

# TARGET

## Intelligence Report

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### **REGAL REAL ESTATE INVESTMENT TRUST: READ THIS REPORT AND, PERHAPS, ONE MIGHT BE INCLINED TO WEEP – JUST A LITTLE**

At Page 76 of the 2023 Annual Report of Regal Real Estate Investment Trust (富豪產業信託) (Code 1881, Main Board, The Stock Exchange of Hongkong Ltd) a (somewhat) definitive statement has been presented to those who determine to try to study it, as to the definition of that which is known, in some quarters, as ‘*The Regal REIT*.’

Under the heading, ‘**GENERAL**,’ one was informed, in the following three paragraphs, as to certain aspects of Regal Real Estate Investment Trust:

*‘Regal Real Estate Investment Trust (“**Regal REIT**”) is a Hong Kong collective investment scheme authorised under section 104 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and its units (the “**Units**”) were listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30<sup>th</sup> March, 2007. Regal REIT is governed by a trust deed (the “**Trust Deed**”) dated 11<sup>th</sup> December, 2006 (date of establishment), made between Regal Portfolio Management Limited (the “**REIT Manager**”) and DB Trustees (Hong Kong) Limited (德意志信託[香港]有限公司) (the “**Trustee**”) (as amended and restated by the first amending and restating deed dated 23<sup>rd</sup> March, 2021 and the second amending and restating deed dated 31<sup>st</sup> January, 2024) and the Code on Real Estate Investment Trusts (the “**REIT Code**”) issued by the Hong Kong Securities and Futures Commission (the “**SFC**”).*

*‘The principal activity of Regal REIT and its subsidiaries (collectively, referred to as the “**Group**”) is to own and invest in income-producing hotels, serviced apartments or commercial properties (including office premises) with the objectives of producing stable and growing distributions to the unitholders of Regal REIT (the “**Unitholders**”) and to achieve long-term growth in the net asset value per Unit.*

*‘The addresses of the registered office of the REIT Manager and the Trustee are Unit No. 2001, 20th Floor, 68 Yee Wo Street, Causeway Bay,*

*Hong Kong and Level 60, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong, respectively.'*

The Non-Executive Director, as well as being the Chairman of the Board of Directors of Regal Real Estate Investment Trust, is Mr Lo Yuk Sui (羅旭瑞) who took the trouble to fashion his Chairman's Statement as follows:

### ***'FINANCIAL RESULTS***

*For the year ended 31st December, 2023, Regal REIT recorded a consolidated profit before distributions to Unitholders of HK\$265.7 million, as compared to a profit of HK\$929.9 million for the 2022 financial year. The profit recorded for the year under review was principally attributable to the gain of HK\$366.9 million arising from the increase in the fair value of Regal REIT's investment property portfolio, as compared to its appraised value as at 31st December, 2022, while for the 2022 financial year, a fair value gain of HK\$754.7 million was recorded. However, if the effects of these fair value changes are excluded, Regal REIT would report a core operating loss of HK\$101.2 million for the year under review, as compared to a core operating profit of HK\$175.2 million for the preceding year. The core operating loss incurred was mainly due to the substantial increase in financial expenses, which amounted to HK\$611.2 million (2022 - HK\$281.8 million), as the Hong Kong Interbank Offered Rates (**HIBOR**), on which the borrowing costs of Regal REIT's bank loans were based, had risen rapidly in the second half of 2023.*

*'Consequently, Regal REIT recorded an adjusted loss of HK\$127.6 million for 2023 (2022 - total distributable income of HK\$204.8 million), which precludes any distribution for the year. Therefore, same as with the interim period, the Board of Directors of the REIT Manager has decided not to declare any final distribution for the year ended 31st December, 2023 (2022 - final distribution of HK\$0.010 per Unit and total distributions for the year of HK\$0.061 per Unit).*

### ***'HOTEL MARKET AND BUSINESS REVIEW***

*'After a strong initial rebound from the depths of the COVID pandemic, the pace of recovery in the global economy in 2023 has overall moderated. Economic activity was still falling short of pre-pandemic projections, especially in the emerging market and developing economies. Aggregate economic growth in advanced economies was resilient for most of last year, slowing less than previously expected, which largely reflected the recovering status in the United States where consumer spending has remained fairly robust.*

*'In spite of some domestic challenges and external pressures, China was able to accomplish the major targets set for 2023. Growth in its Gross Domestic Product (**GDP**) for the year picked up by 5.2%, which was in line with the official growth target and exceeded the 3% growth attained in*

*2022. In Hong Kong, the overall economic conditions have been very challenging under the high interest rates environment. The city recorded a 3.2% growth in its GDP in 2023, which was 0.8 percentage point below the low end of the Government's growth forecast in August 2023...*

*'According to a hotel survey published by the Hong Kong Tourism Board, the average hotel occupancy rate for all the surveyed hotels in different categories in Hong Kong in 2023 was 82.0%, an increase of 16.0 percentage points from 2022, while the industry-wide average room rate improved by 30.7%, with the average Revenue per Available Room (RevPAR) having an overall increase of 62.3% year-on-year.*

*'Being one of the major hotel owners in Hong Kong, Regal REIT presently owns a portfolio of nine operating hotels, comprising five hotels under the full-service "Regal" brand (the "Initial Hotels") and four hotels under the select-service "iclub" brand, together commanding a total room count of over 4,900 guestrooms and suites.*

*'Apart from the iclub Wan Chai Hotel which is owned and self-operated by Regal REIT, all the five Initial Hotels and the three other iclub Hotels are leased to a wholly-owned subsidiary of Regal Hotels International Holdings Limited (富豪酒店國際控股有限公司) ("RHIHL") ...*  
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