u>	
<i>Dollars in thousands</i>	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13	Unaudited 6 months to 30/06/14	Unaudited 6 months to 30/06/13
External revenue	65,482	53,931	1,436	1,473	-	-	66,918	55,404
Finance income	1,582	1,757	353	476	-	-	1,935	2,233
Finance expense	(1,236)	(1,271)	(1)	-	-	-	(1,237)	(1,271)
Depreciation and amortisation	(3,413)	(3,232)	(8)	(15)	-	-	(3,421)	(3,247)
Segment profit before income tax	17,881	15,245	192	558	-	-	18,073	15,803
Share of (loss)/profit of associate	-	-	-	-	(3,134)	204	(3,134)	204
Profit/(loss) before income tax	17,881	15,245	192	558	(3,134)	204	14,939	16,007
Income tax expense	(5,114)	(4,211)	(190)	(234)	-	-	(5,304)	(4,445)
Business interruption insurance income	487	2,652	-	-	-	-	487	2,652
Segment assets	479,074	467,054	73,427	79,876	-	-	552,501	546,930
Tax assets	2,098	2,360	(235)	(127)	-	-	1,863	2,233
Investment in associates	2	2	-	-	213,770	137,571	213,772	137,573
Total assets	481,174	469,416	73,192	79,749	213,770	137,571	768,136	686,736
Segment liabilities	(313,942)	(94,731)	(3,066)	(1,881)	-	-	(317,008)	(96,612)
Tax liabilities	(44,053)	(40,043)	718	(918)	-	-	(43,335)	(40,961)
Total liabilities	(357,995)	(134,774)	(2,348)	(2,799)	-	-	(360,343)	(137,573)
Capital expenditure	4,697	2,450	3	1	-	-	4,700	2,451

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

3. Share capital

Company	Ordinary shares		Redeemable preference shares	
	Shares	\$ 000s	Shares	\$ 000s
Balance at 1 January 2013				
Total ordinary shares issued – fully paid	349,598,066	430,330	-	-
Shares repurchased and held as treasury stock	(329,627)	(85)	-	-
Balance at 31 December 2013	349,268,439	430,245	-	-
Balance at 1 January 2014				
Total ordinary shares issued – fully paid	349,598,066	430,330	-	-
Shares repurchased and held as treasury stock	(329,627)	(85)	-	-
Redeemable preference shares issued and fully paid	-	-	174,634,366	111,765
Capitalised costs of raising capital	-	-	-	(535)
Balance at 30 June 2014	349,268,439	430,245	174,634,366	111,230

During the period the Company undertook a capital raising exercise to fund further investment in First Sponsor Capital Limited, repay some debt, and fund proposed refurbishment work. On 17 February 2014 the Company announced the offer for eligible shareholders to acquire one redeemable non-voting preference share for every two ordinary shares held. The offer was oversubscribed and the application monies were received by the closing date on 19 March 2014. On 24 March 2014, 174,634,366 redeemable preference shares were allotted at \$0.64 per preference share and trading commenced on 25 March 2014. The non-voting redeemable preference shares rank equally with ordinary shares with respect to all distributions made by the Company (including without limitation, to dividend payments) except for any distributions made in the context of a liquidation of the Company.

4. Earnings per share

The basic earnings per share of 1.40 cents (30 June 2013: 2.58 cents) is based on the profit attributable to ordinary shareholders of \$6.22m (30 June 2013: \$9.02m) and weighted average number of ordinary shares and redeemable preference shares outstanding during the period ended 30 June 2014 of 444,786,683 (30 June 2013: 349,268,439).

The redeemable preference shares are included in the computation of earnings per share as they rank equally with ordinary shares in respect of distributions made by the Company except any distribution in the case of liquidation.

The calculation of diluted earnings per share of 1.40 cents (30 June 2013: 2.58 cents) is the same as basic earnings per share.

5. Related party transactions

Millennium & Copthorne Hotels New Zealand Limited is a 75.20% (2013: 70.22%) owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Limited in Singapore.

During the six month period ending 30 June 2014, costs amounting to \$0.13m (30 June 2013: \$0.13m) have been recorded in the Income Statement in respect of fees payable to Millennium & Copthorne International Limited (a subsidiary of Millennium & Copthorne Hotels plc) for the provision of management and marketing support.

As at balance date, \$0.13m was outstanding and payable to Millennium & Copthorne International Limited (2013: Nil).

At 31 December 2013 CDL Hotels Holdings New Zealand Limited had lent a total of \$9.50m to Millennium & Copthorne Hotels New Zealand Limited. This loan was repaid in the current period. The interest rates were fixed and range between 2.50% and 3.06% (2013: 3.00% and 3.25%).

At 31 December 2013 Millennium & Copthorne Hotels New Zealand Limited had lent \$42.55m to its subsidiary, MCHNZ Investments Limited, at an interest rate of 4.10%. This loan was repaid in the current period when MCHNZ Investments Ltd was amalgamated into Millennium & Copthorne Hotels New Zealand Limited on 21 March 2014.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

6. Provisions

<i>Dollars In Thousands</i>	Group	
	Unaudited 30/06/14	Audited 31/12/13
Current		
Provision for earthquake damage	2,243	2,243
Provision for distribution in specie	248,168	-
	250,411	2,243
Non current		
FF&E provision	757	742

At a special meeting of the shareholders on 19 June 2014, the shareholders approved a detailed proposal to return capital to the shareholders by way of a scheme of arrangement under Part 15 of the Companies Act. This scheme involved: the cancellation of approximately 70% of the Company's ordinary and preference shares; and the distribution of substantially all of the shares in First Sponsor Group Limited to both holders of ordinary and preference shares.

The scheme took effect on 17 July 2014 but the liability for the distribution is triggered by the shareholders' approval on 19 June 2014 and therefore has been appropriately authorised and no longer at the discretion of the Company. Accordingly a provision for distribution is recorded in the current liabilities and in equity. The provision is booked for 171,316,217 shares in First Sponsor Group Limited at SG\$1.55 each at the foreign currency exchange rate of NZ\$1.00 to SG\$1.07. The Directors considered SG\$1.55 per share to be the fair value of shares in First Sponsor Group Limited for distribution.

7. Associate companies

Associate	Principal Activity	% Holding by the Group 30 June 2014	% Holding by the Group 31 December 2013
First Sponsor Group Limited/ * First Sponsor Capital Limited	Investment Holding	31.42%	*34.00%
		% Holding by CDL Land New Zealand Limited	% Holding by CDL Land New Zealand Limited
		30 June 2014	31 December 2013
Prestons Road Limited	Service Provider	33.33%	33.33%

First Sponsor Group Limited has a 31 December balance date and Prestons Road Limited has a 31 March balance date.

Movements in the carrying value of associates

Group	First Sponsor Capital/Group Limited		Prestons Road Limited	
	Unaudited 30/06/14	Audited 31/12/13	Unaudited 30/06/14	Audited 31/12/13
<i>Dollars In Thousands</i>				
Balance at 1 January	185,329	128,057	2	2
Share of post acquisition movement in foreign exchange reserves for the period	(18,622)	7,315	-	-
Share of post acquisition capital reserves	(934)	6	-	-
Investment in associate	57,867	40,303	-	-
Disposal of associate	(2,470)	-	-	-
Return of surplus capital	(4,266)	-	-	-
Loss on change in interest	-	(103)	-	-
Share of (loss)/profit for the period	(3,134)	9,751	-	-
Balance at 30 June	213,770	185,329	2	2

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

7. Associate companies (continued)

On 11 February 2014 the Company received notice from First Sponsor Capital Limited (FSCL) of a capital call of SG\$190.00m in March 2014 to fund further expansion of its development properties in Chengdu, Sichuan Province, China. The Company increased its investments by providing additional capital of \$57.87m (SG\$63.50m) on 26 March 2014 and was issued with 50,134,440 preference shares.

On 21 March 2014, MCHNZ Investments Limited (100% owned subsidiary of the Company) amalgamated with the Company and the existing 119,299,296 FSCL preference shares and 245 FSCL ordinary shares held by MCHNZ Investments Limited were transferred to the Company.

On 21 March 2014, KIN Holdings Limited (61.30% owned subsidiary of the Company) carried out a capital reduction and a distribution-in-specie exercise whereby its entire FSCL shares held were distributed to Tai Tak Asia Properties Pte Limited (non-controlling interest of 38.70%: 2,102,013 preference shares) and the Company (61.30%: 3,329,545 preference shares).

As part of the capital reorganisation of First Sponsor Group Limited (FSGL) before its Initial Public Offer (IPO), 245 ordinary shares and 172,763,281 preference shares held by the Company in First Sponsor Capital Limited were exchanged for 171,561,263 shares in First Sponsor Group Limited on 31 March 2014. As a result surplus capital of \$4.27m was returned from First Sponsor Capital Limited. The Company ended up with 31.42% interests in First Sponsor Group Limited at 31 March 2014.

The Company recorded a loss of \$3.13m (30 June 2013: \$0.20m) from its share of FSGL loss of SG\$12.42m (30 June 2013: US\$0.49m). Included in FSGL's loss were additional costs relating to its IPO and share-based charges in connection to its management equity participation scheme.

8. Financial Instruments

The Group only holds non-derivative financial instruments which comprise cash and cash equivalents, trade and other receivables, trade receivables due from related parties, related party advances, secured bank loans, trade and other payables and trade payables due to related parties.

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Credit risk

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 customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. There are no significant aged debtors which have not been fully provided for.

Investments are allowed only in short-term financial instruments and only with counterparties approved by the Board, such that the exposure to a single counterparty is minimised.

At balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The maximum exposure to credit risk in Australia is \$0.17m (2013: \$0.17m). All other credit risk exposure relates to New Zealand.

Market risk

(i) Interest rate risk

In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings with an ongoing review of its exposure to changes in interest rates on its borrowings, the maturity profile of the debt, and the cash flows of the underlying debt. The Group maintains its borrowings at fixed rates on short term which gives the Group flexibility in the context of the economic climate, business cycle, loan covenants, cash flows, and cash balances.

An increase of 1.0% in interest rates at the reporting date would have increased profit before tax for the Group by \$0.20m (30 June 2013: reduced by \$0.05m), assuming all other variables remained constant.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

8. Financial instruments (continued)

Effective interest and re-pricing analysis

In respect of income-earning financial assets and interest-bearing financial liabilities the following table indicates their effective interest rates at the balance date and the periods in which they re-price.

Group	Unaudited 30/06/14			Audited 31/12/13			
	Effective interest rate	Total	6 months or less	Effective interest rate	Total	6 months or less	6 to 12 months
<i>Dollars In Thousands</i>							
Interest bearing cash & cash equivalents *	2.99% to 4.72%	105,171	105,171	1.20% to 4.29%	83,155	80,655	2,500
Secured bank loans *	3.83% to 4.36%	(52,000)	(52,000)	3.20% to 3.54%	(80,878)	(80,878)	-
Bank overdrafts *	3.85%	(6,336)	(6,336)	3.00%	(1,131)	(1,131)	-

*These assets / (liabilities) bear interest at a fixed rate.

(ii) Foreign currency risk

The Group owns 61.30% of KIN Holdings Limited and 31.42% (2013: 34.00%) of First Sponsor Group Limited. Substantially all the operations of these subsidiary and associate groups are denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars and Singapore Dollars. In 2012 the Singapore dollar risk related to US dollars as First Sponsor Group Limited changed their functional and reporting currency from US dollars to Singapore dollars in 2013. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

The Group is not exposed to any other foreign currency risks.

Capital management

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any external imposed capital requirements.

The allocation of capital is, to a large extent, driven by optimisation of the return achieved on the capital allocated.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes in the Group's capital management policies during the year.

Fair values

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

Group	Note	Carrying amount	Fair value	Carrying amount	Fair value
		Unaudited 30/06/14	Unaudited 30/06/14	Audited 31/12/13	Audited 31/12/13
<i>Dollars In Thousands</i>					
LOANS AND RECEIVABLES					
Cash and cash equivalents		98,878	98,878	82,085	82,085
Trade and other receivables		11,955	11,955	13,517	13,517
OTHER LIABILITIES					
Secured bank loans		(52,000)	(52,000)	(80,878)	(80,878)
Trade and other payables		(12,973)	(12,973)	(14,484)	(14,484)
Trade payables due to related parties		(867)	(867)	(537)	(537)
Loans due to related parties	6	-	-	(9,500)	(9,500)
		44,993	44,993	(9,797)	(9,797)
Unrecognised (losses) / gains			-		-

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Condensed Interim Financial Statements
for the six months ended 30 June 2014 (unaudited)

8. Financial instruments (continued)

Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table:

(a) Cash, accounts receivable, accounts payable and related party balances. The carrying amounts for these balances approximate their fair value because of the short maturities of these items.

(b) Borrowings. The carrying amounts for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 6 months.

9. Capital commitments

As at 30 June 2014, the Group has entered into contracts totalling \$10.70m (2013: \$23.49m) for capital expenditure of \$1.30m (2013: \$5.99m) and construction on development properties of \$9.40m (2013: \$17.50m).

10. Changes in contingent liabilities and contingent assets since last annual balance sheet date

There were no changes in contingent liabilities and contingent assets that would require disclosure for the six month period ended 30 June 2014 (2013: Nil). There are no contingent liabilities as at 30 June 2014 (2013: Nil).

11. Canterbury earthquake

The Millennium Hotel Christchurch was closed after the 22 February 2011 earthquake. The building is insured for material damage and negotiations are in progress between the insurers and the landlord.

The business interruption claim for Millennium Hotel Christchurch was settled on 5 October 2012 and \$0.49m was recognised for the business interruption period from 1 January 2014 to 28 February 2014 (June 2013: \$2.65m in total for Millennium Hotel Christchurch, Copthorne Hotel Christchurch Central, and Copthorne Hotel Christchurch City).

In relation to the land at Copthorne Hotel Christchurch Central, which was subject to a compulsory acquisition by the Canterbury Earthquake Recovery Authority (CERA), the acquisition designation on the property has been lifted.

12. Material events subsequent to the end of the interim period

Scheme of arrangement

As mentioned in note 6, the Company undertook a scheme of arrangement to distribute in specie its shareholding in First Sponsor Group Limited by way of a capital reduction. This scheme was approved by the shareholders of the Company on 19 June 2014 and it took effect on 17 July 2014. This cancellation of capital and the distribution in specie of the First Sponsor Group Limited shares is considered a non adjusting event as at 30 June 2014. The full effect of the cancellation of shares and the distribution in specie will be fully reflected in the accounts at year end.

Acquisition of non-controlling interest in Quantum Limited

On 10 July 2014 the Company announced it has a conditional agreement to acquire the remaining 30% interest in Quantum Limited with the purchase price of \$14.25m. Because of the nature and the value of the total assets involved the acquisition is subject to approval from the Overseas Investment Office. An application is being prepared and will be submitted shortly and approval is expected before the end of the financial year. This acquisition is considered a non-adjusting event as at 30 June 2014. At the time that the acquisition is approved by the Overseas Investment Office the full effect of the acquisition will be reflected in the accounts at year end.

CHAIRMAN'S REVIEW

Financial Performance:

The Directors of Millennium & Copthorne Hotels New Zealand Limited ("MCK") announced an unaudited profit after tax and non-controlling interests of \$6.22 million for the six month period ended 30 June 2014 (2013: \$9.02 million). Profit before income tax and non-controlling interests was \$14.94 million (2013: \$16.01 million). The key reason for the decrease in profit was its share of its loss from First Sponsor Group Limited being \$3.13 million which included expenses relating to its IPO. These are dealt with in more detail below.

The actual result does not reflect an increase of 16% in group revenue and other income for the period under review from \$58.06 million in 2013 to \$67.41 million in the first six months of this year. The increase is attributable to good section sales by CDL investments and improved performance at the Company's New Zealand hotels. Gross profit for the period also increased from \$31.23 million in 2013 to \$36.37 million. Operating profit for the period increased from \$14.84 million in the same period in 2013 to \$17.38 million in the period under review. This figure included business interruption insurance income of \$0.49 million (2013: \$2.65 million).

Completion of Redeemable Preference Share Issue:

On 24 March, the Company announced that it had raised \$111.77 million from its offer of redeemable preference shares which closed on 19 March. Under the offer, MCK shareholders were entitled to acquire one new redeemable preference share for every two ordinary shares they currently held.

MCK's majority shareholder, Millennium & Copthorne Hotels plc, subscribed for its full entitlement to preference shares under the offer and also subscribed for additional preference shares under the oversubscription facility. The offer was oversubscribed (through the oversubscription facility) by 15.5%.

The new redeemable preference shares now trade on the NZX Main Board under the MCKPA ticker code. On behalf of the Board, I thank our shareholders for their support of the share issue.

Scheme of Arrangement and First Sponsor Group Limited - update:

In June, MCK shareholders were sent information, including a notice of meeting, independent adviser's report, relating to a scheme of arrangement under which the company would undertake a distribution *in specie* of its shareholding in First Sponsor Group Limited (FSGL) by way of a capital reduction. Shareholders were also sent a copy of FSGL's preliminary prospectus. At a special meeting held on 19 June, ordinary and preference shareholders voted to approve the proposed scheme which took effect on 17 July following final orders from the High Court received on 10 July.

Under the scheme, for every 1000 ordinary or preference shares held by shareholders, 698 shares have been cancelled and shareholders have received 327 FSGL shares. To arrive at the cancellation ratio, MCK used a volume-weighted average price of 68 cents per MCK share (ordinary or preference), an exchange rate of NZ\$1.00 / S\$1.07 and has assumed a price for each FSGL share of S\$1.55 (being the mid point of the price range set out in the FSGL preliminary prospectus).

On 22 July, FSGL completed its Initial Public Offering of shares and is now listed on the Singapore Exchange under SGX ticker code ADN. MCK Shareholders were given the option of using a block sale facility to sell their FSGL shares or have them transferred to an NZX or ASX broker account or a Singaporean CDP account or sub-account. Shareholders could also elect to hold their shares and receive share certificates. The block sale facility is being operated by Trustees Executors and runs for a six week period from 22 July.

Due to rounding, the Company retained a small shareholding in FSGL after completion of the scheme. The Company has agreed not to sell or deal with these shares for a minimum period of six months from the listing date. MCK has also prepaid a total of \$0.60 million of one-off costs associated with the capital reduction scheme / distribution in specie in the period under review. These costs relate to professional advice obtained from the Company's legal, taxation and financial advisors.

This was a significant matter for the Company and on behalf of the Board, I thank shareholders for supporting the distribution in specie process by voting overwhelmingly in favour of the scheme.

Acquisition of remaining shares in Quantum Limited:

On 10 July, MCK announced that it had entered into a conditional agreement with Te Maori Lodges Limited, a subsidiary of the Maori Trustee, for the acquisition of the 30% interest in Quantum Limited which it does not already own.

Quantum Limited is the principal operating subsidiary of MCK and owns or leases seven hotels including Millennium Hotel Queenstown, Copthorne Hotel Rotorua and Kingsgate Hotel Dunedin. Completion of the agreement will result in MCK taking ownership of these hotels through wholly owned subsidiaries.

Completion of the purchase is subject to approval by the Overseas Investment Office. An application for consent will be lodged by MCK shortly and the agreement is expected to settle before the end of the year. Any financial impact of the acquisition will be recognized in the second half of 2014.

This marks the end of a valued and productive business relationship with the Maori Trustee and the Board thanks Te Tumu Paeroa for their support of Quantum Limited and its operations over the past two decades.

Canterbury Update:

Discussions between the landlord of Millennium Hotel Christchurch and the insurers have continued on the repair or rebuild of this hotel. To date, no resolution has been reached. Once MCK is in a position to make further comment, we will update shareholders and stakeholders as required;

The acquisition designation on Copthorne Hotel Christchurch Central has now been lifted and MCK will look at future plans for the site at an appropriate time in the near future.

New Zealand Hotel Operations:

Total revenue for the New Zealand hotel operations (13 owned or leased and operated hotels excluding 10 franchised properties) for the period under review increased to \$40.57 million (2013: \$38.58 million). Occupancy for those owned / leased hotels for the period increased to 72.7% (2013: 69.0%) across the Group allowing for the closure of the three Christchurch CBD hotels.

The increases in revenue, gross profit and revenue per available room (REVPAR) are pleasing and have come through a focus on occupancy and room rates together with increasing operational efficiencies.

The refurbishment of 76 rooms and the restaurant, bar and public areas at Kingsgate Hotel Palmerston North and rebranding to a Copthorne Hotel was also completed in the period under review and has already generated increased revenue per available room (REVPAR) for the hotel.

CDL Investments New Zealand Limited ('CDLI'):

CDLI announced an unaudited operating profit after tax for the six months ended 30 June 2014 of \$8.22 million, (2013: \$5.73 million). Strong sales from its Hamilton and Rolleston (Canterbury) subdivisions have again contributed to the result. CDLI expects to match or better its 2013 results in 2014.

Offshore investments – Australia and China:

As MCK did not distribute its interest in FSGL until after 30 June 2014, it still had a 31.42% shareholding in that company at balance date. In China, First Sponsor Group Limited ("FSGL") (a 31.42% associate company) reported a loss of S\$12.42 million for the period to 30 June 2014 (2013: US\$0.49 million profit from First Sponsor Capital Limited). FSGL recorded lower revenue from the sale of properties compared to the same period in 2013 and did not recognise any revenue from the Millennium Waterfront project located in Wenjiang City, Chengdu Province in the period under review. FSGL also recorded total operating expense of S\$22.15 million in H1 2014 mostly relating to its IPO expenses, selling expenses, and service fees charged by a controlling shareholder. It also included a share-based charge in connection with the Company's issuance of 25,850,000 ordinary shares to certain management staff and employees of the Group at par value in March 2014 as well as an increase in headcount for M Hotel Chengdu and its property development operations in Chengdu. MCK has recognized \$3.13 million as its share of this loss (2013: \$0.20 million profit).

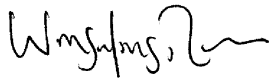
In Australia, occupancy at the Zenith Residences remains steady at 97%. The units owned by the Group are leased out on short-term leases. The litigation affecting a majority-owned subsidiary remains on foot and experts have been appointed to quantify the rectification works required.

Outlook:

With the completion of the capital raising and the distribution in specie of the Company's interest in FSGL, the Company is now able to focus on its New Zealand business segments. Improvements are being seen in the New Zealand hotel operations and the land development operations continue to trade strongly. We expect that the good work in these two areas will be reflected to a certain extent in our final results. We caution that one-time costs and other factors may dilute the extent of those performance improvements.

As a result of the capital reduction and as highlighted at the annual and special meetings of shareholders, while the number of shares in the Company will reduce, we expect the net asset value of the Company and the earnings per share to rise as the total assets of the business have not changed as a result of the capital reduction, save for changes to take account of the distribution of the FSGL shareholding.

We remain focused on investing in the hotel business and our recent refurbishments and the acquisition of the remaining stake in Quantum Limited are proof of that. We also remain focused on being a sustainably profitable business and we will continue to seek improvements in our operations at all levels to deliver better returns for all of our shareholders.



Wong Hong Ren
Chairman
31 July 2014

MCK REPORTS INCREASES IN REVENUE AND OPERATING PROFIT IN FIRST HALF OF 2014

New Zealand hotel owner / operator, Millennium & Copthorne Hotels New Zealand Limited (NZX:MCK), today announced its (unaudited) results for the six months to 30 June 2014:

• Average hotel occupancy across the Group	72.7% (2013: 69.0%)
• Group revenue and other income	\$67.41 million (2013: \$58.06 million)
• Operating profit	\$17.38 million (2013: \$14.84 million)
• Profit before income tax and non-controlling interests	\$14.94 million (2013: \$16.01 million)
• Profit after tax and non-controlling interests	\$6.22 million (2013: \$9.02 million)

MCK's Managing Director Mr. B K Chiu noted that the profit result did not reflect improvements in the Company's Group Revenue from increased sales by the Company's majority-owned residential property developer CDL Investments New Zealand Limited and improved results from the New Zealand hotel operations. However, operating profit for the period did increase to \$17.38 million from last year's \$14.84 million.

"CDI has had a strong first half with good sections sales and we have also been able to make gains in occupancy and revenue per occupied room (REVPAR) at our hotels although these are not reflected in the bottom line results", he said. "This was due to one-time costs relating to the Preference Share issue and its share of costs from FSGL's IPO," he added.

Mr. Chiu noted that the past six months had been a very busy time for MCK.

"The six months have been remarkable. Not only did we complete a successful redeemable preference share issue in the first six months, we also did what was necessary to effect the recently completed capital reduction and distribution in specie of our shareholding in First Sponsor Group Limited to all MCK shareholders", he said.

Mr. Chiu noted that prepaid costs related to those two projects amounted to \$0.60 million. The Company's half year results were affected mainly by the Company's share of the loss of \$3.13 million from First Sponsor Group Limited. FSGL recorded lower revenue from the sale of properties compared to the previous year and did not recognise any revenue from sales in the Millennium Waterfront Project in the first half of 2014.

Speaking to the Company's prospects in the second half of 2014, Mr. Chiu said MCK remained focused on investing in its New Zealand hotel business.

"Our recent refurbishments and the acquisition of the remaining shareholding in Quantum Limited demonstrate that commitment", he said.

Mr. Chiu also said that the Company expected positive changes to key metrics as a result of the capital reconstruction of the Company".

"We expect that, while the total number of shares in the Company has fallen, the net asset value of the Company and the earnings per share should improve as the core assets of the business have not changed. Further performance improvements which we are able to make in the second half of the year will also be reflected in the annual results", he said.

ENDS

Issued by Millennium & Copthorne Hotels New Zealand Ltd

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