MILLENNIUM
HOTELS AND RESORTS

28 April 2025

Dear Shareholder

CDLHH NZ TAKEOVER – INCREASED OFFER PRICE

The Offer price has been increased from $2.25 to $2.80 per Ordinary Share. Your Independent Directors believe that the increased offer price is still too low and inadequate and therefore recommend that holders of Ordinary Shares DO NOT ACCEPT the Increased Offer.

However, there are a number of potential consequences (discussed in this letter) which could affect minority shareholders if under the Increased Offer CDLHH NZ does not reach the 90% compulsory acquisition threshold necessary to acquire the remaining Ordinary Shares.[1] Holders of Ordinary Shares will need to make their own assessment of these potential consequences and, having regard to their own particular circumstances, may wish to consider accepting the Increased Offer.

Increase in Offer Price to $2.80 per Ordinary Share

On 22 April 2025, CDL Hotels Holdings New Zealand Limited (CDLHH NZ) gave notice under the Takeovers Code that it had increased the offer price to acquire all of your ordinary shares (Ordinary Shares) in Millennium & Copthorne Hotels New Zealand Limited (MCK or the Company**) from $2.25 to $2.80 per Ordinary Share** (Increased Offer). The Increased Offer closes on **8 May 2025.**

In that notice and accompanying letter, CDLHH NZ also stated that:

- it would not be further increasing the offer price under the Increased Offer;
- after receiving Overseas Investment Office consent, CDLHH NZ has waived all of the remaining conditions of the Increased Offer, including the 90% minimum acceptance condition. This means that the Increased Offer is now unconditional; and
- it will not make another takeover offer under the Takeovers Code for at least nine months from 22 April 2025.

CDLHH NZ also announced that it had signed lock-up agreements to acquire the shares of two institutional shareholders, SG Hiscock & Company Limited and Salt Funds Management Limited, in respect of in aggregate 2.633% of the Ordinary Shares. These parties agreed to accept the Increased Offer in respect of all of the Ordinary Shares that they hold or control. Along with other shareholders that have accepted the Offer or Increased Offer, CDLHH NZ now owns or has received acceptances in respect of 78.678% of the Ordinary Shares.

MCK's largest institutional shareholder, Accident Compensation Corporation (ACC), which holds approximately 4.5% of the Ordinary Shares, has stated it will not be accepting the Increased Offer.[2] ACC is a large institutional fund with a long-term investment horizon. Other holders of Ordinary Shares may not have the same investment horizon.

[1] If CDLHH NZ receives acceptances under the Increased Offer which would result in it holding or controlling 90% or more of the Ordinary Shares, CDLHH will become entitled to compulsorily acquire the remaining Ordinary Shares in accordance with the Takeovers Code. CDLHH NZ has stated that it intends to exercise its right to compulsorily acquire all of the Ordinary Shares it does not acquire under the Increased Offer, if the 90% threshold is met.

[2] Subject to there being no material new information or material change in market conditions.

Independent Directors' Recommendation

While the Independent Directors welcome the increase in the Offer, we believe it is still too low and inadequate. Accordingly, we recommend that holders of Ordinary Shares DO NOT ACCEPT the Increased Offer.

However, there are a number of potential consequences (which we outline further below) which could affect minority shareholders if under the Increased Offer CDLHH NZ does not reach the 90% compulsory acquisition threshold necessary to acquire the remaining Ordinary Shares, so coming to this recommendation was not an easy decision. We encourage shareholders to consider these factors in light of their own circumstances as they decide whether or not to accept the Increased Offer.

Reasons to NOT accept the Increased Offer

The reasons for the Independent Directors' recommendation are the same as set out in the Target Company Statement, which was sent to MCK Ordinary Shareholders on 24 February 2025 and which can be **read here**. These are summarised below (as amended for the Increased Offer):

1. The Increased Offer price of $2.80 per Ordinary Share is still significantly below the Independent Adviser's assessment of value for the Ordinary Shares. The Independent Adviser has assessed a value range of $4.40 to $5.00 per Ordinary Share, with a midpoint of $4.70 per Ordinary Share.

2. The timing of the Increased Offer still significantly discounts the benefits to the Company that shareholders can expect as the hotel and property markets recover.

3. The Increased Offer still undervalues recent capital expenditure on key hotels.

4. The Increased Offer is still at a material discount to the market value of MCK's net assets and significantly undervalues the $129.5 million of recent acquisitions made by MCK. These assets were acquired at market values, with the acquisitions supported at the MCK Board by the two CDLHH NZ representative directors.

5. The Increased Offer still does not appropriately value the benefits that could be captured by CDLHH NZ.

Reasons shareholders may consider ACCEPTING the Increased Offer

While we recommend holders of Ordinary Shares do not accept the Increased Offer, there are a number of potential consequences which could affect shareholders if under the Increased Offer CDLHH NZ does not reach the 90% compulsory acquisition threshold necessary to acquire the remaining Ordinary Shares. Shareholders should make their own assessment of these potential consequences, having regard to their own particular circumstances:

1. The trading price of MCK Ordinary Shares on NZX may reduce (potentially materially) below the Increased Offer price.

2. Liquidity for MCK Ordinary Shares is likely to decrease further – which may also impact the trading price of MCK Ordinary Shares on NZX.

3. There is no certainty that CDLHH NZ will make another takeover offer for MCK or, if it does, when that will occur and the price of that offer.

4. The current global environment remains uncertain and this could impact MCK's business and its share price.

5. In its 22 April 2025 letter, CDLHH NZ stated that:

   "*CDL already has control of MCK, which allows, among other things, the ability to change MCK's constitution, appoint new board members, and influence or change MCK's strategy including decisions on operating expenditure, capital expenditure, capital structure and dividend policy, recognising the rights of minority shareholders.*" In its Offer Document CDLHH NZ stated "*CDLHH NZ views the investment in MCK as a long-term, strategically important business to the CDLHH NZ group with no short to medium term intention to exit.*

> *As such, CDLHH NZ may evaluate business decisions using criteria that are oriented towards long-term business sustainability*."
>
> It is possible that CDLHH NZ could look to use its influence as MCK's majority shareholder to change the company's strategy and distribution policy (which could, for example, potentially see distributions remain at the current low levels or even reduce or stop entirely).

A number of similar potential consequences were discussed by the Independent Adviser on pages 6, 36 and 37 of the Independent Adviser's Report in the context of the Offer. The Independent Adviser's Report is included in the Target Company Statement.

Given these potential consequences, some holders of Ordinary Shares may see the Increased Offer as an opportunity to exit their investment in MCK at a known price (without brokerage costs), despite this being lower than the value of Ordinary Shares assessed by the Independent Adviser.

Preference Shares

MCK also has redeemable non-voting preference shares listed on the NZX Main Board under the ticker 'MCKPA' (Preference Shares). Independently of the Offer, CDLHH NZ has indicated that it is willing to acquire the Preference Shares at $1.70 per share via its broker, Craigs Investment Partners Limited, through buying on the NZX Main Board (the RPS Offer). Further information about the Preference Shares and the RPS Offer is set out in the schedule to this letter.

Acceptances and timing

The Increased Offer period is open until 5.00pm on 8 May 2025. If you decide to accept the Increased Offer, you will need to complete the acceptance form that accompanied the offer document you should have received from CDLHH NZ. If you decide not to accept the Increased Offer, then you do not need to do anything.

If you accept the Increased Offer, your decision is irrevocable and cannot be withdrawn.

Conclusion

Your Independent Directors believe that the increased offer price of $2.80 per Ordinary Share is still too low and inadequate, and therefore recommend that holders of Ordinary Shares DO NOT ACCEPT the Increased Offer.

However, ultimately the decision whether or not to accept the Increased Offer is an individual decision for each holder of Ordinary Shares, having regard to the potential consequences outlined above and in the Independent Adviser's Report and their own particular circumstances (including personal investment criteria, investment timeframe and risk appetite). We acknowledge that this is not an easy decision.

If you are in any doubt about how to respond to the Increased Offer, please seek financial advice from an independent, qualified adviser in relation to your particular circumstances.

Yours sincerely

Leslie Preston

Leslie Preston
Chair of the Independent Directors Committee

Schedule
(Preference Shares)

MCK also has redeemable non-voting preference shares listed on the NZX Main Board under the ticker 'MCKPA' (Preference Shares). CDLHH NZ owns 91.34% of the Preference Shares. Although the Preference Shares rank equally with the Ordinary Shares with respect to all distributions made by MCK (subject to a liquidation preference) they do not (and are not required under the Takeovers Code to) form part of the Increased Offer.

However, independently of the Offer, CDLHH NZ has indicated that it is willing to acquire the Preference Shares that it does not own at $1.70 per share via its broker, Craigs Investment Partners Limited, through buying on the NZX Main Board (the RPS Offer).

CDLHH NZ has stated that it may also elect to seek to have the Preference Shares issued by MCK redeemed, if CDLHH NZ is successful in acquiring all of the outstanding Ordinary Shares. Preference Shares can be redeemed by MCK at any time if the redemption is approved by holders of Preference Shares by way of special resolution. CDLHH NZ has sufficient votes to pass such a special resolution. The redemption price for each Preference Share would be the higher of their 20-day volume weighted average price or their issue price of $0.64. Historically, the Preference Shares have traded broadly in line with the Ordinary Shares (reflecting essentially the same economic rights). However, the Preference Shares recently traded at $1.80 per share.

To the extent the Preference Shares were redeemed for a price below the Increased Offer price for the Ordinary Shares, it would increase the value of the Ordinary Shares. CDLHH NZ is suggesting this could happen in the event its Increased Offer is successful. The Independent Directors make no recommendation in respect of the RPS Offer. The Takeovers Code does not apply to the RPS Offer and the Target Company Statement does not include information about the RPS Offer. Shareholders who are considering selling their Preference Shares as part of the RPS Offer or otherwise are recommended to seek their own professional advice.

In assessing the Increased Offer for Ordinary Shares, MCK shareholders who also own Preference Shares may wish to consider the implications for their Preference Shares (including their potential redemption) if the Increased Offer is successful.

In addition, some holders of Preference Shares may value the ability to sell their Preference Shares under the RPS Offer for a certain price of $1.70 per Preference Share.