SHAREHOLDER UPDATE TO 30 JUNE 2022

Dear MCK Shareholders,

We trust that our update for the half year just gone finds you and yours in good health. We are conscious that the pandemic has not gone away and while it continues to find ways to affect our businesses, we hope that it has not had the same effect on you.

Operational highlights:

The first half of 2022 has seen a lot of activity and change at MCK. Of note:

--We reopened our Greymouth hotel, which we rebranded from Kingsgate to Copthorne, in March 2022 after twelve months of intense work. The hotel now has a new restaurant and bar area and 53 refurbished guest rooms.

--In June, we welcomed our new Managing Director Stuart Harrison to his new role with us and a few weeks ago at the start of July we farewelled Mr. BK Chiu and thanked him for his seventeen years of service to MCK and the wider group.

--Our managed isolation operations at Grand Millennium Auckland and M Social Auckland came to an end during the first half of the year and both hotels have now fully reopened for business after a short period of refurbishment.

--Three apartment sales at the Zenith Residences (Sydney) were also recorded.

Results summary

MCK as a group made an unaudited profit before tax and non-controlling interests of $32.05 million for the six month period ended 30 June 2022 (2021*: $47.55 million). The main contributors to these results were sales of residential sections from our majority-owned subsidiary CDL Investments New Zealand Limited which continues to trade strongly and the sale of three apartments at the Zenith Residences in Sydney settled during the first six months also contributed to this result.

MCK has therefore recorded a profit after income tax and non-controlling interests of $15.40 million (2021*: $31.34 million) on group revenue for the period of $83.66 million (2021: $98.36 million). Our earnings per share for the period decreased to 9.74 cents per share (2021*: 24.47 cps) with the prior year reflecting the impact of a one-off gain of $15.87 million (10.03 cents per share) on disposal from the sale of land in May 2021 (described as other income). MCK's Net Tangible Assets per share as at 30 June 2022 was $3.33 per share (2021*: $3.20 per share).

New Zealand Hotel Operations

MCK's hotel operations saw revenue down year on year at $27.26 million (2021: $31.07 million). These results reflected the continued government mandated COVID restrictions on travel and gatherings seen between January through to April this year which had a severe effect on conference bookings in particular as well as domestic travel.

Occupancy for the first half of 2022 was 38.3% (2021: 40.5%) which was proportionate to the location and business mix of the respective hotels. Domestic and corporate travel locations of Auckland, Palmerston North, Wellington and Dunedin saw higher levels of occupancy whilst leisure and conference locations such as the Bay of Islands, Rotorua and Queenstown were severely impacted during the period. Once the restrictions on gatherings and travel were lifted, we did see a small increase in business in May and June but our customers and the public at large have remained cautious. The border restrictions have continued to be an impact on the sourcing and availability of employees to fill available roles. Notably this impacts on the hotels' ability to be able to sell and service all rooms in a timely manner.

This has resulted in the hotel operations making a pretax loss of $3.95 million (2021*: $0.64 million profit excluding the one-off item from other income) for the period ended 30 June 2022. EBITDA for the same period excluding the one-off item from other income was $0.88 million (2021: $5.25 million).

We reiterate what we have said for some time - hotel operations in New Zealand are still challenging. While we do expect occupancy to steadily increase through to the end of the year barring any change to the current COVID settings, ongoing staff and skill shortages will continue to act as a hand brake on increasing available inventory as we need to maintain a balance between how many rooms we can sell and how many rooms we can service. The competition for skilled labour will remain intense for the foreseeable future.

*The 2021 comparative figures are restated due to the fact that during 2021, MCK changed its accounting policy relating to the measurement of land and buildings from revaluation to historical cost. Refer to Note 10 of the Financial Statements for further information.

We have continued with our programme of refurbishment and improvements. In addition to completing the work done at Copthorne Hotel Greymouth we are also working through refurbishments at Millennium Hotel Queenstown and Millennium Hotel Rotorua.

The renewal of our lease for the Copthorne Hotel & Resort Bay of Islands for a further term was also completed in this period and we are working through the scoping of appropriate refurbishment and improvements to the hotel so as to enhance its 4 star rating. We have also recently announced the renewal of our management lease at Grand Millennium Auckland and will be working through details with the owners for the further improvement and refurbishment of this property. Both of these properties are critical to our recovery path and we are pleased to maintain our long-standing relationship with both of these hotels.

<u>CDL Investments New Zealand Limited ('CDL') update:</u>

CDL recorded a solid result in the first half of 2022 with an unaudited operating profit after tax for the six months ended 30 June 2022 of $22.90 million (2021: $20.75 million). While market conditions have changed considerably over the last six months, CDL currently remains on track to meet its 2022 target level of sales and revenue having recorded sales in Auckland and Canterbury.

<u>Australia update:</u>

We recorded three sales comprising two single bedroom apartments and a three bedroom plus studio apartment at the Zenith Residences, Sydney in the first half of this year.
We continue to be focused on selling down the apartments we continue to hold and we are looking at adjusting our marketing strategy to increase sales during this year.

<u>Outlook:</u>

We have seen dramatic changes to global economic conditions over the last six months which we could not have predicted a year ago much less at the start of this year. Ongoing cost pressures and inflation around the world have and will affect the travel and accommodation sectors globally for the rest of this year and therefore the prospect of an accelerated recovery path is now very unlikely. Staffing shortages, due to illness or purely through lack of available employees throughout the workforce in New Zealand, are also having a strong impact. MCK is not immune to those issues and its hotel operations will continue to be under pressure to find a way back to profitability for at least the next twelve months on the assumption that there is no return to gathering restrictions before the end of the year.

All that said, we are determined to ensure that we use the current period to our advantage. We believe that we should continue to reinvest in our properties over the coming months and years to ensure that they are able to perform at their best when the markets do recover and international travel in particular starts to become more regular again.

The changes to the senior management teams at MCK and CDI come at an opportune time. We will continue to optimise our operations and position ourselves so that we will be "*first in, best dressed*" and we will continue to look at different strategies and potential opportunities going forward.

We therefore still expect 2022 to be a profitable year. That profit will again be driven by our property development subsidiaries and they will continue to ensure that we remain in the black despite the volatile market conditions. However, as I said at the beginning, the pandemic and its effects are still with us. There may be more storm clouds ahead but we are prepared for them should they come.

As always, we remain grateful to our shareholders and stakeholders. Thank you for your support and ongoing loyalty. We appreciate and value the positive and helpful comments we receive from everyone who stays with us and we look forward to your next stay very soon.

Colin Sim
Chairman
10 August 2022

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