CDL INVESTMENTS
NEW ZEALAND LIMITED

INTERIM REPORT 2019

DIRECTORS' REVIEW

FINANCIAL PERFORMANCE:

CDL Investments New Zealand Limited ("CDI") advises that the Company has made an unaudited operating profit after tax of $15.10 million for the six month period ending 30 June 2019 (2018: $25.47 million). Operating profit before tax was $20.98 million (2018: $35.38 million).

Property sales and other income for the period was $40.29 million (2018: $60.23 million). Net Asset Backing (at cost) for the period under review was 77.6 cents per share (2018: 72.8 cents per share).

PORTFOLIO UPDATE:

Compared to the same period last year when sales of its Auckland (Greville Road) and Hamilton (Magellan Heights) subdivisions contributed to its strong first half results, it is clear that market conditions for residential sections have softened and this is clearly reflected in these results. Despite these challenging conditions, CDI was able to adjust its sales programme and recorded good sales at its Hastings and Christchurch subdivisions in the first half of the year.

CDI has also taken advantage of the current market to purchase an additional 8.17 hectares of land in the Hawkes Bay region for development in the medium term. Agreements for an additional 25.77 hectares are due to settle before the end of the year subject to fulfilment of conditions.

CDI is also progressing well with its commercial developments at Stonebrook (Rolleston) and Prestons Park (Christchurch) and remains on target for completion and occupancy by Q3 2020.

COMMENTARY AND OUTLOOK:

The results reflect the current market conditions and both the Board and Management are conscious that these challenging conditions will continue for the remainder of 2019.

That said, we are optimistic about improving our sales volume in the third and fourth quarters of this year. CDI has a good inventory of sections for sale across our developments and we are therefore optimising our sales programme in the areas where demand is the highest in order to maximise our revenue.

In addition, a soft market can present the company with opportunities to grow our land portfolio. We are therefore actively looking to acquire land in key locations which will add value to our current and future development programmes together with other development opportunities.

Our focus remains on the delivering the best possible result for 2019 to our shareholders. The Board is confident that we will deliver a stronger sales performance in the second half of 2019 and that this will be reflected in the year-end results.

Colin Sim
Chairman
1 August 2019

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 JUNE 2019

In thousands of dollars	Note	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
Revenue		40,181	60,192
Cost of sales		(17,725)	(23,090)
Gross profit		**22,456**	**37,102**
Other income		110	35
Administrative expenses		(134)	(140)
Property expenses		(171)	(185)
Selling expenses		(1,099)	(1,514)
Other expenses		(709)	(646)
Results from operating activities		**20,453**	**34,652**
Finance income		524	726
Finance costs	9	(2)	-
Net finance income		**522**	**726**
Profit before income tax		**20,975**	**35,378**
Income tax expense		(5,873)	(9,908)
Profit/(loss) for the period		**15,102**	**25,470**
Total comprehensive income/(expense) for the period		**15,102**	**25,470**
Profit/(loss) Attributable to:			
Equity holders of the Parent		15,102	25,470
Total comprehensive income/(expense) for the period		**15,102**	**25,470**
Earnings per share			
Basic earnings per share (cents)	3	5.42c	9.16c
Diluted earnings per share (cents)	3	5.42c	9.16c

The accompanying notes form part of, and should be read in conjunction with these financial statements.

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 JUNE 2019

In thousands of dollars	Note	Unaudited Share Capital	Unaudited Retained Earnings	Unaudited Total Equity
Balance at 1 January 2018		54,310	131,802	186,112
Total comprehensive income/(expense) for the period				
Profit/(loss) for the period		-	25,470	25,470
Total comprehensive income/(expense) for the period		**-**	**25,470**	**25,470**
Shares issued under dividend reinvestment plan	2	554	-	554
Dividend to shareholders	2	-	(9,713)	(9,713)
Supplementary dividend		-	(308)	(308)
Foreign investment tax credits		-	308	308
Balance at 30 June 2018		**54,864**	**147,559**	**202,423**
Balance at 1 January 2019		54,864	155,730	210,594
Total comprehensive income/(expense) for the period				
Profit/(loss) for the period		-	15,102	15,102
Total comprehensive income/(expense) for the period		**-**	**15,102**	**15,102**
Shares issued under dividend reinvestment plan	2	510	-	510
Dividend to shareholders	2	-	(9,734)	(9,734)
Supplementary dividend		-	(309)	(309)
Foreign investment tax credits		-	309	309
Balance at 30 June 2019		**55,374**	**161,098**	**216,472**

The accompanying notes form part of, and should be read in conjunction with these financial statements.

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

In thousands of dollars	Note	Unaudited as at 30/06/19	Audited as at 31/12/18	Unaudited as at 30/06/18
SHAREHOLDERS' EQUITY				
Issued capital		55,374	54,864	54,864
Retained earnings		161,098	155,730	147,559
Total Equity		**216,472**	**210,594**	**202,423**
Represented by:				
NON CURRENT ASSETS				
Property, plant and equipment	9	36	4	5
Development property		138,119	124,652	121,302
Investment in associate		2	2	2
Total Non Current Assets		**138,157**	**124,658**	**121,309**
CURRENT ASSETS				
Cash and cash equivalents		16,594	7,280	25,814
Short term deposits		21,120	38,620	31,000
Trade and other receivables		3,314	1,984	3,276
Development property		41,377	45,072	29,229
Total Current Assets		**82,405**	**92,956**	**89,319**
Total Assets		**220,562**	**217,614**	**210,628**
NON CURRENT LIABILITIES				
Deferred tax liabilities		71	71	2
Lease liabilities	9	17	-	-
Total Non Current Liabilities		**88**	**71**	**2**
CURRENT LIABILITIES				
Trade and other payables		2,888	2,175	2,730
Employee entitlements		37	32	36
Income tax payable		1,064	4,742	5,437
Lease liabilities	9	13	-	-
Total Current Liabilities		**4,002**	**6,949**	**8,203**
Total Liabilities		**4,090**	**7,020**	**8,205**
Net Assets		**216,472**	**210,594**	**202,423**

The accompanying notes form part of, and should be read in conjunction with these financial statements.

CONDENSED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 JUNE 2019

In thousands of dollars	Note	Unaudited 6 months to 30/06/19	Unaudited 6 months to 30/06/18
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		38,731	58,510
Interest received		754	893
Cash was applied to:			
Payments to suppliers		(20,990)	(14,164)
Payments to employees		(272)	(283)
Purchase of development land		(7,624)	(36,354)
Income tax paid		(9,242)	(7,595)
Net Cash Inflow from Operating Activities		**1,357**	**1,007**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Short Term Deposit Maturities		38,620	46,500
Cash was applied to:			
Short term deposits		(21,120)	(31,000)
Purchase of plant, equipment and furniture		(2)	-
Principal repayment of lease liability	9	(8)	-
Net Cash Inflow From Investing Activities		**17,490**	**15,500**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividend paid		(9,224)	(9,159)
Supplementary dividend paid		(309)	(308)
Net Cash Outflow from Financing Activities		**(9,533)**	**(9,467)**
Net Increase in Cash and Cash Equivalents		9,314	7,040
Add Opening Cash and Cash Equivalents		7,280	18,774
Closing Cash and Cash Equivalents		**16,594**	**25,814**
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit after taxation		15,102	25,470
Adjusted for non cash items:			
Depreciation		6	-
Amortisation of right-of-use assets	9	2	-
Income tax expense		5,873	9,908
Adjustments for movements in working capital:			
Increase in receivables		(1,330)	(1,550)
Increase in development properties		(9,772)	(25,832)
Increase in payables		718	606
Cash generated from Operations		**10,599**	**8,602**
Income tax paid		(9,242)	(7,595)
Cash Inflows from Operating Activities		**1,357**	**1,007**

The accompanying notes form part of, and should be read in conjunction with these financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

CDL Investments New Zealand Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is a FMC Reporting Entity in terms of the Financial Markets Conduct Act 2013 and the Financial Reporting Act 2013.

The condensed interim financial statements of the Company as at and for the half year ended 30 June 2019 comprises the Company and its subsidiary (together referred to as the "Group").

The principal activity of the Group is the development and sale of residential land properties.

(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 applied by the Group in these condensed financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2018 except for the adoption of one new standard (see Note 9).

The condensed interim financial statements were authorised for issuance on 1 August 2019.

2. CAPITAL & RESERVES

Share Capital

Under the Company's Dividend Reinvestment Plan, an additional 687,093 shares were issued on 17 May 2019 (2018: 604,516) at a strike price of $0.7422 (2018: $0.9154).

At 30 June 2019, the authorised share capital consisted of 278,805,580 fully paid ordinary shares (2018: 278,118,487).

Dividends

The following dividends were declared and paid during the period ending 30 June:

In thousands of dollars	2019	2018
3.5 cents per qualifying ordinary share (2018: 3.5 cents)	9,734	9,713
	9,734	**9,713**

3. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share at 30 June 2019 of 5.42 cents (2018: 9.16 cents) was based on the profit attributable to ordinary shareholders of $15,102,000 (2018: $25,470,000); and weighted average number of shares of 278,576,549 (2018: 277,916,982) on issue in the period.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)

4. SEGMENT REPORTING

Operating segments

The single operating segment of the Group consists of property operations, comprising the development and sale of residential land sections.

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.

Geographical segments

Segment revenue is based on the geographical location of the segment assets. All segment revenues are derived in New Zealand.

Segment assets are based on the geographical location of the development property. All segment assets are located in New Zealand. The Group has no major customer representing greater than 10% of the Group's total revenues.

5. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There were no material events subsequent to the end of the six month period ended 30 June 2019 (2018: Nil) that would require disclosure.

6. 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 2019 (2018: Nil). There were no contingent liabilities or contingent assets as at 30 June 2019 (2018: Nil).

7. RELATED PARTY TRANSACTIONS

CDL Investments New Zealand Limited is a subsidiary of Millennium & Copthorne Hotels New Zealand Limited by virtue of Millennium & Copthorne Hotels New Zealand Limited owning 66.26% (2018: 66.42%) of the Company and having three out of six of the Directors on the Board. Millennium & Copthorne Hotels New Zealand Limited is 70.79% (2018: 70.79%) owned by CDL Hotels Holdings New Zealand Limited (computed on voting shares), which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate holding company is Hong Leong Investment Holdings Pte Ltd in Singapore.

During the six month period ending 30 June 2019 CDL Investments New Zealand Limited has reimbursed its parent, Millennium & Copthorne Hotels New Zealand Limited, $159,000 (2018: $157,000) for expenses incurred by the parent on behalf of the Group.

Subsidiary	Principal Activity	% Holding by CDL Investments New Zealand Limited	Balance Date
CDL Land New Zealand Limited	Property Investment and Development	100.00	31 December

Associate	Principal Activity	% Holding by CDL Land New Zealand Limited	Balance Date
Prestons Road Limited	Service Provider	33.33	31 March

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 30 JUNE 2019 (UNAUDITED)

8. COMMITMENTS

As at 30 June 2019, the Group had entered into contractual commitments for development expenditure and purchases of land. Contractual agreements for the purchase of land are subject to a satisfactory outcome of the Group's due diligence process, board approval, and OIO approval. Development expenditure represents amounts contracted and forecast to be incurred in the remainder of 2019 in accordance with the Group's development programme.

In thousands of dollars	2019	2018
Development expenditure	21,252	26,830
Land purchases	33,717	-
	54,969	**26,830**

9. NEW ACCOUNTING STANDARD

During the period, the Group adopted one new accounting standard, NZ IFRS 16 "Leases", using the modified retrospective approach. This standard requires a right-of-use asset and a corresponding lease liability to be recognised on the balance sheet in respect of the leased assets. The lease expenses will be replaced with an interest expense and an amortization expense in the income statement. This has no material effect on the Group's financial statements.

As at 30 June 2019, the Group recorded two motor vehicle leases as right-of-use assets totalling $30,000 (classified under plant, furniture and equipment). The corresponding lease liabilities are classified under current liabilities of $13,000 and non-current liabilities of $17,000. The leases had unexpired terms between 26 to 43 months. The incremental borrowing rate of 14.55% was used to discount the leased assets and liabilities. The incremental borrowing rate used in the transition required significant judgement and is subject to further review and refinement. During the period, new costs were incurred on the amortization of right-of-use assets of $2,000 and on the lease interest expense of $2,000. The principal repayment of the lease liabilities during the period was $8,000.

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