



MILLENNIUM

HOTELS AND RESORTS

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND LIMITED

STOCK EXCHANGE ANNOUNCEMENT

2020 ANNUAL SHAREHOLDER MEETING – REMARKS BY THE CHAIR

Passing of Wong Hong Ren

Before I turn to the main business of the meeting, I would like to mention and note the recent passing of our former Chair Mr. Wong Hong Ren.

I am sure that many of you have met or have heard from Mr. Wong over many annual meetings across his long involvement with this company, CDL Investments New Zealand Limited and Kingsgate International Corporation Limited from the early 1990s through to his retirement in 2017.

As our longest-serving Chairman, he also held the most senior positions within the Millennium & Copthorne Hotels Group serving as CEO and Executive Director for many years until his retirement in 2015 from the plc board.

He held a very keen and active interest in our New Zealand operations visiting nearly all of our hotels during his tenure and knew the financial performance of our businesses extraordinarily well.

Sadly, due to the COVID-19 lockdowns in both New Zealand and Singapore, we were unable to acknowledge his passing properly but I am sure that all shareholders will join with me in sending sincere condolences to his family and colleagues and that we mark his contributions to MCK in this way.

Annual Report and Financial Statements

On behalf of the Directors, I present the Annual Report and the Statement of Financial Accounts to 31 December 2019.

MCK's financial and trading performance in 2019 was positive and reflected the pre-COVID-19 positive travel and tourism conditions in New Zealand.

In 2019, MCK recorded:

- recorded an increased profit after tax of \$49.7 million;
- increased revenue of \$229.7 million;
- an increase in earnings per share to 31.39 cents per share; and
- a better RevPAR of \$132.46

These results allowed the Board to maintain the dividend to shareholders at 7.5 cents per share which was paid to you on 15 May.

All of that is now in the past. Obviously the situation for this year is extremely different given COVID-19 and Mr, Chiu will speak to that in detail.

From the Board's perspective, we have been monitoring the situation very carefully. We have been receiving regular updates from Management on the operational and financial position but also on what measures MCK is looking to put in place to ensure guest and staff safety.

The continued closure of New Zealand's borders, which we understand is necessary to keep New Zealand and New Zealanders safe, will nevertheless have a huge impact given that about half of our pre-COVID business was from overseas. There will not be a sudden recovery. Flights will resume slowly and international visitors will be understandably cautious. Even a Trans-Tasman bubble will be some time away.



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Conferencing and meetings will also not be as they were. Our restaurants and bar areas will need to change to accommodate new rules on seating and safe distancing. The whole guest experience will be very different.

I also want to make some brief remarks on behalf of the Board on the steps the Company has taken with regard to its business operations and its staff.

To deal with this crisis head-on, Management has had to make decisions about MCK's workforce which have affected over 70 percent of the company's total head count. Prior to COVID-19, we had over 1,300 employees working for us at our various hotels.

As a Board, we recognise that the decisions that Management has had to make are very difficult but we agree with our Management team that these have been necessary to ensure that the Company is able to survive now and into the future.

We have lost and will be losing many long-serving and very loyal employees as a direct result of this crisis. We are sorry to see them go and hopefully we will see some of them again when tourism gets back to more normal levels.

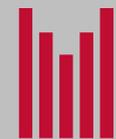
To conclude, this year will be the most challenging year that MCK has ever faced in its history. None of us have ever experienced a crisis of this nature. Your Board and the Management team are absolutely focused on ensuring that MCK is not only able to survive this year but able to be ready when tourism to New Zealand starts to grow again.

**WELCOME TO
OUR WORLD OF
HOSPITALITY**

35th Annual General Meeting

26th May 2020

*More than
Meets the Eye*



MILLENNIUM
HOTELS AND RESORTS

WELCOME

- Welcome to this Virtual Meeting
- The Meeting Chair is Graham McKenzie
- Board of Directors are attending remotely:

Colin Sim (Chairman)

B K Chiu (Managing Director)

Kevin Hangchi (Director)

Eik Sheng Kwek (Director)

Richard Bobb (Independent Director)



WELCOME

- Quorum
- Apologies will be recorded in the minutes
- Proxies
- Minutes of the 34th Annual Meeting
- Notice of Meeting taken as read



Tribute to Mr Wong Hong Ren



Annual Report and Financial Statements

2019 Annual Report presented.

For 2019, MCK reported:

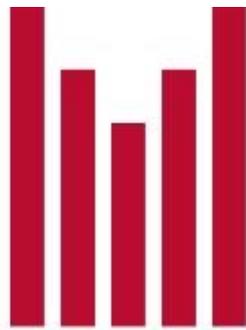
- An increased profit after tax of \$49.7 million
- Increased revenue to \$229.7 million
- Increased earnings per share to 31.39 cps
- Better RevPAR of \$132.46
- Dividend maintained at 7.5 cents per share



Effect of COVID-19

- The Board has been monitoring the situation carefully.
- New Zealand's borders remain closed, will have huge impact
- Recovery will be long and slow - TransTasman bubble some time away
- Guest experience will be different
- Over 70% of MCK work force affected
- 2020 will be the most challenging year for MCK





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HOTELS AND RESORTS

More than Meets the Eye



MCK 2019 Group Results

Best year in MCK's history.

	<u>2019</u>	<u>2018</u>
Group Revenue (\$m):	229.7	218.8
EBITDA (\$m):	94.0	91.3
Profit Before Tax (\$m):	85.4	85.1

- Contributions from hotel operations, residential land development (CDL Investments New Zealand Ltd) and residential property development (KIN Holdings Ltd).



Statement of Value Added & Distribution

(Year ended 31 December 2019)

	Group	
Dollars in millions	2019	
Revenue	229.7	
(-) Less purchase of goods & services	<u>(88.9)</u>	
	140.8	
(+) Add interest income & dividend received	<u>3.9</u>	
	<u>144.6</u>	
		% of value
Appropriated as follows:		
To employees	46.8	32.3%
To government taxes & rates	23.5	18.7%
To suppliers of capital:		
- Dividends to shareholders	11.9	8.2%
- Interest cost, lease liabilities	2.7	1.9%
- Dividends to non-controlling interests	4.3	3.0%
Retained for future requirements	51.8	35.8%
Total Value Added	<u>144.6</u>	100.0%



MCK 2019 Results

- **Hotel Revenue:** \$126.6m (\$126.5m in 2018)
- **Occupancy:** 80.8% (80.9% in 2018)
- **Average Room Rate:** \$163.97 (\$161.54 in 2018)
- **RevPAR:** 1.4% increase
 - Softer trading year with lower arrivals from China
 - Domestic business & leisure is MCK's largest source of rooms revenue followed by China & Australia
 - New hotel inventory in Auckland & Wellington
 - Market share ahead of competitor set
 - Productivity challenges with cost increases



- Incorporated in August 2019.
- Represents over 100 hotels, large and small in cities, regions and resorts nationwide. MCK is a founding member.
- Only dedicated body providing leadership and advocacy for the hotel sector.
- Advocacy includes:
 - Hotel wage subsidy and extension
 - Taxation relief
 - Hotel local government rates grant
 - Removal of the Accommodation Provider Targeted Rate in Auckland and future discriminatory local government taxes e.g. bed tax in Queenstown.



Does it have to take pandemic carnage going viral to show the wide and deep linkages tourism brings to the NZ economy?

- From airlines, airports, rental vehicles, taxis, shuttles, travel agencies, tour operators, petrol stations, cafes, restaurant, retail, accommodation..... to tourist attractions in cities and rural towns.
- Employment and business losses from SMEs to large corporations in NZ.



Where is the fairness and wisdom in public policies relating to local council rates?

- **Accommodation Providers Targeted Rate (APTR), Auckland**
 - we commend the council's proposal to suspend the APTR for part of this rating year and next. But we urge it to abandon the APTR.
- **Queenstown Bed Tax**
 - an ill-advised, poorly researched & discriminatory local body tax



April 2020 YTD Trading

- **Hotel Revenue:** \$31.6m (\$47.6m in 2019)
- **Occupancy:** 57.5% (89.1% in 2019)
- **Average Room Rate:** \$183.58 (\$176.40 in 2019)
- **RevPAR:** \$105.47 (\$157.11 in 2019)



COVID-19 and Border closure impact

Month	Occupancy %		Average Room Rate (\$)	
	2019	2020	2019	2020
January	89.8	87.5	178.55	184.10
February	91.9	87.7	189.01	186.82
March	91.0	53.2	177.39	176.71
April	83.7	1.5	159.97	219.94

- 20 March 2020: Borders closed to all visitors
- 26 March 2020: Alert Level 4
- 27 April 2020: Alert Level 3
- 14 May 2020: Alert Level 2



What Matters Now and Next

MCK has sufficient cash to meet obligations.

- **Actively Conserving Cash**

Current Ratio (April 2020)	4.7
Quick Ratio	4.6
Debt Equity (%)	11.7

- **No plans to:**

- Increase bank borrowings
- Raise capital
- Rights issue



Cash Flow Management

- **Resizing and rescaling operations**
 - Retain experience, expertise
- **Applied & received 12 week wage subsidy to June 21, 2020**
- **Debtor management**
- **Delay/Defer major capexes**
- **Actively market Zenith Apartments, Sydney**



Hotel Reopening

- Strict COVID-19 protocols at all hotels and corporate office
- Comply with all Ministry of Health requirements
- We Care. We Clean. We Welcome

- **Hotels Open:**

M Social, Auckland



Comply with all Ministry of Health requirements



Grand Millennium, Auckland



Social Distancing Protocols in place



Millennium Hotel Rotorua



Contactless check in and check out



Millennium Hotel New
Plymouth, Waterfront



Menus available for room delivery



Copthorne Hotel Auckland City



Qualmark certified



Copthorne Hotel Palmerston North



Increased levels of sanitation with hospital
grade solutions



Copthorne Hotel Wellington,
Oriental Bay



Book direct or through your Travel Agent



Copthorne Hotel and Apartments
Queenstown, Lakeview



Copthorne Hotel and Resort
Hokianga



Copthorne Hotel and Resort
Solway Park, Wairarapa



Kingsgate Hotel Dunedin



Kingsgate Hotel Wanganui



Copthorne Hotel and Resort
Queenstown, Lakefront

**OPENING
1 JULY**



CDL Investment 2019 Sales

Best year in CDI's history despite the softening property market in 2019.

	<u>2019</u>	<u>2018</u>
Sales (\$m)	91.8	85.0
Profit before tax (\$m)	47.3	46.7

- Section sales similar to 2018 from:
 - Greville Road, Auckland
 - Magellan, Hamilton
 - Prestons Park, Christchurch
- Lower margin sales at Northwood, Hawkes Bay



April 2020 YTD Sales

Well designed, constructed and located CDI sections meet market demand despite a sobering economic outlook.

- Sales \$18.8m (\$14.9 in 2019)
- Sales from:
 - Greville Road, Auckland
 - Magellan Heights, Hamilton
 - Prestons Park, Christchurch
- Steady demand for CDI sections in Christchurch and Auckland.
- Pre-titled sales at Kewa Road and Dominion Road – both in Auckland are encouraging with settlements in 2020 and 2021.



- Economic downturn and unemployment will eventually impact demand for residential property.
- However a low interest environment (OCR 0.25%), lower mortgage rates, removal of 20% LVR are all positive for home ownership aspirations.
- There is selective demand for well located and reputable subdivisions with CDI sections priced at different points.
- Manage works in progress for these markets.
- CDI organization remains at three FTEs.



SUMMARY

- MCK has sufficient cash to meet obligations.
- Resized, Rescaled model of hotel operations.
- CDI section sales tracking positively to date.
- Actively market Zenith Apartments sales.
- Hotel operation will make a loss in 2020. But overall Group will make a profit.



ELECTION OF DIRECTORS

- Election of **Mr Eik Sheng KWEK** as a Director
- Re-election of **Mr Boo Keng CHIU** as a Director
- Each Director needs to be individually elected
- All resolutions are being conducted by way of poll



Election of Director

Election of Mr Eik Sheng KWEK as a Director



Re-election of Director

Re-election of Mr Boo Keng CHIU as a Director



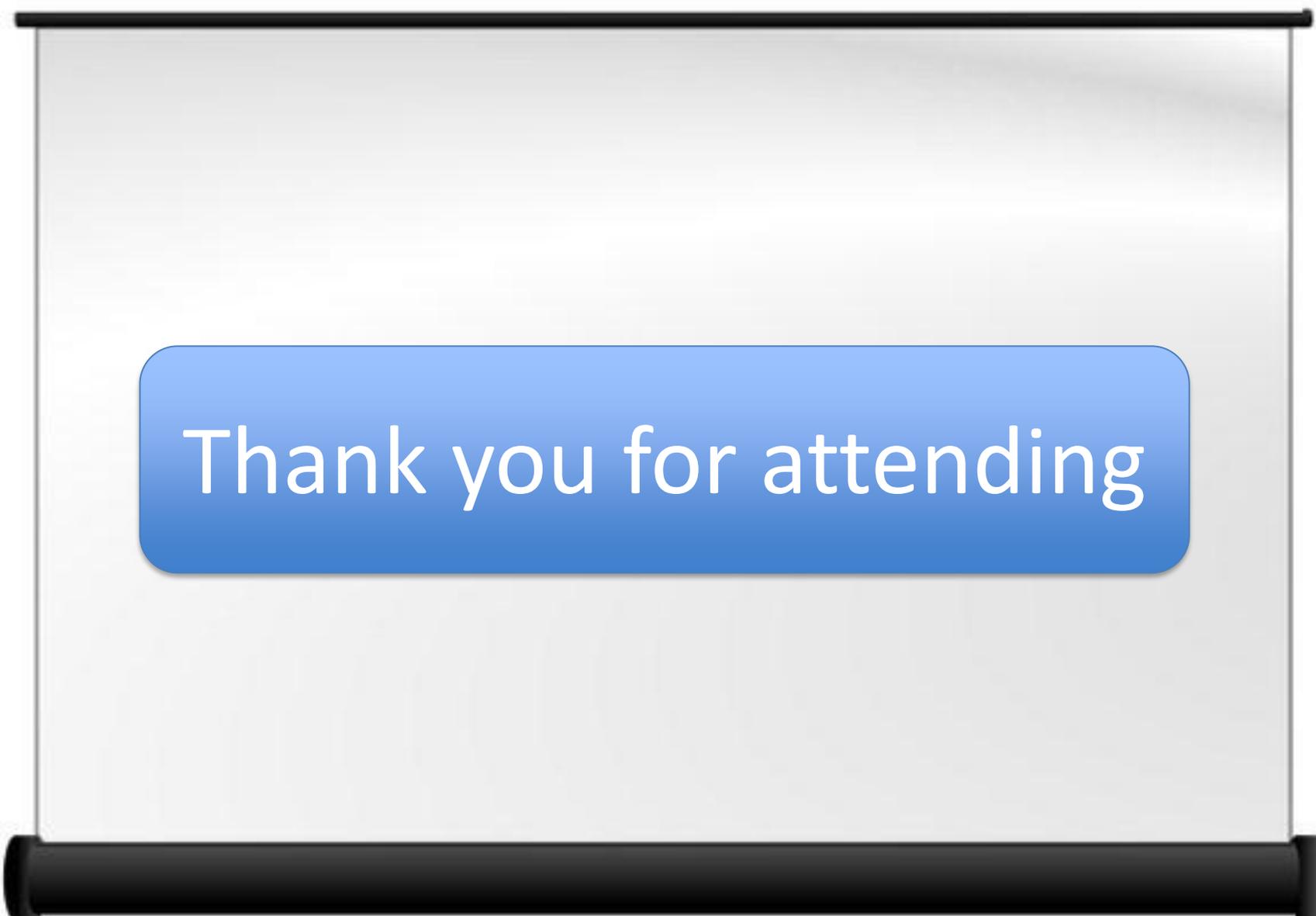
AUDITORS APPOINTMENT & REMUNERATION

- No other nomination received - KPMG are reappointed as the Company's auditors
- Resolution that the Directors be empowered to fix the remuneration of the Auditors for the year ending 31 December 2020.





CLOSE OF MEETING



Thank you for attending

